

# MedaPhor Group plc

## Half year results for the six months ended 30 June 2014

### HIGHLIGHTS

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MedaPhor Group plc ("MedaPhor" or "the Company" or "the Group"), the global medical simulation company presents its first unaudited half year results following the Company's Admission to AIM on 27 August 2014. Whilst the Company did not trade in the period to 30 June 2014, the Company acquired MedaPhor Limited on 15 August 2014 and these accounts have been prepared as if MedaPhor Limited had been owned and controlled by the Company since MedaPhor Limited commenced trading.

#### Half year results to 30 June 2014

- Sales increased 10% to £662,000 (H1 2013 : £602,000)
- US subsidiary, MedaPhor North America Inc., established
- Expansion of UK and US sales teams
- New radiology training simulator platform launched
- Management team strengthened as part of IPO

#### Events after the reporting date

- £4.7m fundraising and admission to AIM as MedaPhor Group plc (MED)

Commenting on the results, Riccardo Pigliucci, Chairman of MedaPhor said:

"I am particularly pleased that, despite the significant investment in time needed to prepare for our successful fundraise and admission to AIM, we have made good progress in the first half of 2014. The establishment of MedaPhor North America Inc. and the strengthening of our UK and US sales teams should enable us to increase our future sales generation potential. Supported by the funds raised through the IPO, we are now looking to increase the reach of our global sales and distribution network and continue the development of our ultrasound simulator systems and their applications."

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A copy of this announcement is available on the Company's website: [www.medaphor.com](http://www.medaphor.com)

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# MedaPhor Group plc

## CHAIRMAN'S STATEMENT

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### **Introduction**

I am delighted to present MedaPhor's first interim report as a publicly traded company, following our admission to AIM on 27 August 2014. This was a landmark event for the Group, which we believe will provide us with the backing and visibility to deliver on our growth strategy and we are grateful to our new and existing investors for their support. The medical simulation market continues to grow rapidly and we believe our products have the potential to make us a major player in the ultrasound sector of this exciting market.

### **Background**

The medical simulation market is estimated to be worth approximately \$0.8billion, growing to \$1.9billion by 2017. We believe that, while ultrasound simulation currently represents only a small percentage of the total medical simulation market, it has the potential to grow significantly and this growth will be driven by medical training institutions and hospitals wanting to de-risk the impact of training on live patients, to standardise teaching and to increase the time available for trainees to practise their ultrasound scanning skills.

The Group has spent six years developing an ultrasound training simulator that utilises haptic based 'real feel' technology aligned with real ultrasound scans, to replicate the one to one experience of learning from an expert. The system incorporates a curriculum based learning programme and real-time expert guidance and performance assessment software, which enables trainees to learn the key ultrasound scanning skills without the need for volunteer patients and requires minimal tutor supervision.

In 2010, we launched our first commercial product, the ScanTrainer transvaginal simulator ("TVS") platform, which was initially targeted at the UK's obstetrics and gynaecology market with training modules covering a limited number of key pathologies. Following positive feedback from UK hospitals, between 2011 and 2012 we expanded the range of obstetrics and gynaecology pathology modules available for use with the TVS system and, in 2013, we completed the development of our second commercial product, the ScanTrainer transabdominal simulator ("TAS") platform. TAS was also initially targeted at the obstetrics and gynaecology market, but has the added potential for expansion into other ultrasound scanning sectors.

### **Review of the first six months of 2014**

The focus of the Group in the current financial year has been to expand and develop the ScanTrainer product range, recruit and train a larger direct sales team in the UK and US, establish a trained distributor network outside of these territories and raise funds and the Company's profile through admission to AIM.

In January 2014, we launched our first radiology-based training modules for the ScanTrainer TAS system which expanded our product range into the large general medical scanning market. These modules, which teach the skills required to scan the kidney, liver spleen, gall bladder, pancreas and aorta, are expected to make a contribution to revenue from 2015 onwards.

In January 2014, we also established our US subsidiary, MedaPhor North America Inc., to strengthen our sales operation in the large US market. At the same time, we expanded

# MedaPhor Group plc

## CHAIRMAN'S STATEMENT (Continued)

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our direct sales coverage in both the UK and US. Consequently, Group sales in the first half of the year showed a 10% growth to £662,000 (six months to 30 June 2013: £602,000).

Gross margin at 64.5% remained broadly in line with the previous period (six months to 30 June 2013: 66.6%).

In line with our plans, administrative overheads at £1,184,000 (six months to June 2013: £535,000) reflected our investment in the US operation, expensed R&D, sales infrastructure, marketing costs, additional legal and professional costs plus the strengthened management team in anticipation of the Company's launch on to AIM.

The resultant net loss for the six months was £756,000 (six months to 30 June 2013: £94,000). Cash used in operations, along with purchases of tangible fixed assets, were funded by £750,000 invested into the Group by way of convertible loan notes from the Company's two largest existing shareholders. Consequently cash at 30 June 2014 of £242,000 was similar to the position at the start of the period (1 January 2014: £224,000).

### **Future developments and outlook**

Out of the gross proceeds from the fundraising of £4.7m, the Company incurred £0.5m of costs. The net proceeds of £4.2m comprised £0.9m of loan stock which converted into shares at the time of the fundraising at the IPO issue price and £3.3m of new cash.

The Group plans to use these funds to expand the range of ultrasound training modules and case studies for its existing simulator systems, as well as developing new potential applications for the systems in markets such as emergency medicine. The first of these new product applications is planned for launch before the end of the current financial year. Future sales growth is expected to be through the sales of simulator systems ,case studies and assessment modules and additionally, in the longer term, through cloud-based services.

The IPO process has inevitably absorbed significant management time during the first half of this year, but our sales and development pipelines continue to build steadily in line with our growth plans.

### **People**

I would like to thank all of the MedaPhor team for their hard work, professionalism and enthusiasm, as well as acknowledging the invaluable support of all our shareholders, both old and new.

Riccardo Pigliucci  
Chairman

24 September 2014

# Medaphor Group plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 June 2014

	Notes	Unaudited 6 months ended 30 June 2014	Unaudited 6 months ended 30 June 2013	Year ended 31 December 2013
		£	£	£
REVENUE	3	662,242	601,891	1,351,923
Cost of sales		(234,860)	(200,750)	(528,705)
Gross profit		427,382	401,141	823,218
Administrative expenses		(1,183,793)	(535,213)	(1,218,312)
OPERATING LOSS BEFORE INCOME TAX		(756,411)	(134,072)	(395,094)
Income tax credit	4	-	40,474	66,470
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		(756,411)	(93,598)	(328,624)
LOSS PER ORDINARY SHARE (PENCE) ATTRIBUTABLE TO SHAREHOLDERS				
Basic and diluted	5	(7.031)p	(0.870)p	(3.055)p

All results derive from continuing activities.

# MedaPhor Group plc

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2014

	Share Capital £	Convertible debt option reserve £	Retained Earnings £	Share based payment reserve £	Merger reserve £	Total equity attributable to shareholders £
<b>Balance as at 1 January 2013</b>	107,580	-	(1,144,026)	13,000	1,990,187	966,741
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	(93,598)	-	-	(93,598)
<b>Contributions by and distributions to owners</b>						
IFRS2 share based payments	-	-	-	23,500	-	23,500
Total contributions by and distributions to owners	-	-	-	23,500	-	23,500
<b>Balance as at 30 June 2013</b>	107,580	-	(1,237,624)	36,500	1,990,187	896,643
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	(235,026)	-	-	(235,026)
<b>Contributions by and distributions to owners</b>						
IFRS2 share based payments	-	-	-	23,500	-	23,500
Total contributions by and distributions to owners	-	-	-	23,500	-	23,500
<b>Balance as at 31 December 2013</b>	107,580	-	(1,472,650)	60,000	1,990,187	685,117
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	(756,411)	-	-	(756,411)
<b>Contributions by and distributions to owners</b>						
Equity element of convertible loans	-	85,000	-	-	-	85,000
IFRS share based payments	-	-	-	11,500	-	11,500
Total contributions by and distributions to owners	-	85,000	-	11,500	-	96,500
<b>Balance at 30 June 2014</b>	107,580	85,000	(2,229,061)	71,500	1,990,187	25,206

# MedaPhor Group plc

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2014

	Unaudited 30 June 2014	Unaudited 30 June 2013	31 December 2013
	£	£	£
<b>NON CURRENT ASSETS</b>			
Intangible assets	264,074	228,911	344,063
Property and equipment	232,936	27,411	146,861
	<u>497,010</u>	<u>256,322</u>	<u>490,924</u>
<b>CURRENT ASSETS</b>			
Inventories	143,231	348,185	78,710
Trade and other receivables	480,200	431,939	396,573
Income tax	-	-	25,996
Cash and cash equivalents	242,247	306,566	224,112
	<u>865,678</u>	<u>1,086,690</u>	<u>725,391</u>
<b>TOTAL ASSETS</b>	<b>1,362,688</b>	<b>1,343,012</b>	<b>1,216,315</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(645,673)	(428,869)	(506,198)
Provisions	(32,000)	(17,500)	(25,000)
	<u>(677,673)</u>	<u>(446,369)</u>	<u>(531,198)</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible loans	(659,809)	-	-
<b>TOTAL LIABILITIES</b>	<b>(1,337,482)</b>	<b>(446,369)</b>	<b>(531,198)</b>
<b>NET ASSETS</b>	<b><u>25,206</u></b>	<b><u>896,643</u></b>	<b><u>685,117</u></b>
<b>EQUITY</b>			
Share capital	107,580	107,580	107,580
Convertible debt option reserve	85,000	-	-
Retained earnings	(2,229,061)	(1,237,624)	(1,472,650)
Share based payment reserve	71,500	36,500	60,000
Merger reserve	1,990,187	1,990,187	1,990,187
<b>TOTAL EQUITY</b>	<b><u>25,206</u></b>	<b><u>896,643</u></b>	<b><u>685,117</u></b>

# MedaPhor Group plc

## CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2014

	Unaudited 6 months ended 30 June 2014 £	Unaudited 6 months ended 30 June 2013 £	Year ended 31 December 2013 £
<b>CASH FLOW FROM CONTINUING OPERATING ACTIVITIES</b>			
Loss before tax	(756,411)	(134,072)	(395,094)
Depreciation	49,439	8,293	47,671
Amortisation of intangible assets	79,989	46,595	125,540
Share based payments	11,500	23,500	47,000
Operating cash flows before movement in working capital	(615,483)	(55,684)	(174,883)
Movement in inventories	(64,521)	(309,177)	(39,702)
Movement in trade and other receivables	(83,627)	(125,957)	(90,591)
Movement in trade and other payables	146,475	345,834	430,663
Cash (used in)/generated from operations	(617,156)	(144,984)	125,487
Income taxes received	25,996	40,474	40,474
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(591,160)</b>	<b>(104,510)</b>	<b>165,961</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(135,514)	(11,815)	(170,643)
Purchase of intangible assets	-	(62,461)	(256,558)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(135,514)</b>	<b>(74,276)</b>	<b>(427,201)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of convertible loan notes	750,000	-	-
Convertible loan note issue costs	(5,191)	-	-
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>744,809</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,135</b>	<b>(178,786)</b>	<b>(261,240)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>224,112</b>	<b>485,352</b>	<b>485,352</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>242,247</b>	<b>306,566</b>	<b>224,112</b>

# MedaPhor Group plc

## NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2014

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report has been prepared in accordance with the AIM rules and the basis of accounting policies set out in the Historical Financial Information within the Admission Document of the Company ("the HFI") and on the basis of all International Financial Reporting Standards as endorsed by the EU ("IFRS") that are expected to be applicable to the Group's statutory accounts for the year ended 31 December 2014. The interim report is unaudited and was approved by the Board of Directors for issue on 24 September 2014. The information set out herein is abbreviated and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The results for the year ended 31 December 2013 are in abbreviated form and have been extracted from the HFI. These were reported upon without qualification by BDO LLP and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The Group has not applied IAS 34 "Interim Financial Reporting" (which is not mandatory for UK Groups) in the preparation of this interim report.

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The Group financial statements are presented in pounds Sterling.

### 2. BASIS OF CONSOLIDATION

The consolidated interim report incorporates the results of the Company and its subsidiary undertakings. The Company did not undertake any transactions prior to 30 June 2014.

Medaphor Group plc acquired Medaphor Limited on 15 August 2014 through a share for share exchange that does not meet the definition of a business combination. It is noted that such transactions are outside the scope of IFRS 3 and there is no other guidance elsewhere in IFRS covering such transactions. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, requires that where IFRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards when developing an appropriate accounting policy.

In this regard, it is noted that the UK Accounting Standards Board has, in issue, an accounting standard covering business combinations (FRS 6) that permits the use of the merger accounting principles for such transactions. The Directors have therefore chosen to adopt these principles and the accounts have been prepared as if Medaphor Limited had been owned and controlled by the Company throughout the 6 months ended 30 June 2014 and the year ended 31 December 2013. Accordingly, the assets and liabilities of Medaphor Limited have been recognised at their historical carrying amounts, the results for the periods prior to the date the Company legally obtained control have been recognised and the financial information and cash flows reflect those of Medaphor Limited.



# MedaPhor Group plc

## NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2014 (Continued)

### 3. SEGMENTAL ANALYSIS

The following table provides an analysis of the Group's revenue by type (Distribution or Direct Sales) and geography based upon location of the Group's customers.

Unaudited 6 months ended 30 June 2014	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	402,212	402,212
United States of America and Canada	-	209,240	209,240
Rest of World	50,790	-	50,790
	<u>50,790</u>	<u>611,452</u>	<u>662,242</u>

Unaudited 6 months ended 30 June 2013	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	429,594	429,594
United States of America and Canada	-	118,415	118,415
Rest of World	20,388	33,494	53,882
	<u>20,388</u>	<u>581,503</u>	<u>601,891</u>

Year ended 31 December 2013	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	673,734	673,734
United States of America and Canada	17,360	246,388	263,748
Rest of World	283,317	131,124	414,441
	<u>300,677</u>	<u>1,051,246</u>	<u>1,351,923</u>

### 4. TAXATION ON ORDINARY ACTIVITIES

	Unaudited 6 months ended 30 June 2014	Unaudited 6 months ended 30 June 2013	Year ended 31 December 2013
	£	£	£
R&D tax credit	-	(40,474)	(66,470)

# MedaPhor Group plc

## NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2014 (Continued)

### 5. LOSS PER SHARE

	Unaudited 6 months ended 30 June 2014	Unaudited 6 months ended 30 June 2013	Year ended 31 December 2013
	£	£	£
Earnings:			
Loss for the purposes of basic and diluted loss per share (LPS) being the net loss attributable to the owners of the Company	(756,411)	(93,598)	(328,624)
	No.	No.	No.
Number of shares:			
Weighted average number of Ordinary and 'A' Ordinary shares for the purpose of basic LPS	10,758,000	10,758,000	10,758,000

In the periods ended 30 June 2014, 30 June 2013 and 31 December 2013 there were share options in issue which could potentially have a dilutive impact but as the Group was loss making they were anti-dilutive for each period and therefore the weighted average number of ordinary shares for the purpose of the basic and dilutive loss per share were the same.

### 6. SHARE CAPITAL

	30 June 2014, 30 June 2013 and 31 December 2013	
	No.	£
Allotted, issued and fully paid		
Ordinary shares of 1p each	9,758,000	97,580
'A' Ordinary shares of 1p each	1,000,000	10,000
	<u>10,758,000</u>	<u>107,580</u>

### 7. EVENTS AFTER THE REPORTING DATE

On 8 August 2014, Finance Wales Investments (6) Limited ("FW") advanced a convertible loan of £135,000 to MedaPhor Limited. This brought the total convertible loans made to MedaPhor Limited to £885,000 of which £785,000 was advanced by FW ("the FW Loans") and £100,000 by Fusion IP Cardiff Limited ("the Fusion Loan").

On 15 August 2014 the shareholders of MedaPhor Limited exchanged each share in MedaPhor Limited for 2,000 ordinary shares of 1 pence each in MedaPhor Group plc so that MedaPhor Group plc became the holding company of the Group with 10,758,000 ordinary shares in issue.

As described in note 2 above the Directors have chosen to adopt merger accounting principles and consequently these accounts have been prepared as if MedaPhor Limited had been owned and controlled by the Company throughout the 6 months ended 30 June 2014 and the year ended 31 December 2013.

On 27 August 2014 the Company raised £4.7 million (before expenses) by way of a placing of 9,366,300 new ordinary shares with both new and existing shareholders at a price of 50 pence per ordinary share. The placing included the issue of 1,770,000 new ordinary shares following the conversion of the FW Loans and the Fusion Loan. Following admission of the new ordinary shares to trading on AIM, the total number of ordinary shares in issue was 20,124,300.

# MedaPhor Group plc

## NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2014 (Continued)

### 8. INTERIM ANNOUNCEMENT

The interim report was approved by the Board of Directors for issue on 24 September 2014. A copy will be posted on the Company's website at [www.medaphor.com](http://www.medaphor.com).