



22 March 2017

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

Final Results

MedaPhor Group plc (AIM: MED), the global provider of advanced ultrasound education simulators for medical professionals, announces its preliminary results for the year ended 31 December 2016.

Financial highlights

- Revenues increased 49% to £3.3m (2015: £2.2m)
- UK sales up 27%, North America sales up 7% and Rest of World sales up 166%
- Loss before tax and exceptional items £1.8m (2015: Loss, £1.7m)
- Raised £3.0m net of costs by way of placing of shares
- Year-end cash at £1.8m (2015: £1.3m)

Operational highlights

- Acquired Inventive Medical Limited (HeartWorks) bringing complementary products and resources using MedaPhor shares as consideration
- Placing funds enabled further investment in overseas operations and product development
- Global network increased to 30 resellers (2015: 20 resellers)
- Settled US litigation, which is expected to enable US sales growth to recover in 2017

Post year-end events

- Overseas sales are up on last year, but UK sales are down due to NHS spending constraints
- Funding options to finance future growth are under review

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

"This has been an up and down year for the Group, but we have now settled the IP litigation in the US and are benefitting from the acquisition of both the Inventive Medical personnel and the HeartWorks brand. We are currently pursuing future potential funding options and look forward to building our global simulator business in 2017 and beyond."

This announcement contains inside information which, prior to its disclosure, was inside information for the purposes of the Market Abuse Regulation (Article 7 of Regulation (EU) No 596/2014

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

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About MedaPhor – 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 Alpharetta, USA, with customers in over 20 countries across the world.

Following its acquisition of Inventive Medical in August 2016, the company now has three of the world's leading ultrasound training and examination simulators – ScanTrainer, ScanTrainer Examine and HeartWorks:

ScanTrainer is a world-leading ultrasound skills training simulator and Continuing Professional Development platform offering an immersive, 24/7 self-learning experience. Features include real feel haptic feedback, real full anatomy scans, real-time expert guidance, structured curriculum learning, metric-based assessment and an extensive cloud pathology library with the unique ability to add your own patient scans. ScanTrainer's flexible education platform empowers faster and better learning at any stage of a doctor or sonographer's medical career.

ScanTrainer Examine is MedaPhor's new ultrasound skills examination simulator for hospitals and examination boards, which offers examiners a library of pathologies and normal patient scans, combined with a realistic, virtual reality based scanning experience, with which to comprehensively test a clinician's ultrasound skills.

HeartWorks, developed by leading cardiac anaesthesiologists at University College London Hospitals, the 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 the complete anatomy of the heart, 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

INTRODUCTION

I am pleased to present MedaPhor's Preliminary Results for the year ended 31 December 2016.

FINANCIAL AND OPERATIONAL REVIEW

Summary results from continuing operations were:

	2016	2015
	£m	£m
Revenue	3.3	2.2
Gross profit	2.1	1.4
<i>Gross margin</i>	<i>64%</i>	<i>65%</i>
Loss before tax and exceptional items	(1.8)	(1.7)
Loss after tax and exceptional items	(2.4)	(1.6)
Cash at bank	1.8	1.3

Revenues increased by 49% compared to the prior year (2015: 22%). ScanTrainer sales increased by 12% (2015: 22%) to £2.47m for the year to 31 December 2016. Following the acquisition of Inventive Medical Limited in August 2016 (see below), HeartWorks training simulators contributed £0.8m to sales in the post-acquisition period. Across the board, sales in the UK grew by 27% to £1.20m (2015: £0.94m), US sales grew by 7% to £0.86m (2015: £0.81m) and Rest of World sales by 166% to £1.22m (2015: £0.46m).

The loss for the year before tax and exceptional items was £1.8m (2015: £1.7m). Exceptional items for the year of £0.7m (2015: £Nil) related to litigation, acquisition and integration costs and are detailed in note 4 of these Preliminary Results. The loss for the year after tax and exceptional items was £2.4m (2015: Loss, £1.6m).

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 allowed the Group to invest in its overseas sales activities and in some significant new product development projects in the second half of 2016. These included new Probe Manipulation Skills, Echo in Life Support and Nuchal Translucency modules, the addition of over 300 new pathology cases for the ScanTrainer Cloud Library (renamed ScanTrainer Examine) and, in the latter part of the year, the completion of the new ScanTrainer 2017 Edition software. This latest version includes a range of software enhancements to ScanTrainer, for ultrasound skills learning and practice, and ScanTrainer Examine, for case learning and diagnostic skills assessment and examination, including an improved Learning Management System. We have also, in part through the acquisition of IML discussed further below, increased our global sales network to 30 resellers selling our ScanTrainer and HeartWorks products.

Cash at 31 December 2016 stood at £1.8m (2015: £1.3m).

ACQUISITION OF INVENTIVE MEDICAL LIMITED

In August 2016 the Group acquired 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.

This acquisition has brought a complementary, but not competing, suite of products that will allow us to leverage a combined direct sales force and reseller network and has provided an immediate boost to sales growth for the combined group.

The £3.0m consideration for IML was satisfied by the issue of 6,976,745 new Ordinary Shares at 43 pence each, representing 26% of the existing and 20% of the enlarged share capital of the Company, including the effect of shares to be issued in 2017. The issue of one third of the consideration shares was deferred for 12 months with the actual number of deferred shares to be issued dependent on any vendor warranty or indemnity breaches (as specified in the Sale and Purchase Agreement) arising during that 12 month period. Currently, we are not aware of any such breaches and so the deferred consideration of £1.0m has been provided for in full.

Goodwill of £1.3m arising on the acquisition has been reviewed for impairment. IML has been incorporated into the MedaPhor business and the two enterprises have therefore been assessed as one cash-generating unit (CGU) for the impairment test. The net present value of the CGU based upon the Group's budgets does not indicate any impairment. However, the achievement of the Group's budgets and related cash flows is uncertain and is highly dependent on the growth of our global business. If this growth does not materialise, the net present value calculations on the revised budgets would indicate that the carrying value of goodwill and other intangibles might require provision for impairment at a future date. In addition, we are cognisant that current trading (see below) needs to be closely monitored and the Board will continue to review the position as we progress into the second quarter of the year. If the conclusion of this review is that goodwill is permanently impaired, an appropriate fair value adjustment will be made to the assets of the Group.

PATENT INFRINGEMENT SETTLEMENT

MedaPhor and SonoSim Inc. and The Regents of the University of California have reached an agreement on a patent license and patent infringement settlement. As a result, the lawsuit between the parties was dismissed with prejudice on 7 February 2017.

CURRENT TRADING AND FUNDING

The costs of the US patent infringement proceedings and the consequent impact on trading, particularly in North America, had a significant negative impact on the Group's results for 2016. Although the well-publicised constraints on NHS funding have impacted on NHS related sales in the UK during the first quarter of the current year, most of our simulator sales in the UK are in the medical teaching schools sector and the pipeline for these sales in 2017 remains encouraging. Sales in the US and other overseas territories have shown encouraging growth and with the patent litigation now settled, we have justified optimism for the remainder of this year, based on our current pipeline of potential orders.

The Group is currently pursuing a number of fund raising options to take the Group through the next stage of growth. Subject to this, the Board has a reasonable expectation that the Group will be able to continue to be solvent for the foreseeable future.

Riccardo Pigliucci
Chairman

21 March 2017

MedaPhor Group plc**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
for the year ended 31 December 2016

	Note	2016	2015
		£	£
REVENUE	3	3,286,147	2,207,633
Cost of sales		<u>(1,174,065)</u>	<u>(766,944)</u>
Gross profit		2,112,082	1,440,689
Administrative expenses excluding exceptional costs		(3,897,652)	(3,111,302)
Exceptional administrative costs	4	<u>(698,435)</u>	-
Total administrative costs		<u>(4,596,087)</u>	<u>(3,111,302)</u>
OPERATING LOSS		(2,484,005)	(1,670,613)
Finance costs		<u>(3,341)</u>	<u>(1,659)</u>
LOSS BEFORE INCOME TAX		(2,487,346)	(1,672,272)
Income tax credit	5	73,201	42,175
LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		<u>(2,414,145)</u>	<u>(1,630,097)</u>
OTHER COMPREHENSIVE INCOME			
Items that will or may be reclassified to profit or loss:			
Exchange loss arising on translation of foreign operations		<u>(6,996)</u>	<u>(3,984)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>(6,996)</u>	<u>(3,984)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		<u>(2,421,141)</u>	<u>(1,634,081)</u>
LOSS PER ORDINARY SHARE (PENCE) ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT			
Basic and diluted	6	<u>(8.826)p</u>	<u>(8.095)p</u>

MedaPhor Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Ordinary share capital	Share premium	Accumulated losses	Share-based payment reserve	Merger reserve	Foreign exchange reserve	Total equity attributable to shareholders
	£	£	£	£	£	£	£
BALANCE AS AT 1 JANUARY 2015	201,363	4,322,067	(2,961,570)	135,000	1,990,187	-	3,687,047
COMPREHENSIVE INCOME FOR THE YEAR							
Loss for the year	-	-	(1,630,097)	-	-	(3,984)	(1,634,081)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS							
Cost of share-based awards	-	-	-	116,000	-	-	116,000
Total contributions by and distributions to owners	-	-	-	116,000	-	-	116,000
BALANCE AS AT 31 DECEMBER 2015	201,363	4,322,067	(4,591,667)	251,000	1,990,187	(3,984)	2,168,966
COMPREHENSIVE INCOME FOR THE YEAR							
Loss for the year	-	-	(2,414,145)	-	-	(6,996)	(2,421,141)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS							
Shares issued for cash	71,111	3,128,889	-	-	-	-	3,200,000
Cost of raising finance	-	(183,817)	-	-	-	-	(183,817)
Shares issued on acquisition of IML	46,512	-	-	-	1,953,488	-	2,000,000
Cost of share-based awards	-	-	-	70,600	-	-	70,600
Total contributions by and distributions to owners	117,623	2,945,072	-	70,600	1,953,488	-	5,086,783
BALANCE AS AT 31 DECEMBER 2016	318,986	7,267,139	(7,005,812)	321,600	3,943,675	(10,980)	4,834,608

MedaPhor Group plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	2016	2015
	£	£
NON CURRENT ASSETS		
Intangible assets	7 3,572,284	433,340
Property, plant and equipment	366,541	307,257
	<u>3,938,825</u>	<u>740,597</u>
CURRENT ASSETS		
Inventories	482,338	264,587
Trade and other receivables	1,614,538	759,529
Current tax assets	45,534	-
Cash and cash equivalents	1,765,863	1,287,767
	<u>3,908,273</u>	<u>2,311,883</u>
TOTAL ASSETS	7,847,098	3,052,480
CURRENT LIABILITIES		
Trade and other payables	(2,670,744)	(851,949)
Provisions	(37,413)	(31,565)
	<u>(2,708,157)</u>	<u>(883,514)</u>
Deferred taxation	(304,333)	-
TOTAL LIABILITIES	(3,012,490)	(883,514)
NET ASSETS	<u>4,834,608</u>	<u>2,168,966</u>
Ordinary share capital	318,986	201,363
Share premium	7,267,139	4,322,067
Accumulated losses	(7,005,812)	(4,591,667)
Share-based payment reserve	321,600	251,000
Merger reserve	3,943,675	1,990,187
Foreign exchange reserve	(10,980)	(3,984)
TOTAL EQUITY	<u>4,834,608</u>	<u>2,168,966</u>

MedaPhor Group plc

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	2016	2015
	£	£
CASH FLOW FROM CONTINUING OPERATING ACTIVITIES		
Loss before tax	(2,487,346)	(1,672,272)
Depreciation	154,123	215,397
Amortisation of intangible assets	408,890	249,824
Finance costs/(income)	3,341	1,659
Share-based payments	70,600	116,000
Operating cash flows before movement in working capital	<u>(1,850,392)</u>	<u>(1,089,392)</u>
Movement in inventories	(82,913)	(122,456)
Movement in trade and other receivables	(350,911)	37,476
Movement in trade and other payables	<u>96,722</u>	<u>161,680</u>
Cash used in operations	(2,187,494)	(1,012,692)
Income taxes received	-	<u>61,924</u>
NET CASH USED IN OPERATING ACTIVITIES	(2,187,494)	(950,768)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(156,800)	(301,368)
Disposal of property, plant and equipment	16,209	-
Internally generated intangible assets	(472,452)	(322,880)
Cash acquired on acquisition of IML	<u>272,787</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(340,256)</u>	<u>(624,248)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of new shares	3,200,000	-
Share issue costs	(183,817)	-
Finance income received/(costs paid)	<u>(3,341)</u>	<u>155</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>3,012,842</u>	<u>155</u>
Exchange losses	<u>(6,996)</u>	<u>(3,984)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>478,096</u>	<u>(1,578,845)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,287,767</u>	<u>2,866,612</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,765,863</u>	<u>1,287,767</u>

MedaPhor Group plc

NOTES TO THE PRELIMINARY RESULTS for the year ended 31 December 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, IFRIC interpretations, the AIM Rules, and the Companies Act 2006.

While the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies used in the preparation of this preliminary announcement have been applied consistently to all periods presented. They are also consistent with those in the Group's statutory financial statements for the year ended 31 December 2016 which have yet to be published. The preliminary results for the year ended 31 December 2016 were approved by the Board of Directors on 21 March 2017.

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2016 but is derived from those financial statements which were approved by the Board of Directors on 21 March 2017. The auditors have reported on the Group's statutory financial statements and the report was unqualified and did not contain a statement under section 498 (2) or 498 (3) Companies Act 2006. The auditor's report on the 31 December 2016 financial statements contains emphasis of matter statements with respect to 1) going concern, given the dependence of the Group on raising further funds within the next 12 months, and 2) the carrying value of goodwill and other intangible assets, given the dependence of the carrying value of these assets on the growth of the US business and the development of relationships in the US. The statutory financial statements for the year ended 31 December 2016 have not yet been delivered to the Registrar of Companies and will be delivered following the Company's Annual General Meeting. The comparative figures are derived from statutory financial statements of MedaPhor Group plc for the year ended 31 December 2015 which carried an unqualified audit report, did not contain a statement under section 498 (2) or 498 (3) Companies Act 2006 and have been filed with the Registrar of Companies.

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 preliminary results incorporate 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 the location of the Group's customers.

Year ended 31 December 2016	Distribution	Direct Sales	Total
	£	£	£
United Kingdom	-	1,198,457	1,198,457
North America	-	864,366	864,366
Rest of World	848,292	375,032	1,223,324
	<u>848,292</u>	<u>2,437,855</u>	<u>3,286,147</u>

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. EXCEPTIONAL COSTS

	2016	2015
	£	£
Acquisition costs	139,435	-
Integration costs	26,000	-
Litigation costs	533,000	-
	<u>698,435</u>	<u>-</u>

The acquisition costs related to the purchase of Inventive Medical Limited (IML) in August 2016 along with legal and professional costs incurred in relation to other potential acquisitions which were reviewed in the year but not taken forward. The integration costs related to the reorganisation of management following the acquisition of IML. The litigation costs related to the defence and settlement of the patent infringement claim brought against the Group in the United States of America, details of which are set out in the Chairman's Statement.

5. TAXATION ON ORDINARY ACTIVITIES

	2016	2015
	£	£
R&D tax credit	(45,534)	(42,175)
Deferred tax credit	(27,667)	-
	<u>(73,201)</u>	<u>(42,175)</u>

6. LOSS PER SHARE

The earnings per ordinary share has been calculated using the loss for the year and the weighted average number of ordinary shares in issue during the year as follows:

	2016	2015
	£	£
Loss for the year after taxation	<u>(2,414,145)</u>	<u>(1,630,097)</u>
	2016	2015
	No.	No.
Number of ordinary shares of 1p each		
Basic and diluted weighted average number of ordinary shares	<u>27,354,160</u>	<u>20,136,300</u>
Basic loss pence per share	<u>(8.826)p</u>	<u>(8.095)p</u>

At 31 December 2016 and 2015 there were share options outstanding which could potentially have a dilutive impact but were anti-dilutive in both years.

7. INTANGIBLE ASSETS

	Goodwill	Intellectual property	Brand	Development costs	Other (software licences)	Total
	£	£	£	£	£	£
COST						
As at 1 January 2015	-	-	-	663,445	25,000	688,445
Additions	-	-	-	322,880	-	322,880
As at 31 December 2015	-	-	-	986,325	25,000	1,011,325
Additions	-	-	-	472,452	-	472,452
Acquisition of IML	1,292,382	1,650,000	133,000	-	-	3,075,382
As at 31 December 2016	1,292,382	1,650,000	133,000	1,458,777	25,000	4,559,159
AMORTISATION						
As at 1 January 2015	-	-	-	303,161	25,000	328,161
Charge for year	-	-	-	249,824	-	249,824
As at 31 December 2015	-	-	-	552,985	25,000	577,985
Charge for year	-	137,500	11,083	260,307	-	408,890
As at 31 December 2016	-	137,500	11,083	813,292	25,000	986,875
NET BOOK VALUE						
As at 31 December 2016	1,292,382	1,512,500	121,917	645,485	-	3,572,284
As at 31 December 2015	-	-	-	433,340	-	433,340
As at 1 January 2015	-	-	-	360,284	-	360,284