

MedaPhor Group plc

Half year results for the six months ended 30 June 2015

HIGHLIGHTS

MedaPhor Group plc ("MedaPhor" or "the Company" or "the Group"), the global provider of advanced ultrasound skills training simulators for medical professionals, presents its unaudited half year results to 30 June 2015.

Financial highlights

- Sales increased 63% on comparative period to £1.1m (H1 2014: £0.7m)
- Loss of £1m for the period is in line with the Board's expectations
- Cash balance at 30 June 2015 of £2.0m (31 December 2014: £2.9m)

Operational highlights

- Continued expansion and training of UK and US sales teams and reseller network
- ScanTrainer upgraded and new modules launched
- ScanTrainer now available in six languages
- Sales and marketing collaboration with HeartWorks™

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

"We continue to build a platform to support a growing business. The growth in sales in the first half of the year relative to the comparative period is encouraging and if we can build on this momentum, we should achieve our expectations for the year."

A copy of this announcement is available on the Company's website: www.medaphor.com

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About MedaPhor

MedaPhor ([AIM:MED](#)) is a global provider of advanced ultrasound skills training simulators for medical professionals. Founded in 2004, the Company is headquartered in Cardiff, UK and San Diego, USA, with customers in over 16 countries across the world.

ScanTrainer, MedaPhor's cloud-based revolutionary ultrasound skills training simulator, offers a realistic ultrasound scanning learning experience that combines 'real-feel' haptic technology with real full anatomy patient scans, real-time one-to-one expert guidance and curriculum based teaching. The system offers trainees a flexible self-learning experience without the need for patients and with minimal requirement for expert supervision - making ScanTrainer both resource efficient and highly cost effective.

MedaPhor Group plc

CHAIRMAN'S STATEMENT

I am pleased to present MedaPhor's interim report for the six months ended 30 June 2015.

Review of the first six months of 2015

Following the Company's successful admission to AIM at the end of August 2014, the Group has launched several new training modules along with a Cloud based service, translated ScanTrainer so it is now available in six of the world's most widely spoken languages and extended its routes to market by investing in additional sales personnel in the UK and US and adding additional resellers. The Group has also entered into a strategic marketing partnership with a UK company offering heart and lung sonography simulation.

In January 2015 we launched our first radiology focussed Super Assessment module replicating the nature of real life scanning in a busy hospital clinic by testing a trainee's ability to diagnose 10 randomly selected patient scenarios.

In March we released ScanTrainer in Mandarin Chinese and Japanese followed by French, German and Spanish in April.

In April we also appointed a reseller for Southern Africa and in May we upgraded v5.0 of ScanTrainer to give a 30% increase in patient cases offering a wider range of clinical pathologies.

In June we announced a collaboration with Inventive Medical Limited, suppliers of HeartWorks™ ultrasound simulators, to focus on lead generation and joint marketing opportunities that require full torso scanning solutions.

We are now starting to see the effect of the expanded sales teams coming through with a 63% increase in sales in the first six months of 2015 to £1.1m compared to H1 of 2014 (£0.7m). Gross margin at 64.5% remained in line with the comparative period.

Administrative overheads at £1.7m (six months to June 2014: £1.2m) reflected our continued investment in sales infrastructure, marketing and PLC costs.

The resultant net loss for the six months of £1.0m (six months to 30 June 2014: £0.8m) is in line with the Board's expectations. Cash used in operations was £0.7m and investment in tangible fixed assets and capitalised development costs for the six months totalled £0.2m bringing closing cash to £2.0m at 30 June compared to £2.9m at the start of the year.

Strategy

The Group has been following the strategy outlined in the 2014 Annual Report. We have continued our investment in sales and marketing and improved and expanded the ScanTrainer product range.

In addition to this investment in organic growth, we are currently investigating potential acquisition opportunities.

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CHAIRMAN'S STATEMENT (Continued)

Current trading and outlook.

Based on the results to date, the Board anticipates that the Company can build upon the momentum achieved to date and meet expectation for the full year. As explained in the 2014 Annual Report, should the Group continue to perform in line with the Board's expectations, then the Group should not require to raise further cash to fund operations until the second half of 2016.

Riccardo Pigliucci
Chairman

29 July 2015

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 June 2015

	Notes	Unaudited 6 months ended 30 June 2015	Unaudited 6 months ended 30 June 2014	Audited year ended 31 December 2014
		£	£	£
REVENUE	3	1,080,230	662,242	1,804,146
Cost of sales		(383,355)	(234,860)	(679,405)
Gross profit		696,875	427,382	1,124,741
Administrative expenses		(1,687,127)	(1,183,793)	(2,629,878)
OPERATING LOSS		(990,252)	(756,411)	(1,505,137)
Interest income/(Finance costs)		1,785	-	(3,532)
LOSS BEFORE INCOME TAX		(988,467)	(756,411)	(1,508,669)
Income tax credit	4	-	-	19,749
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(988,467)	(756,411)	(1,488,920)
LOSS PER ORDINARY SHARE (PENCE) ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT				
Basic and diluted	5	(4.909)	(7.031)	(10.622)

All results derive from continuing activities.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2015

	Ordinary share capital	Share premium	Convertible debt option reserve	Accumulated losses	Share-based payment reserve	Merger reserve	Total equity attributable to shareholders £
	£	£	£	£	£	£	£
Balance as at 1 January 2014	107,580	-	-	(1,472,650)	60,000	1,990,187	685,117
Comprehensive income for the period							
Loss for the period	-	-	-	(756,411)	-	-	(756,411)
Contributions by and distributions to owners							
Equity element of convertible loans issued	-	-	85,000	-	-	-	85,000
Share-based payments expense	-	-	-	-	11,500	-	11,500
Total contributions by and distributions to owners	-	-	85,000	-	11,500	-	96,500
Balance as at 30 June 2014	107,580	-	85,000	(2,229,061)	71,500	1,990,187	25,206
Comprehensive income for the period							
Loss for the period	-	-	-	(732,509)	-	-	(732,509)
Contributions by and distributions to owners							
Shares issued for cash	75,963	3,722,187	-	-	-	-	3,798,150
Shares issued in exchange for debt	17,700	867,300	-	-	-	-	885,000
Cost of raising finance	-	(269,580)	-	-	-	-	(269,580)
Shares issued on exercise of share options	120	2,160	-	-	-	-	2,280
Equity element of convertible loans converted	-	-	(85,000)	-	-	-	(85,000)
Share-based payments expense	-	-	-	-	63,500	-	63,500
Total contributions by and distributions to owners	93,783	4,322,067	(85,000)	-	63,500	-	4,394,350
Balance as at 31 December 2014	201,363	4,322,067	-	(2,961,570)	135,000	1,990,187	3,687,047
Comprehensive income for the period							
Loss for the period	-	-	-	(988,467)	-	-	(988,467)
Contributions by and distributions to owners							
Share-based payments expense	-	-	-	-	60,000	-	60,000
Total contributions by and distributions to owners	-	-	-	-	60,000	-	60,000
Balance at 30 June 2015	201,363	4,322,067	-	(3,950,037)	195,000	1,990,187	2,758,580

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2015

	Unaudited 30 June 2015	Unaudited 30 June 2014	Audited 31 December 2014
	£	£	£
NON-CURRENT ASSETS			
Intangible assets	402,227	264,074	360,284
Property, plant and equipment	184,623	232,936	221,286
	<u>586,850</u>	<u>497,010</u>	<u>581,570</u>
CURRENT ASSETS			
Inventories	469,257	143,231	142,131
Trade and other receivables	548,373	480,200	798,819
Current tax assets	-	-	19,749
Cash and cash equivalents	1,989,620	242,247	2,866,612
	<u>3,007,250</u>	<u>865,678</u>	<u>3,827,311</u>
TOTAL ASSETS	3,594,100	1,362,688	4,408,881
CURRENT LIABILITIES			
Trade and other payables	(748,788)	(645,673)	(691,834)
Provisions	(40,832)	(32,000)	(30,000)
	<u>(789,620)</u>	<u>(677,673)</u>	<u>(721,834)</u>
NON-CURRENT LIABILITIES			
Convertible loans	-	(659,809)	-
Deferred income	(45,900)	-	-
	<u>(45,900)</u>	<u>(659,809)</u>	<u>-</u>
TOTAL LIABILITIES	(835,520)	(1,337,482)	(721,834)
NET ASSETS	<u>2,758,580</u>	<u>25,206</u>	<u>3,687,047</u>
EQUITY			
Ordinary share capital	201,363	107,580	201,363
Share premium	4,322,067	-	4,322,067
Convertible debt option reserve	-	85,000	-
Accumulated losses	(3,950,037)	(2,229,061)	(2,961,570)
Share-based payment reserve	195,000	71,500	135,000
Merger reserve	1,990,187	1,990,187	1,990,187
TOTAL EQUITY	<u>2,758,580</u>	<u>25,206</u>	<u>3,687,047</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2015

	Unaudited 6 months ended 30 June 2015 £	Unaudited 6 months ended 30 June 2014 £	Audited year ended 31 December 2014 £
CASH FLOW FROM CONTINUING OPERATING ACTIVITIES			
Loss before tax	(988,467)	(756,411)	(1,508,669)
Depreciation	58,559	49,439	104,467
Amortisation of intangible assets	125,593	79,989	167,356
Finance (income)/costs	(1,785)	-	3,532
Share-based payments expense	60,000	11,500	75,000
Operating cash flows before movement in working capital	(746,100)	(615,483)	(1,158,314)
Movement in inventories	(327,126)	(64,521)	(63,421)
Movement in trade and other receivables	250,446	(83,627)	(400,431)
Movement in trade and other payables	113,686	146,475	190,636
Cash used in operations	(709,094)	(617,156)	(1,431,530)
Income taxes received	19,749	25,996	25,996
NET CASH USED IN OPERATING ACTIVITIES	(689,345)	(591,160)	(1,405,534)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(21,896)	(135,514)	(178,892)
Purchase of intangible assets	(167,536)	-	(183,577)
NET CASH USED IN INVESTING ACTIVITIES	(189,432)	(135,514)	(362,469)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares	-	-	3,800,430
Issue and conversion of convertible loan notes	-	750,000	885,000
New shares and convertible loan note issue costs	-	(5,191)	(269,580)
Interest received/(finance costs paid)	1,785	-	(5,347)
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,785	744,809	4,410,503
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(876,992)	18,135	2,642,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,866,612	224,112	224,112
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,989,620	242,247	2,866,612

MedaPhor Group plc

NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information contained in this interim report has not been audited by the Group's auditor and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Directors approved and authorised this interim report on 29 July 2015. The financial information for the preceding full year is extracted from the statutory accounts for the financial year ended 31 December 2014. Those accounts, upon which the auditor issued an unqualified opinion and did not include a statement under Section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

This interim report has been prepared in accordance with UK AIM Rules for Companies. 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 interim report has been prepared in a manner consistent with the accounting policies set out in the statutory accounts for the financial year ended 31 December 2014.

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 current and comparative accounting periods. 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.

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NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2015 (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 2015	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	557,456	557,456
North America	-	308,750	308,750
Rest of World	152,991	61,033	214,024
	<u>152,991</u>	<u>927,239</u>	<u>1,080,230</u>

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

Audited year ended 31 December 2014	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	685,051	685,051
North America	-	714,567	714,567
Rest of World	304,635	99,893	404,528
	<u>304,635</u>	<u>1,499,511</u>	<u>1,804,146</u>

4. TAXATION ON ORDINARY ACTIVITIES

	Unaudited 6 months ended 30 June 2015	Unaudited 6 months ended 30 June 2014	Audited year ended 31 December 2014
	£	£	£
R&D tax credit	-	-	<u>(19,749)</u>

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NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2015 (Continued)

5. LOSS PER SHARE

	Unaudited 6 months ended 30 June 2015	Unaudited 6 months ended 30 June 2014	Audited year ended 31 December 2014
	£	£	£
Earnings:			
Loss for the purposes of basic and diluted loss per share (LPS) being the net loss attributable to the owners of the Company	(988,467)	(756,411)	(1,488,920)
	No.	No.	No.
Number of shares:			
Weighted average number of Ordinary and 'A' Ordinary shares for the purpose of basic LPS	20,136,300	10,758,000	14,017,387

In the periods ended 30 June 2015, 30 June 2014 and 31 December 2014 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 2015 and 31 December 2014	
	No.	£
Allotted, issued and fully paid:		
Ordinary shares of 1p each	20,136,300	201,363
'A' Ordinary shares of 1p each	-	-
	<u>20,136,300</u>	<u>201,363</u>

	30 June 2014	
	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>

On 14 August 2014 shareholders of the Company passed a resolution to sub-divide each issued and to be issued Ordinary Share of £1.00 each into 100 shares of 1 pence each, following which the Company issued and allotted 10,758,000 shares pursuant to an agreement to exchange 2,000 shares in the Company as consideration for each issued share in MedaPhor Limited.

On 27 August 2014 pursuant to the Company's admission to trading on AIM, the Company placed 9,366,300 new Ordinary Shares of 1 pence each at 50 pence per share. 1,770,000 of these new Ordinary Shares were issued in exchange for loan notes in MedaPhor Limited totalling £885,000. The total share issue costs were £584,213 of which £314,633, relating to the proportion of the costs of admission attributable to the pre-admission shareholders, was expensed to the Statement of Comprehensive Income in 2014 and £269,580, relating to the proportion of the costs of admission attributable to the new Ordinary Shares, was netted off against the share premium arising on the new Ordinary Share issue.

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NOTES TO THE CONSOLIDATED INTERIM REPORT for the six months ended 30 June 2015 (Continued)

6. SHARE CAPITAL (Continued)

On 19 December 2014 following the exercise of employee share options, the Company issued a further 12,000 Ordinary Shares of one pence each at 19p per share.

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 current and comparative accounting periods.

7. INTERIM ANNOUNCEMENT

A copy of this report will be posted on the Company's website at www.medaphor.com.