

**Mainstay Medical Holdings plc and its subsidiaries
Annual Report
for the year ended 31 December 2023**

Mainstay Medical Holdings plc

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Forward looking statements

All statements in this Annual Report other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "should", "will", or "explore", or, in each case, their negative, other variations or comparable terminology, and include all matters that are not historical facts. These forward-looking statements may include, without limitation, statements regarding the company's intentions, beliefs or current expectations concerning, among other things, the company's commercial efforts and performance, financial position, financing strategies, product design and development, regulatory applications and approvals, and reimbursement arrangements.

Forward-looking statements involve risk and uncertainty and are not guarantees of future performance. Actual results may differ materially from those described in, or suggested by, the forward-looking statements. In addition, even if future results and developments are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements herein, including, without limitation, the Company's ability to successfully commercialize ReActiv8, including (without limitation) securing adequate reimbursement for ReActiv8 implants in the United States and the Company's commercial markets, the availability and cost of capital, general economic and business conditions, global medical device market conditions, industry trends, competition, changes in law or regulation, the time required to commence and complete clinical trials and their results, the Company's progress in developing new or improved products, the time and process required to obtain regulatory approvals, currency fluctuations, changes in Company's business strategy, and political and economic uncertainty. The forward looking statements herein speak only as of the date of this Annual Report.

Mainstay Medical Holdings plc

Corporate and shareholder information

Directors

Jason Hannon, Chief Executive Officer and Executive Director
 David Brabazon, Independent Non-Executive Chairman
 Greg Garfield, Non-Executive Director (resigned 26 February 2024)
 Kevin Reilly, Non-Executive Director (appointed on 18 May 2023)
 Charlie Chon, Non-Executive Director (resigned on 26 April 2023)
 Cédric Moreau, Non-Executive Director
 Jeffery Dunn, Non-Executive Director
 Eric Major, Non-Executive Director
 Leslie Norwalk, Non-Executive Director (appointed on 27 March 2023)
 Geoff Pardo, Non-Executive Director (appointed on 26 February 2024)

Secretary

Matthew Onaitis

Registered office

Clonmel House
 Forster Way
 Swords
 County Dublin, K67F2K3 Ireland

Registered number

667520

Website

www.mainstaymedical.com

ISIN

IE00BMC4XQ06

Solicitors/ Lawyers

McCann FitzGerald
 Riverside One
 Sir John Rogerson's Quay
 Dublin 2, Ireland

Latham & Watkins
 885 3rd Avenue,
 NY 10022, USA

Independent Auditor

KPMG
 Chartered Accountants
 1 Stokes Place
 St Stephen's Green
 Dublin 2, Ireland

Principal Bankers

HSBC
 Bank of America
 Bank of Ireland
 Silicon Valley Bank

Registrar

Computershare Investor Services (Ireland) Limited
 Heron House
 Corrig Road
 Sandyford Industrial Estate
 Dublin 18, Ireland

Mainstay Medical Holdings plc Directors' report

The Board of Directors are pleased to report on the progress of Mainstay Medical Holdings plc ("Mainstay" or the "Company") and present the Annual Report of the Company and its subsidiaries (the "Group" or "we") for the year ended 31 December 2023.

Principal activities

Mainstay is a medical device company focused on commercializing an innovative implantable Restorative Neurostimulation™ system, ReActiv8®, for people with disabling mechanical Chronic Low Back Pain.

The Company is headquartered in Dublin, Ireland and has subsidiaries operating in Ireland, the United States, Australia, Germany and the Netherlands.

As at 31 December 2023, the Company together with its operating subsidiaries Mainstay Medical International Limited (MMI), Mainstay Medical Limited (MML), MML US, Inc. (MML US), Mainstay Medical (Australia) Pty Limited (MMA), Mainstay Medical Distribution Limited (MMD), Mainstay Medical B.V. (MMBV), and Mainstay Medical GmbH (MMG), form the Mainstay Medical Group.

Financial review

Income statement

Revenue during the twelve-month period ending 31 December 2023 was \$20.0 million (2022: \$10.1 million). Revenue was generated from sales of ReActiv8 systems to mainly customers in the United States, Germany, the UK and Australia.

Operating expenses related to on-going activities were \$52.4 million during the year ended 31 December 2023 (2022: \$50.0 million). On-going activities during the financial year included selling, general and administrative, research and development, and clinical and regulatory activities.

Our selling, general and administrative expenses were \$37.7 million during year ended 31 December 2023 (2022: \$38.4 million). The decrease of \$0.7 million is primarily due to decreases in non-cash share-based payment expense, partially offset by increases in commercial activities as we built out our commercial capabilities.

Research and development expenses were \$9.8 million during the year ended 31 December 2023 (2022: \$7.6 million). The increase of \$2.2 million is primarily due to added payroll costs caused by an increase in employee headcount, costs related to the maintenance of our supply chain and greater investments in future product development.

Clinical and regulatory expenses were \$4.9 million during the year ended 31 December 2023 (2022: \$4.0 million). The \$0.9 million increase is primarily driven by increased costs incurred in the continuation of RESTORE clinical trial.

The total comprehensive loss for the year was \$44.2 million (2022: \$48.8 million).

Statement of financial position

Total assets of the Group at year end were \$19.8 million (2022: \$56.0 million). Cash on hand at 31 December 2023 was \$4.9 million (2022: \$41.9 million). Cash used in operating activities was \$36.0 million during the year ended 31 December 2023 (2022: \$43.6 million). This operating cash outflow reflects the costs of commercialization of ReActiv8, ongoing research and development, and undertaking our clinical trials, as well as the ongoing costs of running the Group. The Group undertook an equity financing in February 2024. Please see note 24 for details on this financing.

Financing Activities

Securing funds

The Group has financed its operations to date principally through the issuance of equity securities and debt funding. The management team continues to develop and strengthen relationships to explore further financing options. These may include debt funding, private placement or public offering of equity or debt securities, and/or strategic partnering. Please see note 24 for details on the Group's 2024 financing.

Mainstay Medical Holdings plc Directors' report (continued)

Financing Activities (continued)

Effective monitoring of use of funds

Management prepares budgets and rolling forecasts to track and monitor the use of funds. Actual expenditure is measured against budget and is reported to and evaluated by the Directors on a monthly basis.

Principal risks and uncertainties

A summary of the principal risks relating to the Group and Company and/or its industry include the following:

- We have incurred significant operating losses and may not be able to achieve or subsequently maintain profitability.
- We have limited history commercializing ReActiv8. Our future financial performance is entirely dependent on the commercial success of ReActiv8, including generating product adoption and market penetration and obtaining adequate reimbursement.
- There is no guarantee that the commercial performance of ReActiv8 will match the performance of ReActiv8 in clinical trials.
- We expect to require additional funds in the future in order to meet our capital and expenditure needs and further financing may not be available when required or, if available, could be dilutive to current investors, or require us to agree to terms which are specifically favorable to new investors, or to restrictions significantly limiting our access to additional capital.
- We continue to conduct additional clinical trials of ReActiv8 for marketing, reimbursement and other purposes. Clinical trials carry substantial risks and are costly and time consuming, with uncertain results.
- Competition in the medical device industry is intense and expected to increase, and new or competing treatments for chronic low back pain may emerge.
- We depend on a limited number of third-party suppliers for the manufacture of ReActiv8. Disruption of the supply chain or failure to achieve economies of scale could have a material adverse effect.
- Any inability to fully protect and exploit our intellectual property may adversely impact our financial condition, business, prospects, and results of operations.
- We could become subject to intellectual property litigation or other disputes that could be costly, result in the diversion of management's time and efforts, require us to pay damages, prevent us from selling or marketing ReActiv8 or other products, and/or reduce our margins.
- Active implantable medical devices such as ReActiv8 carry risks associated with the surgical procedure for implant, removal or use of the device, or failure of the device, or associated with the therapy delivered by the device.
- Our business exposes us to an inherent risk of potential product liability claims relating to the manufacturing, clinical trials, marketing and sale, or recall of an active implantable medical device.
- The discovery of serious safety issues with ReActiv8, or a recall of ReActiv8 either voluntarily or at the direction of a regulatory authority, could have a negative impact on us.
- We operate in a highly regulated environment. Any non-compliance with regulatory requirements could jeopardize our ability to commercialize ReActiv8, and strict or changing regulatory regimes, government policies and legislation in any of our target markets may delay, prohibit or reduce potential sales.
- Failure to comply with debt covenants or failure to make repayments on our debt facility could have a material adverse effect.
- Our share ownership is concentrated in the hands of our principal shareholders, who may be able to exercise a direct or indirect controlling influence on us.

Outlook and future developments

Our corporate objectives for 2024 include continuing to accelerate our ReActiv8 commercialization efforts in the US, Europe, and Australia, including securing adequate reimbursement for ReActiv8 implants, as well as continuing to generate clinical and other evidence to support marketing and reimbursement of ReActiv8 and working on future product development.

Directors and Secretary and their interests

The names of the persons who were Directors at the end of the year are set out as follows:

Jason Hannon, Chief Executive Officer and Executive Director
 David Brabazon, Independent Non-Executive Chairman
 Greg Garfield, Non-Executive Director
 Kevin Reilly, Non-Executive Director (appointed on 18 May 2023)
 Cédric Moreau, Non-Executive Director
 Jeffery Dunn, Non-Executive Director
 Eric Major, Non-Executive Director
 Leslie Norwalk, Non-Executive Director (appointed on 27 March 2023)

Matthew Onaitis served as Company Secretary.

The beneficial interest of the Directors and Company Secretary, who held office at 31 December 2023, in the ordinary share capital of the Group at the dates below were as follows:

Ordinary shares

Name		At 31 December 2023	At 31 December 2022
David Brabazon	Ordinary shares of €0.001 each	212,828	212,828
Jason Hannon	Ordinary shares of €0.001 each	30,000	30,000
Greg Garfield	Ordinary shares of €0.001 each	2,912	2,912

Share options	Deemed date of grant	Exercise price per ordinary share	Expiry date	No. of ordinary shares under option as at 31 December 2023	No. of ordinary shares under option as at 31 December 2022	No. of vested options as at 31 December 2023
Jason Hannon	28 Apr 2021	US\$2.08	10 years from vesting	346,993	346,993	346,993
Jason Hannon	13 Aug 2019	€3.76	10 years from vesting	464,000	464,000	464,000
Jason Hannon	26 June 2020	US\$4.17	10 years from vesting	50,000	50,000	43,750
Jason Hannon	28 April 2021	US\$2.08	10 years from vesting	2,238,772	2,238,772	1,559,181
Jason Hannon	1 March 2023	US \$1.23	10 years from vesting	620,770	-	-
David Brabazon	5 Dec 2013	US\$1.00	10 years from vesting	18,427	18,427	18,427
David Brabazon	13 Dec 2016	€15.50	10 years from vesting	5,700	5,700	5,700
David Brabazon	01 Dec 2021	US\$2.08	10 years from vesting	200,000	200,000	133,333
Matt Onaitis	28 Apr 2021	US\$2.08	10 years from vesting	66,666	66,666	66,666
Matt Onaitis	13 Aug 2019	€3.76	10 years from vesting	90,000	90,000	90,000
Matt Onaitis	26 June 2020	US\$4.17	10 years from vesting	25,000	25,000	21,875
Matt Onaitis	28 April 2021	US\$2.08	10 years from vesting	517,142	517,142	344,761
Matt Onaitis	1 March 2023	US \$1.23	10 years from vesting	300,000	-	-

Jeff Dunn	01 Dec 2021	US\$2.08	10 years from vesting	200,000	200,000	133,333
Eric Major	01 Dec 2021	US\$2.08	10 years from vesting	200,000	200,000	133,333
Leslie Norwalk	23 Mar 2023	US \$1.23	10 years from vesting	100,000	-	16,666

Directors and Secretary and their interests (continued)

<i>RSUs</i>	Deemed date of grant	No. of RSUs	Vesting date
Jason Hannon	1 Feb 2019	138,000	100% will vest 6 months following the completion of a US IPO
Jason Hannon	1 Mar 2023	15,094	100% will vest 6 months following the completion of a US IPO
Matt Onaitis	1 Feb 2019	46,000	100% will vest 6 months following the completion of a US IPO
Matt Onaitis	1 Mar 2023	8,264	100% will vest 6 months following the completion of a US IPO

Except as disclosed in this report, none of the Directors who held office at 31 December 2023 had a beneficial interest in the share capital of the Company or its subsidiaries and no such interest, the existence of which is known or could with reasonable diligence be ascertained by the relevant Director, is held by any connected person.

Mr. Moreau held no interest in the issued share capital of the Company other than the interests that he is deemed to hold in the Company by virtue of the interests that he holds in Sofinnova Capital VI FCPR and the Sofinnova Crossover Fund. At 31 December 2023, Sofinnova Capital VI FCPR owned 2,434,363 ordinary shares and 2,702,702 preferred shares, combined representing approximately 10.23% of the issued share capital of the Company, and Sofinnova Crossover Fund owned 5,067,567 preferred shares amounting to approximately 10.1% of the issued share capital of the Company.

As at 31 December 2023, David Brabazon held 212,828 ordinary shares of the Company. Mr Brabazon is deemed to hold additional interest in the Company by virtue of the interests that he holds in AixVio Research Limited. At 31 December 2023, AixVio Research Limited owns 3,413,939 preferred shares. Combined, the ordinary and preferred shares amount to approximately 6.8% of the issued share capital of the Company.

Mr. Reilly held no interest in the issued share capital of the Company other than the interests that he is deemed to hold in the Company by virtue of the interests that he holds in Ally Bridge. At 31 December 2023, Ally Bridge owned 13,851,351 preferred shares amounting to approximately 27.6% of the issued share capital of the Company.

Directors' remuneration

The amount of remuneration paid and benefits in kind granted to all Directors that served during 2023 by the Group for services in all capacities relating to 2023 was \$1,934,000 (2022: \$2,011,000)

None of the Directors exercised any share options in either 2023 or 2022.

Issued share capital

At 31 December 2023, the authorized share capital of the Company is €1,100,000, comprised of 50,000,000 preferred shares of €0.01 each, and 60,000,000 ordinary shares of €0.01 each. A full description of the rights attached to the preferred and ordinary shares of the Company is set out in the Articles of Association of the Company.

Share Option Plan

The Group operates a share option plan (the “Plan”). As at 31 December 2023, the Plan allows for the Company to grant share options or restricted stock units (“RSUs”) to employees of the Group companies, and other eligible persons. Shares are issued when share options are exercised or RSUs are vested in accordance with the Plan.

Memorandum and Articles of Association

The Company’s Articles of Association detail the rights attached to the preferred shares and the ordinary shares, as well as the rules relating to the Directors, including their appointment, retirement, re-election and powers. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

Going concern

The Directors have evaluated whether there are conditions and events, considered in aggregate, that raise doubt about the Group’s ability to continue as a going concern. The Directors note the following relevant matters:

- The Group had cash of \$4.9 million as at 31 December 2023 (\$41.9 million as at 31 December 2022).
- The Group had operating cash out-flows of \$36.0 million for the year ended 31 December 2023 (year ended 31 December 2022: \$43.6 million).
- Due to the phase of development of the Group, the Group expects to continue to incur losses.
- Due to the ongoing investment required in research and development, clinical, and commercial activities, in the medium term the Group expects to continue to seek funding from equity investors or other finance providers as required.

Subsequent to the year end, the Company completed an equity financing (see note 24). Mainstay intends to use the funds for the acceleration of ReActiv8 commercialization efforts, including securing adequate reimbursement for ReActiv8 implants, the continued generation of clinical and other evidence to support marketing and reimbursement of ReActiv8, and the development of future product offerings, as well as for general operations.

After making enquiries and having considered the conditions noted above and the options available to the Group, the Directors have a reasonable expectation that the Group will have sufficient funds to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of the Financial Statements and are satisfied that the Financial Statements should be prepared on a going concern basis.

Dividends

The Company did not pay any interim dividends during the year and the Directors do not recommend the payment of a dividend.

Related party transactions

Details of related party transactions that have taken place during the reporting period are set forth in Note 23 to the consolidated Financial Statements.

Political and charitable contributions

During the year, the Group and Company made no contributions requiring disclosure.

Post balance sheet events

Details of important events affecting the Company which have taken place since the end of the year are provided in Note 24 to the consolidated Financial Statements.

Accounting records

The Directors, through the use of appropriate procedures, personnel and systems, have ensured that measures are in place to secure compliance with the Company’s and the Group’s obligation to keep adequate accounting records under sections 281-285 of the Companies Act 2014. The books of account of the Company and the Group are maintained at its registered office.

Relevant audit information

The Directors believe they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditor is unaware.

Audit Committee

The Audit, Risk and Compliance Committee is chaired by Mr. David Brabazon (the Audit, Risk and Compliance Committee Financial Expert). The Chief Financial Officer and Chief Executive Officer may also be invited to attend meetings of the Committee. It meets at least two times a year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. The Committee also meets with and reviews findings of the audit with the external auditor. It meets with the auditors at least once a year without any members of management being present and is also responsible for considering and making recommendations regarding the appointment and remuneration of such auditors.

Directors Compliance Statement:

The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with the Relevant Obligations (as defined by the Companies Act 2014), and the Directors confirm that:

- (a) a compliance policy statement has been drawn up setting out the Company's policies that are, in their opinion, appropriate with regard to such compliance;
- (b) appropriate arrangements or structures are in place that are, in their opinion, designed to provide reasonable assurance of compliance in all material respects with those Relevant Obligations; and
- (c) a review has been conducted, during the financial year, of those arrangements or structures.

Auditor

The auditor, KPMG, Chartered Accountants, will continue in office accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board on 20 March 2024,



Jason Hannon

Chief Executive Officer



David Brabazon

Independent Non-Executive Chairman

Mainstay Medical Holdings plc Directors' responsibilities statement

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year.

In preparing the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group and Company are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's and Company's website mainstaymedical.com. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board on 20 March 2024,



Jason Hannon
Chief Executive Officer



David Brabazon
Independent Non-Executive Chairman

Independent auditor's report to the members of Mainstay Medical Holdings plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mainstay Medical Holdings plc ('the Company') and its consolidated undertakings ('the Group') for the year ended December 31, 2023 set out on pages 14 to 43, which comprise the Consolidated statement of profit or loss and other comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of changes in shareholders' equity, the Consolidated and Company statements of cash flows and related notes, including the summary of significant accounting policies set out in note 3.

The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at December 31, 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the

financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at <https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/>.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Maurice McCann
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

20 March 2024

Mainstay Medical Holdings plc
Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2023

(\$'000)	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Revenue	4	20,024	10,131
Cost of sales		<u>(6,012)</u>	<u>(3,117)</u>
Gross profit		14,012	7,014
Operating expenses	5	<u>(52,356)</u>	<u>(49,972)</u>
Operating loss		(38,344)	(42,958)
Finance expense	8	<u>(3,704)</u>	<u>(5,573)</u>
Net finance expense		<u>(3,704)</u>	<u>(5,573)</u>
Loss before income taxes		(42,048)	(48,531)
Income taxes	9	<u>(587)</u>	<u>(601)</u>
Loss for the year		<u>(42,635)</u>	<u>(49,132)</u>
Net loss attributable to equity holders		<u>(42,635)</u>	<u>(49,132)</u>
Other Comprehensive Income/Expense			
<i>Items that may be reclassified subsequently to the statement of profit or loss:</i>			
Foreign currency translation differences of foreign operations		<u>(956)</u>	<u>332</u>
Total comprehensive loss for the year		<u>(43,591)</u>	<u>(48,800)</u>
Total comprehensive loss attributable to equity holders		<u>(43,591)</u>	<u>(48,800)</u>

The accompanying notes form an integral part of these consolidated Financial Statements.

Mainstay Medical Holdings plc
Consolidated statement of financial position
at 31 December 2023

(\$'000)	Notes	31 December 2023	31 December 2022
Non-current assets			
Property, plant and equipment	10	1,120	1,528
Right of use asset	16	1,497	2,113
Total non-current assets		<u>2,617</u>	<u>3,641</u>
Current assets			
Trade and other receivables	11	7,196	4,220
Income tax receivable		46	190
Inventory	12	4,955	6,072
Cash and cash equivalents	13	4,943	41,858
Total current assets		<u>17,140</u>	<u>52,340</u>
Total assets		<u>19,757</u>	<u>55,981</u>
Equity			
Share capital		153	152
Share Premium		29,490	29,446
Share based payment reserve		26,719	24,482
Other reserves		134,101	135,057
Retained loss		(326,116)	(283,537)
Total equity		<u>(135,653)</u>	<u>(94,400)</u>
Non-current liabilities			
Loans and borrowings	14	27,897	24,128
Loan related derivatives	14	9,084	10,122
Preference shares classified as liabilities	14	106,944	106,558
Lease liability	16	1,071	1,739
Total non-current liabilities		<u>144,996</u>	<u>142,547</u>
Current liabilities			
Loan related derivatives	14	379	1,097
Lease liability	16	736	691
Income tax payable		122	588
Deferred revenue		95	-
Trade and other payables	15	9,082	5,458
Total current liabilities		<u>10,414</u>	<u>7,834</u>
Total liabilities		<u>155,410</u>	<u>150,381</u>
Total equity and liabilities		<u>19,757</u>	<u>55,981</u>

The accompanying notes form an integral part of these financial statements.

On behalf of the Board on 20 March 2024,

Jason Hannon



David Brabazon



Mainstay Medical Holdings plc
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2023

(\$'000)	Share capital	Share Premium	Other Reserves	Share based payment reserve	Retained loss	Total equity
Balance as at 1 January 2022	152	29,446	134,725	20,544	(234,405)	(49,538)
<i>Loss for the year</i>	-	-	-	-	(49,132)	(49,132)
<i>Other comprehensive income</i>	-	-	332	-	-	332
Total comprehensive loss for the year	-	-	332	-	(49,132)	(48,800)
<i>Transactions with owners of the Company</i>						
Deferred Shares	-	-	-	-	-	-
Issue of Shares	-	-	-	-	-	-
Share based payments	-	-	-	3,938	-	3,938
Balance at 31 December 2022	152	29,446	135,057	24,482	(283,537)	(94,400)
Balance as at 1 January 2023	152	29,446	135,057	24,482	(283,537)	(94,400)
<i>Loss for the year</i>	-	-	-	-	(42,635)	(42,635)
<i>Other comprehensive income</i>	-	-	(956)	-	-	(956)
Total comprehensive loss for the year	-	-	(956)	-	(42,635)	(43,591)
<i>Transactions with owners of the Company</i>						
Deferred Shares						
Issue of Shares	1	44	-	(56)	56	45
Share based payments	-	-	-	2,293	-	2,293
Balance at 31 December 2023	153	29,490	134,101	26,719	(326,116)	(135,653)

The accompanying notes form an integral part of these consolidated financial statements.

Mainstay Medical Holdings plc
Consolidated statement of cash flows
for the year ended 31 December 2023

(\$'000)	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Cash flow from operating activities			
Loss for the year		(42,635)	(49,132)
Add/(less) non-cash items			
Depreciation	10,16	1,200	1,108
Finance expense	8	3,704	5,399
Share-based compensation	19	2,293	3,938
Income taxes	9	587	601
Unrealized currency translation gains		956	174
Add/(less) changes in working capital			
Trade and other receivables		(2,780)	(1,783)
Inventory		1,117	(742)
Trade and other payables		2,286	(896)
Taxes paid		(467)	(226)
Interest paid		(2,250)	(2,023)
Net cash used in operations		(35,990)	(43,582)
Cash flow from investing activities			
Acquisition of property, plant and equipment	10	(96)	(1,300)
Net cash used in investing activities		(96)	(1,300)
Cash flow used in financing activities			
Gross proceeds from issue of shares		45	-
Proceeds from loans and borrowings		-	35,000
Transaction costs from loans and borrowings		-	(1,925)
Repayment of loans and borrowings		-	(22,100)
Payment of lease liabilities	16	(875)	(773)
Net cash from financing activities		(830)	10,202
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		41,858	76,538
Cash and cash equivalents at end of year	13	4,943	41,858

Mainstay Medical Holdings plc

Notes to the consolidated Financial Statements

1 General information and reporting entity

Mainstay Medical Holdings plc (the “Company”) is a public limited company incorporated and registered in Ireland. Details of the registered office, the officers, and advisers to the Company are presented on the Corporate and Shareholder Information page.

The Consolidated Financial Statements (“the Financial Statements”) for the years ended 31 December 2023 and 31 December 2022 comprise the results of the Company and of its subsidiaries (together the “Group”).

At 31 December 2023, the Group comprises the Company and its operating subsidiaries Mainstay Medical International Limited, Mainstay Medical Limited, MML US, Inc., Mainstay Medical (Australia) Pty. Limited, Mainstay Medical Distribution Limited, Mainstay Medical BV, and Mainstay Medical GmbH.

Mainstay is a medical device company focused on commercializing ReActiv8®, its implantable Restorative Neurostimulation™ system designed to treat an underlying cause of disabling Chronic Low Back Pain (CLBP).

2 Basis of preparation

Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as adopted by the European Union (“EU”). The Company Financial Statements have also been prepared in accordance with IFRS as adopted by the EU, as applied in accordance with the Companies Act 2014 (the “2014 Act”), which permits a company that publishes its company and group financial statements together to take advantage of the exemption in Section 304 of the 2014 Act from presenting to its members both its company statement of profit or loss and other comprehensive income and related notes which form part of the approved company financial statements.

The IFRS adopted by the EU applied by the Group in the preparation of these Financial Statements are those that were effective for accounting periods beginning on or after 1 January 2023 with no early adoption of forthcoming requirements.

The Financial Statements were authorized for issue by the Board of Directors on 20 March 2024.

Going concern

The Directors have evaluated whether there are conditions and events, considered in aggregate, that raise doubt about the Group’s ability to continue as a going concern. The Directors note the following relevant matters:

- The Group had cash of \$4.9 million as at 31 December 2023 (\$41.9 million as at 31 December 2022).
- The Group had operating cash out-flows of \$36.0 million for the year ended 31 December 2023 (year ended 31 December 2022: \$43.6 million).
- Due to the phase of development of the Group, the Group expects to continue to incur losses.
- Due to the ongoing investment required in research and development, clinical, and commercial activities, in the medium term the Group expects to continue to seek funding from equity investors or other finance providers as required.

Subsequent to the year end, the Company completed an equity financing (see note 24). Mainstay intends to use the funds for the acceleration of ReActiv8 commercialization efforts, including securing adequate reimbursement for ReActiv8 implants, the continued generation of clinical and other evidence to support marketing and reimbursement of ReActiv8, and the development of future product offerings, as well as for general operations.

After making enquiries and having considered the conditions noted above and the options available to the Group, the Directors have a reasonable expectation that the Group will have sufficient funds to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of the Financial Statements and are satisfied that the Financial Statements should be prepared on a going concern basis.

Basis of measurement

The Financial Statements are prepared on the historic cost method, except for share based payments, which are initially measured at grant date fair value. The conversion option and the warrants associated with the loans,

in addition to the embedded derivatives contained within the preference shares, are carried at fair value.

Currency

The Financial Statements are presented in US Dollars (“\$”), which is the functional and presentational currency of the Company. Balances in the Financial Statements are rounded to the nearest thousand (“\$’000”) except where otherwise indicated.

Use of estimates and judgements

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions. Estimates are reviewed on an ongoing basis. The areas where estimates have the most significant effect on amounts recognized in the Financial Statements are initial fair value measurement of equity-settled share-based payments and the fair value of identifiable instruments relating to the Company’s convertible loan and preference shares.

Basis of consolidation

The Financial Statements comprise the consolidated results of Mainstay Medical Holdings plc and its subsidiaries.

3 Significant accounting policies

The Financial Statements have been prepared applying the accounting policies as set out below. These have been applied consistently for all years presented.

Adoption of newly effective accounting standards and amendments

The Group applied the following standards in the current year:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The adoption of these new or amended standards did not have a material impact on the Group’s financial statements.

a) Revenue recognition

The Group recognizes revenue when it transfers control over a product or service to a customer. This may arise on shipment, on delivery, or in accordance with specific terms and conditions agreed with customers and provided there are no material remaining performance obligations required of the Group.

Revenue is measured at the fair consideration received/receivable for the sale of goods to external customers net of value added tax and discounts. Expected discounts are estimated and provided for as a reduction in revenue based on agreements with customers, agreed promotional arrangements, and accumulated experience. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it can be reliably measured and when it is probable that future economic benefits of the transaction will flow to the Group. When a customer is invoiced, or cash is received but conditions specified within the contract for recognition of the related revenues have not been met, revenue is deferred until all conditions are met. The Group occasionally sells goods and services as a bundled arrangement. Such sales are unbundled based on the relative fair value of the individual goods and services components and each component is recognized separately in accordance with the Group’s recognition policy.

b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated on consolidation.

c) Retirement benefit costs

The Group provides retirement benefits to its employees in Ireland, Australia, and the United Kingdom under defined contribution schemes. Obligations for contributions to the defined contribution schemes are expensed as the related service is provided.

d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of each asset over its estimated future life, as follows:

Computer and office equipment:	3 – 5 years
Leasehold Improvements:	5 years

e) Leases

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

f) Taxation

Tax expense comprises current and deferred tax. Current and deferred taxes are recognized in the consolidated statement of profit or loss and other comprehensive income except to the extent that they relate to a business combination, or items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable result for the year and any adjustments in relation to tax payable or receivable in respect of the previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; or
- Temporary differences related to subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates at which the temporary differences are expected to reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset where the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities related to the same taxation authority. Deferred tax assets are recognized to the extent that it is probable that there will be taxable profits in the foreseeable future against which they can be utilized. The Group has no recognized deferred tax asset as at 31 December 2023.

The Group recognizes tax credits as a component of income tax in jurisdictions where the tax credit regime is not in substance a government grant.

g) Foreign currency

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transactions. Any resulting monetary assets and liabilities are translated at the exchange rate at the reporting date and all exchange differences thereon are dealt with in consolidated profit or loss.

The income statement and balance sheet of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at each reporting date are translated at the closing rate at the reporting date; and
- Income and expenses in the income statement and statement of comprehensive income are translated at average exchange rates for the year. Average exchange rates are only permissible if they approximate actual rates.

- All resulting exchange differences are recognized in other comprehensive income and are taken to a separate currency reserve within equity, the foreign currency translation reserve.

h) Financial instruments

Classification and measurement of financial assets and liabilities

On initial recognition a financial asset is classified as measured at Amortized Cost, Fair Value Through Other Comprehensive Income (FVOCI), or Fair Value Recognized Through Profit and Loss (FVTPL). Financial assets are not reclassified after initial recognition unless the related business model changes. A financial asset is measured at amortized cost if it is held in a business model whose objective is to hold assets to collect contractual cashflows and its contractual terms give rise on specific dates to cash flows that are solely payments of principal or interest.

Trade and other receivables

Trade and other receivables are classified by the Group as amortized cost assets under IFRS 9. These assets are recognized initially at fair value. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents are classified by the Group as amortized cost assets under IFRS 9. Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less, which are carried at amortized cost, less any impairment losses.

Trade and other payables

Trade and other payables are classified by the Group as other financial liabilities under IFRS 9. These liabilities are recognized initially at fair value. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are classified by the Group as other financial liabilities under IFRS 9 and are recognized initially at fair value including any attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method over the contractual term.

Substantial modification of financial liabilities

When the terms of financial liabilities are substantially modified, the Company de-recognizes the existing liability and records any new liabilities at fair value on the date of modification. Any difference between the previous carrying value and the fair value of the new instruments is recorded in the Statement of Profit or Loss and Other Comprehensive Income. Expenses associated with the modification of debt are expensed as incurred.

Derivative financial liabilities

Instruments to be settled in the Company's own shares are recorded as derivative financial liabilities unless they qualify for equity classification due to settlement arising by the exchange of a fixed amount of cash for a fixed number of the Company's own equity.

These instruments are initially recognized at fair value and any subsequent changes in fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income. The conversion features and warrants issued as part of the Company's debt arrangement have variability in the number of shares that may be required to be issued and accordingly were recorded as derivative financial liabilities carried at fair value.

Financial instruments separation

Financial instruments which the Company separates comprise convertible notes issued by the Group that could be converted into shares by the holder and which could be automatically converted in certain circumstances.

These instruments were separated into their components based on the fair value of each component at the date of issue. The Company's debt contains the following components:

- Liability component, measured at amortized cost; and
- Derivative component, measured at fair value.

On conversion, any financial liabilities would be reclassified to equity.

i) Equity

Ordinary share capital is recognized directly in equity at fair value on issue and is not subsequently re-measured.

Preference shares, the purchase price of which may be repayable on the occurrence of contingent settlement events, are classified as liabilities. These instruments are initially recognized at fair value and any subsequent changes in fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income.

j) Impairment

Non-financial assets

All non-financial assets other than deferred taxes are reviewed at the reporting date to determine whether there is evidence of impairment. If such indicators exist, then the asset's recoverable value is determined. An impairment loss is recognized if the carrying value exceeds the recoverable amount. Recoverable amount is the greater of an asset's value in use and its fair value. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market conditions.

Financial assets

At each reporting date, in accordance with IFRS 9, the Group assesses whether its financial assets, comprising accounts receivable and cash, are impaired. The Group evaluates customer accounts with past-due outstanding balances, and analyzes customer credit worthiness, payment patterns and trends. Based upon a review of these accounts and management's analysis and judgement, we estimate the future cash flows expected to be recovered from these receivables. As at 31 December 2023, our trade receivables balances amounted to \$6.1 million. Further information on the Group's credit risk is detailed in Note 18. The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for cash which is measured at 12-month expected credit losses. The maximum period considered when estimating expected credit losses is the maximum contractual period of exposure to credit risk.

k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that it is probable, will result in an outflow of resources and can be estimated reliably.

l) Finance income and expense

Finance income comprises foreign exchange gains on financial items and deposit interest. Interest income is recognized as it accrues. Finance costs comprise interest on borrowings, movement in the fair value of financial instruments and foreign exchange losses.

m) Share based payments

The grant date fair value of equity-settled share-based awards made to employees and non-employees is recognized as an expense, with a corresponding adjustment to equity, over the vesting period of the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the achievement of service and non-market conditions is expected to be met, such that the amount ultimately recognized represents only vested awards.

The grant-date fair value of share options granted to employees is determined using a Black-Scholes model, details of which are provided in Note 19. The grant-date fair value of share options granted to non-employees is determined based on the fair value of services received in return for the option, or where such a value is not available, based on the same model as used for employee options. Options can only be settled by way of share issues. The grant date fair value of Restricted Stock Units (RSUs) granted to employees is estimated based on the closing price of the Company's common stock on the date of grant.

n) Warrants

Warrants issued alongside the Company's debt instruments were initially recognized at fair value with a corresponding reduction in the debt instrument liability, whereon this adjustment to the liability was amortized to the income statement on an effective interest rate basis.

o) Research and development expenditure

Expenditure on research is charged to the income statement in the year in which it is incurred.

Expenditure on development is charged to the income statement in the year in which it is incurred, with the exception that development expenditure is capitalized where the expenditure is incurred in the development of an asset for sale; the asset is intended to be developed for sale; and for which the likelihood of development and sale is probable. No costs have been capitalized to date.

p) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first in – first out principle and includes expenditure in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made, where necessary, for aged, slow moving, obsolete and defective inventories.

4 Revenue

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Revenue arising from the sale of goods	<u>20,024</u>	<u>10,131</u>
Total revenue	<u>20,024</u>	<u>10,131</u>

5 Operating expenses

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Research and development expenses	9,762	7,625
Clinical and regulatory expenses	4,859	3,978
Selling, general and administration expenses	<u>37,735</u>	<u>38,369</u>
Total operating expenses	<u>52,356</u>	<u>49,972</u>

6 Wages, Salaries and other remuneration

As of 31 December 2023, the Group's employees were based in Ireland, the United Kingdom, Germany, the United States, Sweden, and Australia.

The table below sets out the number of employees of the Group for each financial year shown, analyzed by category:

	Year ended 31 December 2023	Year ended 31 December 2022
Research and development, quality and operations	22	18
Clinical and regulatory	3	1
Selling, general and administration	95	86
Total employee numbers	120	105
Parent company employees		
Management and administration	1	1

The aggregate payroll costs of these employees, including Directors, were as follows for each financial year shown:

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	15,808	15,428
Other remuneration	7,904	6,486
Social security costs/ payroll taxes	1,645	1,184
Share based payments	2,290	3,938
Retirement benefit	202	256
Total	27,849	27,292

7 Statutory information and Auditor's remuneration

The loss before income tax has been arrived at after charging the following items for each financial year shown:

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Fees paid to Statutory auditor:		
Audit services	78	70
Other assurance services	-	67
Taxation services	25	11
Total auditor's remuneration	103	148
Foreign exchange (gain)/loss	(1,112)	506
Depreciation of plant and equipment	503	422
Right of use Asset Depreciation	697	686
Research and development expenditure	9,762	7,625
Directors Remuneration	1,940	2,011

8 Finance expense

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Finance expense		
Foreign exchange (gain) / loss	(1,112)	506
Lease interest	174	219
<i>Finance expense associated with borrowings:</i>		
Interest expense	5,366	5,747
Fair value gain on financial instruments	(724)	(899)
Total finance expense	<u>3,704</u>	<u>5,573</u>

9 Taxes

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the relevant taxation authorities. The tax rates and tax laws used to compute the amount are those used in Ireland, the United States, Australia, the Netherlands and Germany.

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Irish income tax	-	-
<i>Income tax in other jurisdictions:</i>		
Foreign current tax	392	443
Adjustments in respect of prior years	195	158
Total income tax charge	<u>587</u>	<u>601</u>

Certain companies within the Group provide services to other group companies, and consequently generate revenues and profits that are subject to corporation tax in Australia, United States, the Netherlands and Germany.

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Loss before tax	<u>(42,048)</u>	<u>(48,531)</u>
Taxed at tax rate in Ireland of 12.5%	(5,257)	(6,066)
Non-deductible expenses	439	695
Tax credits	46	190
Foreign rate differential	19	(101)
Adjustments in respect of prior years	101	158
Unrecognized tax losses	5,239	5,725
Total income tax charge	<u>587</u>	<u>601</u>

Unrecognized deferred tax assets

The Group has unrecognized potential deferred tax assets as disclosed below. These potential assets are not recognized because future taxable profits against which they can be utilized are not sufficiently certain. The availability of these assets does not expire provided the group continues generating losses or taxable profits in the same trade.

Gross timing differences:	At 1 January 2022	Arising in year	Adjustment in respect of prior years	At 31 December 2022	Arising in year	Adjustment in respect of prior years	At 31 December 2023
Unrecognized tax losses	171,005	44,815	(1,413)	214,407	41,907	(930)	255,384
Intangible assets	15,000	-	-	15,000	-	-	15,000
Derivative financial instruments	3,931	8,950	-	12,881	(3,418)	-	9,463
Total gross temporary differences	189,936	53,764	(1,413)	242,288	38,489	(930)	242,287
Unrecognized deferred tax asset							
Unrecognized tax losses	21,377	5,602	(177)	26,801	5,239	(117)	31,923
Intangible assets	1,875	-	-	1,875	-	-	1,875
Derivative financial instruments	492	1,118	-	1,611	(428)	-	1,183
Total unrecognized deferred tax asset	23,742	6,721	(177)	30,287	4,811	(117)	34,981

10 Property, plant & equipment

(\$'000)	Computer and office equipment Year ended 31 December 2023	Computer and office equipment Year ended 31 December 2022
Cost		
At beginning of year	2,695	1,401
Additions	96	1,294
At end of year	2,791	2,695
Depreciation		
At beginning of year	1,167	745
Charge for the year	503	422
At end of year	1,670	1,167
Carrying value at end of year	1,120	1,528

11 Trade and other receivables

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Trade receivables	6,098	3,277
Prepaid expenses and other current assets	1,097	943
Total trade and other receivables	7,196	4,220

Information about the Group's exposure to credit risks and impairment losses for trade receivables is included in Note 18.

12 Inventory

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Raw Materials	-	-
Work in Progress	1,830	638
Finished Goods	3,125	5,434
Total inventory	4,955	6,072

There were no provisions netted against inventory as at 31 December 2023. The cost of inventory used in cost of sales during 2023 was \$5.8m (2022: \$3.1m).

13 Cash and cash equivalents

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Cash in bank accounts – USD	3,546	40,379
Cash in bank accounts – EUR	645	1,045
Cash in bank accounts – AUD	752	434
Total cash and cash equivalents	4,943	41,858

14 Interest bearing loans and borrowings and other financing-related liabilities

Madryn Debt Financing

In September 2022 the Company entered into a loan and security agreement with Madryn Health Partners under which it can borrow up to \$50 million, subject to certain conditions. Concurrently with entering into the agreement with Madryn, the Company borrowed the first tranche of \$30 million, plus a separate \$5m convertible note, and repaid in full all accrued principal and interest under its existing loan facility with Oxford Finance, the total of which was approximately \$22 million. The Madryn debt facility is secured by way of fixed and floating charges over all of the assets and undertakings of MML and MML US, including intellectual property.

The agreements contain features, the convertible feature of the convertible note and conditional warrants, which require separation as derivative financial instruments, as their economic characteristics and associated risks are not deemed to be closely related to the host instrument. These instruments were initially recognized at fair value and any subsequent changes in fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income.

See note 24 which details the 2024 equity financing and the resultant impact on the convertible notes and warrants.

IPF Warrants

Following repayment of the Company's debt held by IPF Partners (IPF) in 2021, IPF continues to hold its warrant to purchase 1.5 million preferred shares at a per share price of €6 which has been classified as a financial liability. The warrant was initially recognized at fair value and any subsequent changes in fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income. See note 24 which details the 2024 equity financing and the resultant impact on the IPF warrants.

Series A Preferred Shares

The preferred shares are convertible into ordinary shares at the discretion of the holders on a one-to-one basis, with the conversion ratio subject to a weighted average adjustment in the event of certain dilutive share issuances.

Because the preference shares are repayable on the occurrence of contingent settlement events, the Company has determined that they should be classified as liabilities. In addition, the antidilution feature of the preference shares requires separation as a derivative financial instrument. These instruments were initially recognized at fair value and any subsequent changes in fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Loans and borrowings

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
<i>Loans and borrowings - current</i>		
Term loan	-	-
Accrued interest	-	-
Deferred finance costs	-	-
Total current loans and borrowings	-	-
<i>Loans and borrowings – non-current</i>		
Term loan	26,412	25,455
Accrued interest	2,948	505
Deferred finance costs	(1,463)	(1,832)
Total non-current loans and borrowings	27,897	24,128
Total loans and borrowings	27,897	24,128

Loan related derivatives (\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
<i>Derivatives– current</i>		
Derivative financial instrument – IPF warrant	379	1,097
Total current derivatives	379	1,097
<i>Derivatives – non-current</i>		
Derivative financial instrument – Madryn convertible note	5,614	6,658
Derivative financial instrument – Madryn warrant	3,470	3,464
Total non-current derivatives	9,084	10,122
Total loan related derivatives	9,463	11,219

	Year ended 31 December 2023	Year ended 31 December 2022
Preference shares classified as liabilities		
(\$'000)		
<i>Preference shares classified as liabilities – non-current</i>		
Preference shares	106,161	106,161
Derivative financial instrument – preference share antidilution feature	1,557	1,557
Deferred finance costs	(774)	(1,160)
Total preference shares classified as liabilities	106,944	106,558

See note 18 for detail on the valuation of financial instruments.

15 Trade and other payables

	Year ended 31 December 2023	Year ended 31 December 2022
(\$'000)		
Trade and other payables	2,792	1,243
Payroll tax liability	109	12
Accrued expenses	6,181	4,203
Total trade and other payables	9,082	5,458

16 Leases

The Group leases office facilities at two locations. The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate at the lease inception of 7.8%.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Year ended 31 December 2023	Year ended 31 December 2022
(\$'000)		
Balance at 1 January	2,113	2,799
Depreciation charge for the year	(697)	(686)
Additions to right-of-use assets	81	-
Modification to right-of-use assets	-	-
Right-of-use assets	1,497	2,113

Amounts recognized in profit or loss

	Year ended 31 December 2023	Year ended 31 December 2022
(\$'000)		
Interest on lease liabilities	174	219
Total	174	219

Lease liability

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Balance at 1 January	2,430	2,984
Payments made on leased liabilities for the year	(875)	(773)
Additions to liabilities	78	-
Interest on lease liabilities	174	219
Lease liability	1,807	2,430

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Non-current lease liabilities	1,071	1,739
Current lease liabilities	736	691
Total	1,807	2,430

17 Called up share capital

The Company's ordinary shares are issued and quoted in Euro and have been translated into US Dollars at the rates prevailing at the date of issue.

Series A preferred shares

The terms of the Series A preferred shares are as follows:

The preferred shares are convertible into ordinary shares at the discretion of the holders on a one-to-one basis, with the conversion ratio subject to a weighted average adjustment in the event of certain dilutive share issuances. The preferred shares will automatically convert to ordinary shares upon an initial public offering of the Company's ordinary shares that meets certain thresholds, or otherwise upon the consent of the holders of at least 55% of the then-issued preferred shares.

In the event of any liquidation, dissolution or winding up of the Company (including certain change of control transactions), the holders of preferred shares are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares, an amount equal to the purchase price paid for the preferred shares, plus all dividends accrued or declared but unpaid on the preferred shares. The remaining proceeds will be distributed on a pro rata basis among the holders of preferred shares and ordinary shares, treating all preferred shares as if they had been converted to ordinary shares immediately prior to such distribution.

The holders of preferred shares are entitled to that number of votes on all matters presented to shareholders equal to the number of ordinary shares then arising upon conversion of such preferred shares and shall vote together with the ordinary shares on an as-converted basis. The holders of preferred shares are separately entitled to elect two members of the Board of Directors and have the ability to vote separately to consent to certain material actions of the Company.

The Company and certain holders of preferred shares entered into agreements providing such holders with customary registration rights, information rights, pre-emptive rights, rights of first refusal, co-sale rights and drag-along rights.

Please see note 24 for a brief description of the Series B shares relating to the 2024 equity financing.

Authorized and Issued Share Capital

	31 December 2023
2023 – Mainstay Medical Holdings plc	€
Authorized	
50,000,000 preferred shares of €0.01 each	50,000
60,000,000 ordinary shares of €0.01 each	60,000
	<u>1,100,000</u>
	2023
	\$
Issued, called up and fully paid	
13,616,061 ordinary shares of €0.01 each	153,048
36,600,987 preferred shares of €0.01 each	429,147
	<u>582,195</u>
In \$'000	<u>582</u>

	31 December 2022
2022 – Mainstay Medical Holdings plc	€
Authorized	
50,000,000 ordinary shares of €0.01 each	50,000
60,000,000 preferred shares of €0.01 each	60,000
	<u>1,100,000</u>
	2022
	\$
Issued, called up and fully paid	
13,585,509 ordinary shares of €0.01 each	153,048
36,600,987 preferred share of €0.01 each	429,147
	<u>582,195</u>
In \$'000	<u>582</u>

Share Premium

The share premium on the shares above have been classified as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
(\$'000)		
Within equity	29,490	29,446
Within financial liabilities (includes embedded derivatives and deferred financing costs)	106,944	106,558
Balance at 31 Dec 2023	<u>136,434</u>	<u>136,004</u>

18 Financial Instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2023 and 31 December 2022:

2023	Financial assets and liabilities at amortized cost	Other financial liabilities	Financial instruments held at fair value	Fair value
(\$'000)				
<u>Financial assets</u>				
Cash and cash equivalents	4,943	-	-	N/A
Trade and other receivables	7,196	-	-	N/A
<u>Financial liabilities</u>				
Trade and other payables	-	(9,082)	-	N/A
Interest bearing loans and borrowings	-	(27,897)	-	(27,897)
Loan related derivatives	-	-	(10,494)	(10,494)
Preference shares classified as liabilities (includes embedded derivatives and deferred financing costs)	-	105,387	1,557	(106,944)
At 31 December 2023	12,139	68,408	(8,937)	(145,335)
2022	Financial assets and liabilities at amortized cost	Other financial liabilities	Financial instruments held at fair value	Fair value
(\$'000)				
<u>Financial assets</u>				
Cash and cash equivalents	41,858	-	-	N/A
Trade and other receivables	4,220	-	-	N/A
<u>Financial liabilities</u>				
Trade and other payables	-	(5,458)	-	N/A
Interest bearing loans and borrowings	-	(24,128)	-	(24,128)
Loan related derivatives	-	-	(11,219)	(11,219)
Preference shares classified as liabilities (includes embedded derivatives and deferred financing costs)	-	105,001	1,557	(106,558)
At December 2022	46,078	75,415	9,662	(141,905)

All financial instruments are Level 3.

A. Measurement of fair values

Valuation techniques and significant unobservable inputs

Items held at amortized cost where fair value is disclosed

We disclose the fair value of our financial instruments that are measured at amortized cost using the following fair values hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1: Inputs are based upon quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs are based upon other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and trade payables are settleable within 30 days and accordingly fair value is deemed to be equal to carrying value.

The fair value of interest-bearing loans and borrowings is calculated based on the present value of future contractual principal plus interest cash flows discounted at appropriate market rates of interest. The fair value of derivative financial instruments is calculated based on accepted derivative valuation models, including the Black Scholes valuation model & Monte Carlo simulation. All of these are classified as level 3 fair value instruments.

There were no transfers into or out of any classification of financial instruments in any period.

Details of key unobservable inputs and the methodologies used by the Group in determining the fair value disclosures for certain financial instruments as at 31 December 2023 are detailed in the table below.

Type	Valuation approach	Key unobservable inputs	Interaction between key unobservable inputs and fair value
Loans and borrowings – Term Loan	Income approach	<ul style="list-style-type: none"> • Market interest rate (12-15%) 	<ul style="list-style-type: none"> • An increase in the interest rate used would decrease the fair value • A decrease in the interest rate would increase the fair value

Risks

I. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due.

Since inception the Group has funded its operations primarily through the issuance of equity securities and debt funding. The Group continually evaluates funding strategies (e.g.: equity, debt, partnering) to support its activities into the future. Adequate additional financing may not be available on acceptable terms, or at all. The Group's inability to raise capital as and when needed would have a negative impact on the Group's financial position and its ability to pursue its business strategy.

The following is an analysis of the maturity of the contractual (undiscounted) outflows associated with the Group's financial liabilities at 31 December 2023 and 31 December 2022.

(\$'000)	Carrying value	Cash flow (total)	Less than 1 year	Between 1-2 years	Between 2-5 years
31 December 2023:					
Financial Liabilities					
Trade and other payables	7,196	7,196	7,196	-	-
Interest bearing loans and borrowings	24,897	55,636	2,682	2,913	52,989
At 31 December 2023	32,093	62,832	9,878	2,913	52,989

(\$'000)	Carrying value	Cash flow (total)	Less than 1 year	Between 1-2 years	Between 2-5 years
31 December 2022:					
Financial Liabilities					
Trade and other payables	5,458	5,458	5,458	-	-
Interest bearing loans and borrowings	24,128	61,569	2,223	4,905	47,180
At 31 December 2022	29,586	65,224	7,681	4,905	47,180

The cashflows presented for interest bearing loans and borrowings at 31 December 2023 are the cashflows only in the case of the Madryn term loan A repayment features.

II. Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The Group's reporting currency is the US Dollar. The Group's Australian subsidiary has an Australian Dollar functional currency, and three of the Group's subsidiaries located in Ireland, Germany and the Netherlands have a Euro functional currency.

The following table sets forth, for the years indicated, certain information concerning the exchange rates between: (i) the Euro and the US Dollar; and (ii) the Australian Dollar and the US Dollar:

Euro per USD1.00	End of year	Average
Year ended 31 December 2022	1.167	1.050
Year ended 31 December 2023	1.105	1.083
Australian Dollar per USD1.00		
Year ended 31 December 2022	0.680	0.693
Year ended 31 December 2023	0.679	0.663

The Group did not have material asset or liability amounts in foreign currencies at year end, other than trade payables and accruals (net of cash) of €258,000 (2022: €383,000).

Sensitivity analysis

A strengthening (or weakening) of the US Dollar against the Euro of 5% would have (decreased)/ increased the loss for the year by \$45,000 (2022: \$65,000). A strengthening (or weakening) of the US Dollar against the Australian Dollar of 5% would have (decreased)/ increased the loss for the year by \$94,000 (2022: \$68,000)

III. Interest rate risk

The Company's debt is at a floating rate of interest. Changes in interest rates would not be expected to have a material impact on the Group's near-term finance expense other than immaterial impacts on the fair value of derivative financial instruments.

The Group's cash balances are maintained in short term access accounts and carry a floating rate of interest. A 50 basis points change in the rate of interest applied to the cash balance held by the Group would not have had a material impact on the Group's statement of profit or loss in the year.

19 Share Based Payments

Stock Incentive Plan

The Group operates a share option plan (the "Plan"). As of 31 December 2023, the Plan allows for the Company to grant options over ordinary shares of Mainstay Medical Holdings plc to employees of the Group companies, directors, consultants and other contractors. As of 31 December 2023, 11,501,000 (2022: 9,539,000) share options over ordinary shares of the Company that had been granted under the Plan were outstanding.

The Plan also allows for the issue of RSUs, being rights to receive ordinary shares at no cost to the relevant employee, director or consultant. The Company granted 130,652 RSUs during 2023 and 362,000 are outstanding as of 31 December 2023.

The Plan allows for flexibility in the grant conditions of each individual option or RSU, including variations on the amounts of options or RSUs granted, the vesting requirements for each option or RSU and the expiration terms of the options or RSUs.

Details of RSU's and share options granted that are outstanding (granted net of forfeitures and exercises as of 31 December 2023):

	Number of instruments (in thousands)	Contractual life of options
Awards granted in 2013	3	10 years from vesting
Awards granted in 2014	133	10 years from vesting
Awards granted in 2015	-	10 years from vesting
Awards granted in 2016	6	10 years from vesting
Awards granted in 2017	-	10 years from vesting
Awards granted in 2018	-	10 years from vesting
Awards granted in 2019	1,042	10 years from vesting
Awards granted in 2020	459	10 years from vesting
Awards granted in 2021	6,089	10 years from vesting
Awards granted in 2022	724	10 years from vesting
Awards granted in 2023	3,045	10 years from vesting
Total equity awards in issue	11,501	
RSU's outstanding in 2023	362	

All of the above options include service vesting conditions related to employee and non-employee service and vest over periods ranging from one to four years.

A breakdown of the outstanding share options as of 31 December 2023 and 31 December 2022 is as follows (in thousands, except prices):

	Year ended 31 December 2023	Weighted average exercise price 2023	Year ended 31 December 2022	Weighted average exercise price 2022
(Number of instruments in thousands)				
At beginning of year	9,539	\$4.56	8,970	\$4.93
Options granted during the year	3,005	\$1.23	848	\$2.08
RSU's granted during the year	131	-	-	-
Options forfeited	(1,156)	\$2.19	(257)	\$2.19
Options exercised	(18)	\$2.46	(22)	\$4.03
Outstanding at end of year	11,501	\$2.06	9,539	\$4.56
Exercisable at end of year	5,876	\$2.44	5,600	\$4.75

Total non-cash expense charged to profit and loss in relation to share options for the year ended 31 December 2023 was \$2.3m (2022: \$3.9m) and was based on the fair value of the options granted, measured using a Black-Scholes model with the following inputs:

	Year of Grant	
	2023	2022
Weighted average share price (\$)	1.23	1.98
Weighted average exercise price (\$)	1.23	1.98
Weighted average expected share volatility	70%	70%
Expected term (years)	7	7
Expected dividends	-	-
Risk free rate (average)	2.20%	1.89%
Fair value of option (\$)	1.23	1.39

20 Contingencies

The Directors and management are not aware of any contingencies that may have a significant impact on the financial position of the Group.

Subsidiary guarantee

The Company has guaranteed the payment of the liabilities and commitments of its subsidiaries in Ireland for the purposes of section 357 of the Companies Act 2014 for the years ended 31 December 2023 and 31 December 2022.

21 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for certain employees in Ireland, the United Kingdom and Australia. The assets of the schemes are held separately from those of the Group in independently administered funds. The advice of a professionally qualified retirement benefit consultant was taken in the establishment and maintenance of the schemes.

Total retirement benefit costs of the defined contribution schemes for the year ended 31 December 2023 amounted to \$201,734 (2022: \$177,398). There were no accruals or prepayments in respect of the retirement benefit costs at 31 December 2023 (2022: None).

22 Subsidiary undertakings

At 31 December 2023, the Company had the following subsidiaries and owns 100% of the called up ordinary share capital of each such subsidiary:

Mainstay Medical Holdings plc is registered in Ireland.

- Mainstay Medical International Limited is registered in Ireland.
- Mainstay Medical Limited is registered in Ireland.
- MML US, Inc. is registered in the United States of America.
- Mainstay Medical (Australia) Pty. Limited is registered in Australia.
- Mainstay Medical Distribution Limited is registered in Ireland.
- Mainstay Medical GmbH is registered in Germany.
- Mainstay Medical BV is registered in the Netherlands.

23 Related party transactions

The Group defines key management as its non-executive directors, executive directors and senior management. Details of remuneration for key management personnel for the year end are provided below:

(\$'000)	31 Dec 2023	31 Dec 2022
Salaries	875	875
Annual incentive	581	381
Non-executive directors' fees	127	111
Other remuneration	39	65
Payroll taxes	71	27
Share based payments	1,104	1,413
Total remuneration	2,797	2,872

There were no other related party transactions in the year. Please refer to page 6 within the Directors Report detailing their beneficial interest as of 31 December 2023.

24 Events subsequent to 31 December 2023

On 26 February 2024, Mainstay Medical Holdings plc announced an equity financing under which it will receive aggregate gross proceeds of US\$125 million. The initial closing occurred on 26 February 2024, at which the company received \$81.4 million and converted a note representing a previously-received bridge loan of \$3.6 million, with the company issuing 40,424,347 new series B preferred shares to new and existing investors. The second closing will occur no later than 31 December 2025, at which the company will receive the remaining \$40 million in exchange for the issuance of 18,957,347 series B preferred shares.

The terms of the series B preferred shares are identical to the terms of the series A preferred shares, except that in the event of any liquidation, dissolution or winding up of the Company (including certain change of control transactions), the holders of the series B preferred shares are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of series A preferred shares or ordinary shares, an amount equal to the purchase price paid for the series B preferred shares, plus all dividends accrued or declared but unpaid on the series B preferred shares.

In connection with the initial closing, the convertible promissory note held by Madryn was converted into 3,322,094 series B preferred shares, the warrants held by Madryn were amended to be exercisable for an aggregate of 2,074,390 series B preferred shares, the warrants held by IPF were amended to be exercisable for 1,500,000 million series B preferred shares, Geoff Pardo joined the Board of Directors, and Greg Garfield resigned from the Board of Directors.

Two extraordinary general meetings (EGMs) of Mainstay shareholders were held on 23 February 2024 to approve the financing and related matters. At the EGMs, all resolutions were duly passed. The results of the voting on each of the resolutions is available on the Company's website.

Parent Company Financial Statements
Mainstay Medical Holdings plc
Company statement of financial position
 At 31 December 2023

(\$'000)	Notes	31 December 2023	31 December 2022
Non-current assets			
Investment in subsidiary	(d)	48,449	46,240
Right of Use Asset	(h)	69	-
Total non-current assets		48,518	46,240
Current assets			
Prepayments and other receivables	(a)	215	155
Amounts due from subsidiary undertakings	(c)	110,028	110,938
Cash and cash equivalents	(b)	149	330
Total current assets		110,392	111,423
Total assets		158,910	157,663
Equity			
Share capital		153	152
Share premium		29,490	29,446
Share based payment reserve		9,984	7,635
Retained loss (profit)		(1,194)	65
Surplus on shareholders' equity		38,433	37,728
Non-current liabilities			
Derivatives	(e)	9,084	10,122
Preference shares classified as liabilities	(e)	106,944	106,558
Lease Liability	(h)	46	-
Total non-current liabilities		116,074	116,680
Current liabilities			
Derivatives	(e)	379	1,098
Trade and other payables	(f)	797	204
Lease Liability	(h)	23	-
Amounts due to subsidiary undertakings	(g)	3,204	1,953
Total current liabilities		4,403	3,255
Total liabilities		120,477	119,935
Total equity and liabilities		158,910	157,663

On behalf of the Board on 20 March 2024,

Jason Hannon
 Chief Executive Officer



David Brabazon
 Independent Non-Executive Chairman



Company statement of changes in shareholder's equity
For the year ended 31 December 2023

(\$'000)	Share capital	Share Premium	Other Reserves	Share based payment reserve	Retained Earnings	Total equity
Balance at 1 Jan 2022	152	29,446	-	3,699	226	35,953
Comprehensive profit for the year	-	-	-	-	(161)	(161)
Transactions with owners of the Company:						
Issue of Shares	-	-	-	-	-	-
Deferred shares	-	-	-	-	-	-
Share based payments	-	-	-	3,936	-	3,936
Conversion of warrant liability to equity	-	-	-	-	-	-
Balance at 31 December 2022	152	29,446	-	7,635	65	37,728
Balance at 1 Jan 2023	152	29,446	-	7,635	65	37,728
Comprehensive (Loss) for the year	-	-	-	-	(1,203)	(1,203)
Transactions with owners of the Company:						
Issue of Shares	1	44	-	56	(56)	45
Deferred shares	-	-	-	-	-	-
Share based payments	-	-	-	2,293	-	2,293
Conversion of warrant liability to equity	-	-	-	-	-	-
Balance at 31 December 2023	153	29,490	-	9,984	(1,194)	38,433

Company statement of cash flows

At 31 December 2023

(\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
Cash flow from operating activities		
Net (loss) attributable to equity holders	(1,203)	(161)
Add/(less) non-cash items		
Share-based compensation	(29)	3,937
Finance income (expense)	281	
Add/(less) changes in working capital		
Prepayments and other receivables	60	(156)
Amounts due from subsidiary undertakings	479	(3,302)
Lease Liability	68	-
Trade and other payables	163	97
Net cash generated from operations	(181)	415
Cash flow from financing activities		
Capitalized Deferred Financing Costs	-	(85)
Net cash from financing activities	-	(85)
Net (decrease)/increase in cash and cash equivalents	(181)	330
Cash and cash equivalents at beginning of year	330	-
Cash and cash equivalents at end of year	149	330

Notes to the Company Financial Statements

Notes 1, 2, 3, and 19 to the Consolidated Financial Statements (as provided earlier herein) also directly apply to the Company Financial Statements. The accounting policies of the Company are the same as the accounting policies of the Group as set out in Note 3 to the consolidated Financial Statements.

The following notes are specific to the Company statement of financial position:

(a) Prepayments and other receivables

(\$'000)	31 December 2023	31 December 2022
Prepayments	215	155
	215	155

(b) Cash and cash equivalents

(\$'000)	31 December 2023	31 December 2022
Cash in bank accounts – USD	74	154
Cash in bank accounts – EUR	75	176
	149	330

(c) Amounts due from subsidiary undertakings

(\$'000)	31 December 2023	31 December 2022
Mainstay Medical International Limited	110,028	110,938
	110,028	110,938

(d) Investment in subsidiary

(\$'000)	31 December 2023	31 December 2022
Opening balance	46,240	33,061
Investment in subsidiary movement	2,209	13,179
Closing balance	48,449	46,240

(e) Loans and borrowings

Derivatives (\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
<i>Loans and borrowings – current</i>		
Derivative financial instrument – IPF warrant	379	1,097
Total current derivatives	379	1,097
<i>Derivatives – non-current</i>		
Derivative financial instrument – Madryn convertible note	5,614	6,658
Derivative financial instrument – Madryn warrant	3,470	3,464
Total non-current derivatives	9,084	10,122
Total derivatives	9,463	11,219
Preference shares classified as liabilities (\$'000)	Year ended 31 December 2023	Year ended 31 December 2022
<i>Preference shares classified as liabilities – non-current</i>		
Preference shares	106,161	106,161
Derivative financial instrument – preference share antidilution feature	1,557	1,557
Deferred finance costs	(774)	(1,160)
Total preference shares classified as liabilities	106,944	106,558

(f) Trade and other payables

(\$'000)	31 December 2023	31 December 2022
Payroll tax liability	6	1
Payroll Liabilities	67	25
Accounts Payable	498	472
Vat Liability	(13)	(26)
Accrued expenses	239	162
Closing balance	797	634

(g) Amounts due to subsidiary undertakings

(\$'000)	31 December 2023	31 December 2022
Mainstay Medical International Limited	3,204	1,953
	3,204	1,953

(h) Leases

(\$'000)	31 December 2023	31 December 2022
ROU Asset	69	-
	69	-
Lease Liability – Short Term	23	-
Lease Liability – Long Term	46	-
	69	-