

3 August 2016



**MedaPhor Group plc**  
("MedaPhor" or the "Group" or the "Company")

**Half year results for the six months ended 30 June 2016**

MedaPhor Group plc (AIM: MED), the global provider of advanced ultrasound skills training simulators for medical professionals, announces its unaudited half year results to 30 June 2016.

In a separate RNS the Company has also announced today the acquisition of Inventive Medical Limited (IML), a UK company which is the global supplier of cardio ultrasound simulation products under the HeartWorks brand, for £3m in shares.

**Financial highlights**

- Sales increased 17% on the comparative period to £1.26m (H1 2015: £1.08m)
- £3.0m raised net of costs following placing of shares in April 2016
- Cash balance at 30 June 2016 of £3.5m (31 December 2015: £1.3m)

**Operational update**

- Agreement signed with the American Board of Obstetrics and Gynecology (ABOG) to develop MedaPhor's ScanTrainer simulator for use in future ABOG examinations
- Expanded the sales team in North America, demonstrating the Boards confidence in the region
- University of Cumbria opened their new Ultrasound Skills Lab with multiple ScanTrainer simulators
- ScanTrainer Professional 2016 Edition and Cloud 2 launched
- The Directors continue to believe that the patent infringement claims brought by SonoSim in the US are without merit and the Company continues to vigorously defend its position

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

*"This has been an excellent period of trading for MedaPhor. The agreement with the ABOG, the successful £3m fund raising and the acquisition of HeartWorks; combined with our growing sales, encouraging pipeline and expanded sales team in the US; all point to an exciting future for the Group."*

*This announcement contains inside information.*

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### **About MedaPhor ([www.medaphor.com](http://www.medaphor.com))**

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 Professional, MedaPhor's market-leading 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 Professional both resource efficient and highly cost effective.

ScanTrainer Professional's subscription-based Cloud 2 service offers ScanTrainer users access to the Case Generation Engine, which enables them to upload and publish their own patient scans and share these with other Cloud 2 subscribers within their organisation or around the world. Cloud Case Library offers users flexible cloud-access to a growing library of close to 300 normal and abnormal cases created using real patient scans.

### **About Inventive Medical ([www.inventivemedical.com](http://www.inventivemedical.com))**

Developed by leading cardiac anaesthesiologists at University College London Hospital and owned by University College London Hospitals Charity, IML's HeartWorks simulators and online training materials are recognised as one of the most true-to-life and comprehensive educational tools for Transthoracic and Transoesophageal echocardiography.

Medical practitioners can learn, through interactive online content, the complete anatomy of the heart, view it from all angles and recognise patient cases with pathological conditions. They can then practise acquiring ultrasound images through correct probe positioning on a simulator, interpret those images to determine correct diagnosis and treatment, and finally be tested to ensure that all required competencies have been achieved to the highest standard.

## **CHAIRMAN'S STATEMENT**

I am pleased to present MedaPhor's interim report for the six months ended 30 June 2016.

### **Review of the first six months of 2016**

This has been an excellent period of trading for the Group.

At the start of the year we launched our new ScanTrainer Professional 2016 Edition version of our award-winning simulator, along with a new fee paying, cloud-based service (Cloud 2) which enables doctors to scan and share anonymised patient cases, training lessons and examination modules using our unique ScanTrainer Case Generation Engine. Combined with our new Cloud Case Library which holds close to 300 real patient scans, we believe these new cloud-based services have the potential to facilitate a global ScanTrainer community of medical professionals, generating recurring revenue streams from 2017 onwards.

In March we announced that our US subsidiary, MedaPhor North America Inc., had signed a long term agreement with the American Board of Obstetrics and Gynecology (ABOG) for the planned use of ScanTrainer as the ABOG's ultrasound skills examination simulator within its obstetrics and gynaecology certification exams.

The ABOG is the official body for certifying obstetricians and gynaecologists in the United States and conducts nearly 2,000 certification examinations per annum. The agreement with MedaPhor will involve the development of ScanTrainer examination modules and the purchase of ScanTrainer simulator systems.

Also in March, the University of Cumbria officially opened its Ultrasound Skills Lab complete with six ScanTrainer Professional systems. As the NHS faces a growing skills shortage, the skills lab is aimed at making sonography a more accessible career option for graduates who may not have come from a clinical background and we are hopeful that this multi-system purchase could be the start of a trend which will give a further boost to our business in the UK.

In April the Company raised £3.2m (£3.0m net of costs) by way of a placing of 7,111,112 new Ordinary Shares at 45 pence each with certain existing and new shareholders. The proceeds will allow us to take advantage of exciting growth opportunities available to us, particularly as a result of the ABOG agreement. These include the continued expansion of our sales force in North America and the investment in the development of new ScanTrainer software modules such as Echo in Life Support and Nuchal Translucency, along with hundreds of new pathology cases for the ScanTrainer Cloud Library.

### **Acquisition of Inventive Medical Limited**

In June of last year we announced a collaboration with Inventive Medical Limited (IML), a UK company which is the global supplier of the HeartWorks cardio ultrasound simulation suite of products. The HeartWorks simulator is used in cardiology related ultrasound training, which perfectly complements the ScanTrainer simulator which specialises in female pelvis (obstetrics and gynaecology) and upper abdomen (general medical and emergency medicine) ultrasound training. The strategic partnership focussed on lead generation and joint marketing opportunities that required full torso ultrasound scanning solutions.

Having worked closely together for a year, both management teams recognised the opportunities that a closer alliance would bring and I am delighted to announce that on 2 August 2016 we signed an agreement for the acquisition of IML which is expected to complete on 8 August 2016. This acquisition will bring a complementary, but not competing, suite of products that will allow us to leverage a combined direct sales force and reseller network and provide an immediate boost to sales growth for the combined group.

The £3.0m consideration for the IML group will be satisfied by the issue of 6,976,745 new Ordinary Shares at 43 pence each, representing 20% of the enlarged share capital of the Company.

The Directors believe that, while the acquisition may result in a greater working capital requirement initially, the net funds raised by the April Placing are still expected to finance the enlarged Group through to profitability and positive operating cash flow for the combined business.

#### **Patent infringement proceedings**

The Directors continue to believe that the patent infringement claims brought by SonoSim in the US are without merit and the Company continuous to vigorously defend its position.

#### **Current trading and outlook.**

This has been an excellent period of trading for the Group. The agreement with the ABOG, the successful £3m fund raising and the acquisition of IML and the HeartWorks brand all point to an exciting future for the Group. These factors have encouraged us to accelerate our investment in sales resource within the US and consequently our overheads in the second half of the current year and beyond will be higher than originally anticipated.

While there remain some uncertainties in the UK and European market place and the global economy, we have significant pipeline prospects that give us confidence that the Company will meet its expectation for the full year.

Riccardo Pigliucci  
Chairman

2 August 2016

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 30 June 2016**

		Unaudited 6 months ended 30 June 2016	Unaudited 6 months ended 30 June 2015	Audited year ended 31 December 2015
	Notes	£	£	£
REVENUE	3	1,262,512	1,080,230	2,207,633
Cost of sales		(434,932)	(383,355)	(766,944)
Gross profit		827,580	696,875	1,440,689
Administrative expenses		(1,826,192)	(1,687,127)	(3,111,302)
OPERATING LOSS		(998,612)	(990,252)	(1,670,613)
Interest income/(Finance costs)		-	1,785	(1,659)
LOSS BEFORE INCOME TAX		(998,612)	(988,467)	(1,672,272)
Income tax credit	4	-	-	42,175
LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(998,612)	(988,467)	(1,630,097)
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will or may be reclassified to profit or loss:				
Exchange loss arising on translation of foreign operations		(1,474)	-	(3,984)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(1,474)	-	(3,984)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(1,000,086)	(988,467)	(1,634,081)
<b>LOSS PER ORDINARY SHARE (PENCE) ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT</b>				
Basic and diluted	5	(4.346)p	(4.909)p	(8.095)p

All results derive from continuing activities.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2016**

	Ordinary share capital	Share premium	Accumulated losses	Share- based payment Reserve	Merger reserve	Foreign exchange reserve	Total equity attributable to shareholders
	£	£	£	£	£	£	£
<b>Balance as at 1 January 2015</b>	201,363	4,322,067	(2,961,570)	135,000	1,990,187	-	3,687,047
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	(988,467)	-	-	-	(988,467)
<b>Contributions by and distributions to owners</b>							
Share-based payments expense	-	-	-	60,000	-	-	60,000
Total contributions by and distributions to owners	-	-	-	60,000	-	-	60,000
<b>Balance as at 30 June 2015</b>	201,363	4,322,067	(3,950,037)	195,000	1,990,187	-	2,758,580
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	(641,630)	-	-	(3,984)	(645,614)
<b>Contributions by and distributions to owners</b>							
Share-based payments expense	-	-	-	56,000	-	-	56,000
Total contributions by and distributions to owners	-	-	-	56,000	-	-	56,000
<b>Balance as at 31 December 2015</b>	201,363	4,322,067	(4,591,667)	251,000	1,990,187	(3,984)	2,168,966
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	(998,612)	-	-	(1,474)	(1,000,086)
<b>Contributions by and distributions to owners</b>							
Shares issued for cash	71,111	3,128,889	-	-	-	-	3,200,000
Cost of raising finance	-	(182,316)	-	-	-	-	(182,316)
Share-based payments expense	-	-	-	55,000	-	-	55,000
Total contributions by and distributions to owners	71,111	2,946,573	-	55,000	-	-	3,072,684
<b>Balance at 30 June 2016</b>	272,474	7,268,640	(5,590,279)	306,000	1,990,187	(5,458)	4,241,564

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2016**

	Unaudited 30 June 2016	Unaudited 30 June 2015	Audited 31 December 2015
	£	£	£
<b>NON-CURRENT ASSETS</b>			
Intangible assets	467,729	402,227	433,340
Property, plant and equipment	306,147	184,623	307,257
	<u>773,876</u>	<u>586,850</u>	<u>740,597</u>
<b>CURRENT ASSETS</b>			
Inventories	234,706	469,257	264,587
Trade and other receivables	567,205	548,373	759,529
Cash and cash equivalents	3,503,278	1,989,620	1,287,767
	<u>4,305,189</u>	<u>3,007,250</u>	<u>2,311,883</u>
<b>TOTAL ASSETS</b>	<b>5,079,065</b>	<b>3,594,100</b>	<b>3,052,480</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(731,967)	(748,788)	(851,949)
Provisions	(29,109)	(40,832)	(31,565)
	<u>(761,076)</u>	<u>(789,620)</u>	<u>(883,514)</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	(76,425)	(45,900)	-
	<u>(76,425)</u>	<u>(45,900)</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>(837,501)</b>	<b>(835,520)</b>	<b>(883,514)</b>
<b>NET ASSETS</b>	<b><u>4,241,564</u></b>	<b><u>2,758,580</u></b>	<b><u>2,168,966</u></b>
<b>EQUITY</b>			
Ordinary share capital	272,474	201,363	201,363
Share premium	7,268,640	4,322,067	4,322,067
Accumulated losses	(5,590,279)	(3,950,037)	(4,591,667)
Share-based payment reserve	306,000	195,000	251,000
Merger reserve	1,990,187	1,990,187	1,990,187
Foreign exchange reserve	(5,458)	-	(3,984)
<b>TOTAL EQUITY</b>	<b><u>4,241,564</u></b>	<b><u>2,758,580</u></b>	<b><u>2,168,966</u></b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the six months ended 30 June 2016**

	Unaudited <del>Group</del> ended 30 June 2016 £	Unaudited 6 months ended 30 June 2015 £	Audited year ended 31 December 2015 £
<b>CASH FLOW FROM CONTINUING OPERATING ACTIVITIES</b>			
Loss before tax	(998,612)	(988,467)	(1,672,272)
Depreciation	63,538	58,559	215,397
Amortisation of intangible assets	148,965	125,593	249,824
Finance (income)/costs	-	(1,785)	1,659
Share-based payments expense	55,000	60,000	116,000
Operating cash flows before movement in working capital	(731,109)	(746,100)	(1,089,392)
Movement in inventories	29,881	(327,126)	(122,456)
Movement in trade and other receivables	192,324	250,446	37,476
Movement in trade and other payables	(46,013)	113,686	161,680
Cash used in operations	(554,917)	(709,094)	(1,012,692)
Income taxes received	-	19,749	61,924
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(554,917)</b>	<b>(689,345)</b>	<b>(950,768)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(62,428)	(21,896)	(301,368)
Internally generated and purchase of intangible assets	(183,354)	(167,536)	(322,880)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(245,782)</b>	<b>(189,432)</b>	<b>(624,248)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of new shares	3,017,684	-	-
Interest received/(finance costs paid)	-	1,785	155
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>3,017,684</b>	<b>1,785</b>	<b>155</b>
Exchange losses	(1,474)	-	(3,984)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,215,511</b>	<b>(876,992)</b>	<b>(1,578,845)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,287,767</b>	<b>2,866,612</b>	<b>2,866,612</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,503,278</b>	<b>1,989,620</b>	<b>1,287,767</b>

**NOTES TO THE CONSOLIDATED INTERIM REPORT  
for the six months ended 30 June 2016**

**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 2 August 2016. The financial information for the preceding full year is extracted from the statutory accounts for the financial year ended 31 December 2015. 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 2015.

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.

**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 2016	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	604,752	604,752
North America	-	343,293	343,293
Rest of World	195,379	119,088	314,467
	<u>195,379</u>	<u>1,067,133</u>	<u>1,262,512</u>

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>

Audited year ended 31 December 2015	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	940,610	940,610
North America	-	806,691	806,691
Rest of World	339,139	121,193	460,332
	<u>339,139</u>	<u>1,868,494</u>	<u>2,207,633</u>

#### 4. TAXATION ON ORDINARY ACTIVITIES

	Unaudited 6 months ended 30 June 2016	Unaudited 6 months ended 30 June 2015	Audited year ended 31 December 2015
	£	£	£
R&D tax credit	-	-	(42,175)

#### 5. LOSS PER SHARE

	Unaudited 6 months ended 30 June 2016	Unaudited 6 months ended 30 June 2015	Audited year ended 31 December 2015
	£	£	£
Earnings:			
Loss for the purposes of basic and diluted loss per share (LPS) being the net loss attributable to the owners of the Company	(998,612)	(988,467)	(1,630,097)
	No.	No.	No.
Number of shares:			
Weighted average number of Ordinary shares for the purpose of basic LPS	<u>23,012,256</u>	<u>20,136,300</u>	<u>20,136,300</u>

In the periods ended 30 June 2016, 30 June 2015 and 31 December 2015 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 2016	
Allotted, issued and fully paid:	No.		£
Ordinary shares of 1p each			
Balance at 1 January 2015, 30 June 2015 and 31 December 2015	20,136,300		201,363
Shares issued for cash	7,111,112		71,111
Balance at 30 June 2016	<u>27,247,412</u>		<u>272,474</u>

On 1 April 2016 the Company placed 7,111,112 new Ordinary Shares of 1 pence each at 45 pence per share with new and existing shareholders. The total share issue costs were £182,316 which were netted off against the share premium arising on the new Ordinary Share issue.

## 7. INTERIM ANNOUNCEMENT

A copy of this report will be posted on the Company's website at [www.medaphor.com](http://www.medaphor.com)