

18 September 2023

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

Interim results to 30 June 2023

Deltex Medical Group plc (AIM: DEMG) today announces its unaudited interim results for the six months ended 30 June 2023 (the "Period").

HIGHLIGHTS

Financial

- Revenues of £1.1m (H1 2022: £1.2 million).
- Adjusted EBITDA loss of £361,000 (H1 2022: loss of £418,000).
- Operating loss of £0.5 million (H1 2022: £0.6 million).
- Gross margin of 69% (H1 2022: 74%).
- Cash at hand on 30 June 2023 of £0.1 million (H1 2022: £0.6 million).
- Fundraise completed in August 2023, raising new cash for the business of £1.89 million and £350,000 debt converted to equity to strengthen the Company's balance sheet.

Commercial

- New TrueVue monitor CE marked and released in the UK and EU and revenues expected in November 2023.
- The restructuring has now been successfully completed. Net proceeds of the fundraise have been used to strengthen the balance sheet and implement the Group's restructuring plan to remove c.£1.0m from the cost base.
- Commercial activities in the UK and the USA modified to focus on selling the new TrueVue monitor into existing accounts and increase existing single-use oesophageal doppler monitoring ("ODM") probe usage.
- Subject to regulatory approvals, clinical evaluation in a leading UK hospital has now been approved to commence this year in relation to the new non-invasive Doppler-based haemodynamic monitoring device.
- Government released funding for the national tender in Latin America at the end of August 2023 and hospitals are now in the process of choosing which equipment to purchase.

Nigel Keen, Chairman of Deltex Medical, said:

"It has been a challenging first half, but the successful completion of the fundraise in August 2023 has strengthened the balance sheet and subsequently enabled the Board and management to focus on driving the business forward by delivering growth with a streamlined cost base."

"The launch of the new next generation TrueVue monitor is anticipated to increase activity levels in the UK and EU ahead of other international regulatory approvals being obtained. In anticipation of starting to fulfil orders before the end of the year, we are manufacturing the new TrueVue monitors."

"The new TrueVue monitor will be used as the platform for the new non-invasive ultrasound device and clinical evaluations for this are planned to start before the end of 2023."

For further information, please contact:

Deltex Medical Group plc

Nigel Keen, Chairman

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Notes for Editors

Deltex Medical's 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, although sedated patients in intensive care are still an important part of our business. The Group's new, next generation monitor makes the use of the ODM technology more intuitive and provides 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.

Deltex Medical's 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.

Deltex Medical's 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 launched in July 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.

Deltex Medical's customers

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

Deltex Medical's objective

To see the adoption of Deltex Medical's 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.

For further information please go to www.deltexmedical.com

CHAIRMAN'S STATEMENT

Financial results

Revenues for the six months ended 30 June were £1.1 million (2022: £1.2 million). This reflects subdued activity levels in elective surgery across the UK and the US as well as a combination of delays in the launch of the new TrueVue monitor and the award of the national tender for haemodynamic monitoring in Latin America, as originally stated in the Company's announcement on 6 July 2023.

The Group's gross margin decreased to 69% (2022: 74%). This decrease was linked to excess capacity within production. The Company is pleased to note that this excess capacity has since been reduced as part of the Company broader restructuring which completed in September 2023.

Adjusted EBITDA, which comprises the operating loss adjusted for depreciation, amortisation, equity-settled non-executive directors' fees, share-based payments and certain other items, was a loss of £361,000 (2022: £(418,000)).

The Group's overheads have reduced to £1.2 million (2022: £1.5 million). This is as a result of a decrease in sales and marketing expenditure of £130,000, due to a reduction in personnel and their associated costs, as well as an increase in sales activity in relation to the new monitor leading to higher capitalisation in H1 2023. There was also a decrease in administration expenses as a result of lower share based payment charges in H1 2023, as well as a modification gain of £89,000 on the extension of the convertible loan note.

Loss before taxation was £536,000 (2022: £(662,000)).

Cash at hand at 30 June 2023 was £0.1 million (2022: £0.6 million).

Commercial activities

Unexpected delays in releasing the new TrueVue monitor and in the award of a national tender for haemodynamic monitoring with one of the Group's Latin American distributors significantly impacted the Group's financial position in the first half of the year. As a result, on 26 June 2023 the Group's ordinary shares were suspended from trading on AIM, pending clarification of the Group's financial position.

As announced on 2 August 2023 the Group successfully completed a £1.89 million fundraise and capital reorganisation. Proceeds of the fundraise have been used to strengthen the balance sheet and implement the Group's cost cutting and restructuring plan, the objective being to reduce approximately £1.0 million from the cost base. The restructuring has now been completed and the cost savings will be fully effective from October 2023.

During the period, our business plan had anticipated that the UK and US healthcare markets would recover, with improved access for our sales and clinical teams. Whilst access has begun to improve, it is a long way from pre-Covid 19 access levels. Accordingly, we have concluded that access to hospitals, especially in the UK, will remain very challenging for the foreseeable future. We also continue to see disruption in the UK from shortages in clinical staff, as well as the knock-on effect from industrial action, which disrupts and delays elective surgery. All of these issues collectively reduce the opportunity for our sales and clinical teams to meet face to face with clinicians in a clinical environment. It's for these reasons that we have, amongst other areas, concentrated on reducing the Company's direct sales personnel headcount in the UK and US in order to streamline the business following completion of the fundraise in August 2023.

With reduced sales and clinical teams, it's now more important than ever to be able to promote our technology across digital platforms. In 2022 we established our on-line training programme, the

TrueVue Advanced Learning Academy (the “Academy”), which provides clinicians with a comprehensive training programme on haemodynamics, including details on the published evidence base, and how best to use TrueVue Doppler-based monitoring device. The Academy provides detailed information on how to manage a patient’s haemodynamic status during surgery as well as while in intensive care. The Academy is proving to be well received and works as a very good resource to deliver training remotely.

Sales in our international division were suppressed due to delays in the award of the national tender for haemodynamic monitoring with one of the Group's Latin American distributors. Originally, the Group’s expectation was that this contract would be announced before the end of the Period. We now understand that the government released funding for the national tender at the end of August 2023 and hospitals are now in the process of choosing which equipment to purchase. We remain confident that this national tender may potentially result in significantly increased revenues being generated from this region.

Product development: new, next generation TrueVue monitor

As announced on 10 July 2023, the new next generation TrueVue monitor has been released in the UK and EU and can now be deployed into UK hospitals for final marketing evaluations to ensure there are no teething issues, with revenues forecasted for the Group from new monitor sales to commence in November 2023.

The new TrueVue monitor is expected to help drive activity levels in the UK and EU, with existing customers and distributors upgrading from the existing device to the new next generation TrueVue monitor.

We continue to develop the new non-invasive Doppler-based haemodynamic monitoring device that is complementary to our existing product range and which will also run on the new TrueVue platform. Our prototype new non-invasive Doppler-based haemodynamic monitoring device is anticipated to be completed in Q4 2023. We believe this new device will form a very important part of our future growth and long-term strategy. This non-invasive device will also benefit from the substantial body of published evidence that demonstrates that the appropriate use of the TrueVue Doppler gives rise to improved clinical outcomes and reduced patient length-of-stay. Improved clinical outcomes and reduced patient length-of-stay are going to remain critically important goals for hospitals in the foreseeable future, particularly as hospitals face increased governmental pressure to improve healthcare infrastructure for an ever-growing population.

The development work for the non-invasive device is supported by an Innovate UK Grant and completion of this development cycle is scheduled for the end of September 2023. A clinical evaluation in a leading UK hospital has now been approved to commence this year, subject to the non-invasive device gaining the necessary regulatory approvals. This evaluation process is anticipated to last six weeks.

Current trading and prospects

Following completion of the restructuring, the Group is fully focused on generating positive monthly EBITDA at high gross margins. The Group anticipates achieving this by the end of the calendar year having significantly reduced Group headcount and therefore reducing overheads by approximately £1.0 million.

Our international division is well positioned for growth. We are confident that the Latin American national tender for haemodynamic monitoring will progress in the Group’s favour and that as a result, we will be well positioned to further increase revenues across the region.

The launch of the new next generation TrueVue monitor will significantly increase the Group's pipeline for capital purchases from existing customers and distributors, who are anticipated to replace their legacy monitors. It will also help to underpin existing probe revenues whilst providing the platform for the development of the new non-invasive Suprasternal device.

We look forward to reporting further progress in due course, as the Board is confident that the strategy and restructuring has positioned the Group for growth and success.

Nigel Keen

Chairman

15s September 2023

Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 June 2023

		Unaudited		Audited
		Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
	Note			
Revenue	4	1,059	1,158	2,482
Cost of sales		(331)	(306)	(643)
Gross profit		728	852	1,839
Administrative expenses		(642)	(779)	(1,560)
Sales and distribution expenses		(427)	(554)	(1,027)
Research and Development, Quality and Regulatory		(116)	(120)	(231)
Impairment loss on trade receivables		-	-	(39)
Total costs		(1,185)	(1,453)	(2,857)
Other gain	7	40	30	71
Operating loss		(417)	(571)	(947)
Finance costs		(119)	(91)	(199)
Loss before taxation		(536)	(662)	(1,146)
Tax credit adjustment	7	(1)	-	1
Loss for the period/year		(537)	(662)	(1,145)
Other comprehensive income/(expense)				
Items that may be reclassified to profit or loss:				
Net translation differences on overseas subsidiaries		6	15	35
Other comprehensive income/(expense) for the period/year, net of tax		6	15	35
Total comprehensive loss for the period/year		(531)	(647)	(1,110)
Total comprehensive loss for the period/year attributable to:				
Owners of the Parent		(532)	(651)	(1,114)
Non-controlling interests		1	4	4
		(531)	(647)	(1,110)
Loss per share – basic and diluted	8	(0.08)p	(0.10)p	(0.17p)

Condensed Consolidated Balance Sheet
As at 30 June 2023

		Unaudited		Audited
		30 June 2023	30 June 2022	31 December 2022
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		237	274	269
Intangible assets		3,986	3,419	3,769
Financial assets at amortised cost		159	171	164
Total non-current assets		4,382	3,864	4,202
Current assets				
Inventories	9	824	835	821
Trade receivables		440	540	456
Financial assets at amortised cost		15	15	15
Other current assets		136	92	140
Current income tax recoverable		40	99	72
Cash and cash equivalents	10	107	611	471
Total current assets		1,562	2,192	1,975
Total assets		5,944	6,056	6,177
Liabilities				
Current liabilities				
Borrowings	11	(1,147)	(700)	(935)
Trade and other payables	12	(1,744)	(1,419)	(1,704)
Total current liabilities		(2,891)	(2,119)	(2,639)
Non-current liabilities				
Borrowings	11,13	(998)	(1,048)	(1,069)
Trade and other payables	12	(148)	(203)	(177)
Provisions		(67)	(60)	(64)
Total non-current liabilities		(1,213)	(1,311)	(1,310)
Total liabilities		(4,104)	(3,430)	(3,949)
Net assets		1,840	2,626	2,228
Equity				
Share capital	14	7,091	6,991	6,990
Share premium		33,682	33,672	33,672
Capital redemption reserve		17,476	17,476	17,476
Other reserve		559	632	527
Translation reserve		174	148	168
Convertible loan note reserve		82	82	82
Accumulated losses		(57,104)	(56,254)	(56,566)
Equity attributable to owners of the Parent		1,960	2,747	2,349
Non-controlling interests		(120)	(121)	(121)
Total equity		1,840	2,626	2,228

Deltex Medical Group plc
Interim financial statements for the six-month period ended 30 June 2023

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2023 (unaudited)

	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 2023	6,990	33,672	17,476	527	82	168	(56,566)	2,349	(121)	2,228
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(538)	(538)	1	(537)
Other comprehensive income for the period	-	-	-	-	-	6	-	6	-	6
Total comprehensive income for the six- month period	-	-	-	-	-	174	(538)	(532)	1	(531)
Transactions with owners of the Group										
Shares issued during the year	101	10	-	-	-	-	-	111	-	111
Issue expenses	-	-	-	-	-	-	-	-	-	-
Equity-settled share- based payment	-	-	-	32	-	-	-	32	-	32
Balance at 30 June 2023	7,091	33,682	17,476	559	82	174	(57,104)	1,960	(120)	1,840

Deltex Medical Group plc
Interim financial statements for the six-month period ended 30 June 2023

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2022 (unaudited)

	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
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(666)	(666)	4	(662)
Other comprehensive income for the period	-	-	-	-	-	15	-	15	-	15
Total comprehensive income for the six- month period	-	-	-	-	-	15	(666)	(651)	4	(647)
Transactions with owners of the Group										
Shares issued during the year	1,142	285	-	-	-	-	-	1,427		1,427
Issue Expenses	-	(115)	-	-	-	-	-	(115)		(115)
Equity-settled share- based payment	-	-	-	59	-	-	-	59	-	59
Balance at 30 June 2022	6,991	33,672	17,476	632	82	148	(56,254)	2,747	(121)	2,626

Deltex Medical Group plc
Interim financial statements for the six-month period ended 30 June 2023

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2022 (audited)

	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
Comprehensive income										
Loss for the period	-	-	-	-	-	-	(1,149)	(1,149)	4	(1,145)
Other comprehensive income for the period	-	-	-	-	-	35	-	35	-	35
Total comprehensive income for year	-	-	-	-	-	35	(1,149)	(1,114)	4	(1,110)
Transactions with owners of the Group										
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	-	-	-
Balance at 31 December 2022	6,990	33,672	17,476	527	82	168	(56,566)	2,349	(121)	2,228

Deltex Medical Group plc
Interim financial statements for the six-month period ended 30 June 2023

Condensed Consolidated Statement of Cash Flows
For the period ended 30 June 2023

	Unaudited		Audited
	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Cash flows from operating activities			
Loss before taxation	(536)	(662)	(1,146)
Adjustments for:			
Net finance costs	119	91	199
Depreciation of property, plant and equipment	38	36	88
Amortisation of intangible assets	20	20	40
Share-based payment expense	32	59	125
Gain on convertible loan note modification	(89)		
Other tax income	(40)	(30)	(71)
Effect of exchange rate fluctuations	6	15	35
	(450)	(471)	(730)
(Increase)/decrease in inventories	(3)	(39)	(48)
(Increase)/decrease in trade and other receivables	25	(100)	(57)
Increase in trade and other payables	147	24	306
Increase in provisions	3	3	7
Net cash (used in)/from operations	(278)	(583)	(522)
Interest paid	(98)	(69)	(153)
Income taxes received	71	-	69
Net cash used in operating activities	(305)	(652)	(606)
Cash flows from investing activities			
Purchase of property, plant and equipment	(6)	(46)	(70)
Capitalised development expenditure (net of grants)	(236)	(304)	(674)
Net cash used in investing activities	(242)	(350)	(744)
Cash flows from/(used in) financing activities			
Issue of ordinary share capital	-	1,341	1,340
Expenses in connection with share issue	-	(115)	(115)
Net movement in invoice discounting facility	(38)	(2)	(17)
Standby loan facility repayment	-	-	(500)
Standby loan facility drawdown	250	-	750
Principal lease payments	(22)	(22)	(45)
Net cash generated from/(used in) financing activities	190	1,202	1,413
Net increase/(decrease) in cash and cash equivalents	(357)	200	63
Cash and cash equivalents at beginning of the period	471	413	413
Exchange loss on cash and cash equivalents	(7)	(2)	(5)
Cash and cash equivalents at the end of the period	107	611	471

Notes to the condensed consolidated interim financial statements

1. Reporting Entity

These condensed consolidated interim financial statements ('Interim 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 quoted on the AIM market of the London Stock Exchange. The address of the registered office is Deltex Medical Group plc, Terminus Road, Chichester, PO19 8TX, registered number 03902895. These Interim Financial Statements are as at and for the period ended 30 June 2023.

The Group is principally involved with the manufacture and sale of advanced haemodynamic monitoring technologies.

2. Basis of accounting

These interim financial statements are for the six months ended 30 June 2023 and have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. They do not include all of 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 and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 (Annual Report & Accounts 2022).

These 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 2022 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 2022 was unqualified.

These 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 2022 and are expected to be applied in the preparation of the financial statements for the year ending 31 December 2023. There are no accounting pronouncements which have become effective from 1 January 2023 that have a significant impact on the Group's interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The interim financial statements were approved for issue by the Board of Directors on 15 September 2023.

3. Use of judgements and estimates

In preparing these interim 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. 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.

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 2022.

Deltex Medical Group plc
Interim financial statements for the six-month period ended 30 June 2023

Notes to the condensed consolidated interim financial statements (continued)

4. Revenue

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 six months ended 30 June 2023 (Unaudited)

	Direct markets			Indirect markets			Total
	Probes	Monitors	Other	Probes	Monitors	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK	212	113	15	-	-	-	340
USA	156	4	20	-	-	-	180
France	-	-	-	248 ¹	-	2	250
Scandinavia	-	-	-	49	-	1	50
Latin America	-	-	-	37	-	-	37
Hong Kong	-	-	-	6	62	-	68
Portugal	-	-	-	63	-	-	63
Other countries	5	-	1	39	22	4	71
	373	117	36	442	84	7	1,059

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

For the six months ended 30 June 2022 (Unaudited)

	Direct markets			Indirect markets			Total
	Probes	Monitors	Other	Probes	Monitors	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK	222	59	42	-	-	-	323
USA	241	15	24	-	-	-	280
France	-	-	-	235 ¹	6	2	243
Scandinavia	-	-	-	34	49	2	85
South Korea	-	-	-	78	-	-	78
Other countries	17	26	-	84	18	4	149
	480	100	66	431	73	8	1,158

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

For the year ended 31 December 2022 (Audited)

	Direct markets			Indirect markets			Total
	Probes	Monitors	Other	Probes	Monitors	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK	461	106	75	-	-	-	642
USA	463	122	51	-	-	-	636
France	-	-	-	464 ¹	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

Deltex Medical Group plc
Interim financial statements for the six-month period ended 30 June 2023

Notes to the condensed consolidated interim financial statements (continued)

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

	Period ended 30 June 2023 £'000	30 June 2022 £'000	Year ended 31 December 2022 £'000
Sale of goods	1,038	1,131	2,430
Maintenance income	21	27	52
	1,059	1,158	2,482

The following table provides information about trade receivables and contract liabilities from contracts with customers. There were no contract assets at either 30 June 2023 or 1 January 2023.

	30 June 2023 £'000	1 January 2023 £'000
Trade receivables which are in 'Trade and other receivables'	440	456
Contract liabilities	(48)	(36)

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 2023:

	2023 £'000	2024 £'000	2025 £'000	2026 £'000	Total £'000
Revenue expected to be recognised	9	28	2	9	48

5. Segmental analysis

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, non-executive directors' fees, as well as any exceptional items' (Adjusted EBITDA). However, this measure is reported at a Group level rather than an operating segment which is based on the nature of the goods provided rather than the geographical market in which they are sold.

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Notes to the condensed consolidated interim financial statements (continued)

The unaudited operating segment results for the six months ended 30 June 2023 are:

	Probes ¹ £'000	Monitors £'000	Other £'000	Unallocated £'000	Total £'000
Revenues	815	201	43	-	1,059
Adjusted gross profit²	572	145	21	-	738
Sales and marketing costs	-	-	-	-	(425)
Administration costs	-	-	-	-	(587)
R&D costs	-	-	-	-	(1)
Quality and regulation costs	-	-	-	-	(86)
Adjusted EBITDA	-	-	-	-	(361)

1. Managed care service revenue is categorised as probe revenue

2. Gross profit excluding the depreciation charge relating to monitors loaned to customers and production equipment (£10,000)

The unaudited operating segment results for the six months ended 30 June 2022 were:

	Probes ¹ £'000	Monitors £'000	Other £'000	Unallocated £'000	Total £'000
Revenues	912	173	73	-	1,158
Adjusted gross profit²	675	128	52	-	855
Sales and marketing costs	-	-	-	-	(554)
Administration costs	-	-	-	-	(618)
R&D costs	-	-	-	-	(2)
Quality and regulation costs³	-	-	-	-	(99)
Adjusted EBITDA	-	-	-	-	(418)

1. Managed care service revenue is categorised as probe revenue

2. Gross profit excluding the depreciation charge relating to monitors loaned to customers and production equipment

The audited operating segment results for the year ended 31 December 2022 were:

	Probes ¹ £'000	Monitors £'000	Other £'000	Unallocated £'000	Total £'000
Revenues	1,800	537	145	-	2,482
Adjusted gross profit²	1,323	416	107	-	1,843
Sales and marketing costs	-	-	-	(1,027)	(1,027)
Administration costs	-	-	-	(1,192)	(1,192)
R&D costs	-	-	-	(36)	(36)
Quality and regulation costs	-	-	-	(195)	(195)
Adjusted EBITDA	-	-	-	-	(607)

1. Managed care service revenue is categorised as probe revenue

2. Gross profit excluding the depreciation charge relating to monitors loaned to customers and production equipment (£4,000)

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Notes to the condensed consolidated interim financial statements (continued)

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:

	Unaudited 30 June 2023 £'000	30 June 2022 £'000	Audited 31 December 2022 £'000
Adjusted EBITDA	(361)	(418)	(607)
Non-cash items:			
Depreciation of property, plant and equipment	(38)	(36)	(88)
Amortisation of development costs	(20)	(20)	(40)
Impairment loss on trade receivables	-	-	(39)
Non-executive directors' fees and employer's social security costs	(71)	(68)	(136)
Share-based payment expense	(32)	(59)	(125)
Change in accumulated absence cost liability	(24)	-	17
Gain on convertible loan note	89	-	-
Cash item: Other tax income	40	30	71
	(56)	(153)	(340)
Operating loss	(417)	(571)	(947)
Finance costs	(119)	(91)	(199)
Loss before tax	(536)	(662)	(1,146)
Tax credit on loss	(1)	-	1
Loss for the period/year	(537)	(662)	(1,145)

6. Dividends

The Directors cannot recommend the payment of a dividend for 2023 (2022: nil).

7. Tax credit on loss

	Unaudited 30 June 2023 £'000	30 June 2022 £'000	Audited 31 December 2022 £'000
Research and development tax credit adjustment	1	-	(1)
Total tax credit adjustment	1	-	(1)

The other gain amount for six months to 30 June 2023 of £40,000 (six months to 30 June 2022: £30,000) comprises tax income arising from the Research and Development Expenditure Credit scheme which is accounted for as a government grant.

8. 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 2023 is based on the loss of £538,000 and the weighted average number of shares in issue of 703,227,881.

For the six months to 30 June 2022, the loss per share calculation is based on the loss of £666,000 and the weighted average number of shares in issue of 672,175,129.

For the year ended 31 December 2022, 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.

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Notes to the condensed consolidated interim financial statements (continued)

While the Group is loss-making, the diluted loss per share and the loss per share are the same.

9. Inventories

Inventories at 30 June 2023 include the following finished Goods: 16,800 probes (30 June 2022: 14,894) and 113 monitors (30 June 2022: 176).

10. Cash at bank

	Unaudited		Audited
	30 June 2023	30 June 2022	31 December 2022
	£'000	£'000	£'000
Cash at bank	107	611	471

11. Borrowings

	Unaudited				Audited	
	30 June 2023		30 June 2022		31 December 2022	
	Current	Non-current	Current	Non-current	Current	Non-current
	£'000	£'000	£'000	£'000	£'000	£'000
Invoice discount facility	147	-	200	-	185	-
Standby loan facility	750	-	500	-	750	-
Bridging loan facility	250	-	-	-	-	-
Convertible loan note	-	998	-	1,048	-	1,069
	1,147	998	700	1,048	935	1,069

On 2 August 2023, as part of a fundraising and capital reorganisation, £100,000 of the Standby loan facility was converted into 50,000,000 loan conversion shares at a price of 0.2 pence per share. As part of this transaction, the remaining £650,000 Standby loan facility has had the maturity extended to £250,000 repayable by 30 June 2025 and £400,000 repayable by 31 December 2025. The interest rate remains at 8% per annum.

In April 2023, a bridging loan facility provided by Imperialise Limited, a company controlled by Nigel Keen, was put in place for £250,000 with a minimum term of three months. The interest rate on the facility was 12% per annum, and the facility was unsecured. On 2 August 2023, as part of a fundraising and capital reorganisation, the bridging loan facility was converted into 125,000,000 loan conversion shares at a price of 0.2 pence per share.

12. Trade and other payables

	Unaudited				Audited	
	30 June 2023		30 June 2022		31 December 2022	
	Current	Non-current	Current	Non-current	Current	Non-current
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	600	-	338	-	507	-
Other payables	249	-	280	-	258	-
Social security and other taxes	145	-	120	-	158	-
Lease obligations	55	148	49	203	52	177
Contract liabilities	48	-	52	-	39	-
Employee short-term benefits	48	-	41	-	24	-
Accrued expenses	599	-	540	-	666	-
	1,744	148	1,419	203	1,704	177

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Notes to the condensed consolidated interim financial statements (continued)

13. Convertible loan note

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 2023	1,069	82	1,151
Modification gain	(89)	-	(89)
Interest expense	61	-	61
Interest paid	(43)	-	(43)
Carrying amount at 30 June 2023	998	82	1,080

The convertible loan note falls due for repayment in June 2026. The convertible loan note is, at the option of the loan note holder, convertible at any time into new ordinary shares of 1 penny each at a conversion price of 4 pence per share.

14. Share capital

In April 2023, 9,993,805 new ordinary shares were issued at a price of 1.1 pence per share to satisfy certain deferred non-executive directors' fees for the year ended 31 December 2021.

There were no share options exercised during the six months ended 30 June 2023 or the six months ended 30 June 2022.

15. 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.

16. 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 2023		30 June 2022		31 December 2022	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
Sterling/US dollar	1.23	1.27	1.30	1.22	1.24	1.21
Sterling/Euro	1.14	1.16	1.19	1.16	1.17	1.13
Sterling/Canadian dollar	1.67	1.68	1.65	1.57	1.61	1.64

17. Subsequent events

On 2 August 2023, the Company raised £1.89m before expenses, through subscription for 207,500,000 subscriptions shares, 625,500,000 placing shares and 110,629,270 retail offer shares, all at 0.2 pence per share.

On the same date, a capital reorganisation to change the nominal value of the Company's ordinary shares to 0.01p per share was completed.

On the same date, as part of a fundraising and capital reorganisation, £100,000 of the Standby loan facility was converted into 50,000,000 loan conversion shares at a price of 0.2 pence per share. As part of this transaction, the remaining £650,000 Standby loan facility has had the maturity extended to £250,000 repayable by 30 June 2025 and £400,000 repayable by 31 December 2025. The interest rate remains at 8% per annum.

In April 2023, a bridging loan facility provided by Imperialise Limited, a company controlled by Nigel Keen, was put in place for £250,000 with a minimum term of three months. The interest rate on the facility was 12% per annum,

Notes to the condensed consolidated interim financial statements (continued)

and the facility was unsecured. On 2 August 2023, as part of a fundraising and capital reorganisation, the bridging loan facility was converted into 125,000,000 loan conversion shares at a price of 0.2 pence per share.

Furthermore, on 2 August 2023, 18,966,477 new ordinary shares were issued at a price of 0.2 pence per share to Imperialise Limited, a company controlled by Nigel Keen, to satisfy the Chairman's fees of £33,333 plus employer national insurance contributions for the year ended 31 December 2022.

18. 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 Group'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

19. 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.