MedaPhor Group plc

ANNUAL REPORT

for the year ended

31 December 2015

Company Number 09028611

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OFFICERS AND ADVISERS

DIRECTORS AND BOARD MEMBERS

Nazar Amso
Nicholas Avis
David Baynes
Stuart Gall
Wilson Jennings
Riccardo Pigliucci
Nicholas Sleep

SECRETARY

Wilson Jennings

REGISTERED OFFICE

Cardiff Medicentre
Heath Park
Cardiff
CF14 4UJ

AUDITOR

BDO LLP
Bridgewater House
Finzels Reach
Counterslip
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INTRODUCTION

I am pleased to present MedaPhor's results for the year ended 31 December 2015.

During the year, the Group has focussed on continuing to develop its award winning ScanTrainer simulator, such that it meets the training and examination needs of the UK, European and North American markets. This has included significantly expanding its range of teaching modules and case studies, translating ScanTrainer into six of the world's most widely spoken languages and introducing a new cloud based service that both expands the usability for ScanTrainer, but also adds the potential for future recurring revenue services. Much of the year was also spent tendering and piloting ScanTrainer with the American Board of Obstetrics and Gynecology (ABOG), the official body for certifying obstetricians and gynaecologists in the United States. I am delighted to say that this hard work resulted in the signature of a partnership agreement on 29 February 2016 for MedaPhor to develop and implement the ScanTrainer for its planned use as the ABOG's ultrasound skills examination simulator within its obstetrics and gynaecology certification exams. We believe this is a significant milestone for MedaPhor and its ScanTrainer simulator. There are over 200 hospitals in the US with obstetrics and gynaecology residency programs whose physicians require ABOG certification at the end of their specialty training and there would be an obvious benefit in these institutions utilising ScanTrainer. Only 6% of this market currently has a ScanTrainer simulator.

FINANCIAL AND OPERATIONAL REVIEW

Summary results from continuing operations were:

	2015	2014
	£m	£m
Revenue	2.2	1.8
Gross profit	1.4	1.1
Gross margin	*65%*	*62%*
Loss before tax	(1.7)	(1.5)
Loss after tax	(1.6)	(1.5)
Cash at bank	1.3	2.9

Revenue increased by 22% compared to the prior year (2014: 33%) with the UK leading the way in spite of weak NHS funding, thanks to a number of large multi-system sales orders from educational institutions, which boosted sales in the territory by 37% compared to last year. These multi-system orders, from Teesside University and the University of Cumbria, demonstrate the potential of ScanTrainer to be used by large educational institutions as a cloud-based training system. Teesside selected ScanTrainer as the core ultrasound training simulator for its new Regional Ultrasound Simulation Centre and Cumbria chose ScanTrainer for its direct entry Medical Ultrasound MSc course.

Sales in North America increased by 13%, but the most significant event for the Group in the US was the effort put into the tender and pilot for the ABOG, that resulted in ABOG selecting ScanTrainer for its planned use as the ABOG's ultrasound skills examination simulator within its obstetrics and gynaecology certification exams. The ABOG conducts nearly 2,000 certification examinations per annum. Although financial terms of the partnership agreement are undisclosed, we believe that this relationship will significantly enhance our presence in the US simulation market.

Rest of the World sales were up 9% as the majority of the year was spent adding additional resellers in France, Spain and Portugal, Romania and Southern Africa and we are looking forward to benefiting from their contribution in future years.

The directors believe that the Group's continual investment in research and development activities played a key part in the success of the business and winning the ABOG contract referred to above. During the year 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 randomly selected patient scenarios. We also entered the Emergency Medicine market with the launch of our new eFAST and FAST learning modules, which are designed to help ScanTrainer address the unique requirements of this market.

Excluding share issue costs incurred in 2014 following the Company's admission to AIM, Group overheads increased by 34% on the prior year which reflected the increased investment in sales and marketing activities and the full year impact of the regulatory and compliance costs associated with being a publicly traded company.

Year-end cash stood at £1,287,767 (2014: £2,866,612) and as indicated in last year's Strategic Report, the Group will need to secure further investment finance in the second half of this year to fund the Group's ongoing working capital requirements (see Funding and Current Trading below).

Post year-end we launched ScanTrainer Professional 2016 Edition. This new version of the ScanTrainer simulator system significantly enhances our fee-based cloud service by enabling users to upload and publish their own patient scans for use on their ScanTrainer simulator. In addition, we launched ScanTrainer Cloud Case Library, a new fee-based service that offers cloud users access to a growing cloud-based library of over 200 normal and abnormal patient cases.

FUNDING AND CURRENT TRADING

In last year's Annual Report and the 2015 Half Year Results we indicated that further funding would be required in the second half of 2016. On 31 March 2016 the Company entered into a placing agreement with Cenkos Securities plc ("the Placing Agreement") for the proposed placing ("the Placing") of 7,111,112 newly issued shares of 1 pence each in the capital of the Company at a price of 45 pence per share ("the Placing Shares") to raise £3.2m before costs. The Company has received binding commitments from investors in respect of the Placing Shares, subject to admission of the Placing Shares to trading on AIM, the passing of the resolutions at a general meeting (where applicable) and all conditions in the Placing Agreement being satisfied. The Company has also received irrevocable undertakings from holders of the requisite number of shares to vote in favour of the resolutions required to approve the placing, at the general meeting.

Current trading is in line with management's expectation and we have a healthy pipeline order book which, combined with the recent ABOG contract win and the funding outlined above, gives the Group a solid platform to support future growth.

Riccardo Pigliucci
Chairman
31 March 2016

A review of the business, including a financial and operational review and a review of funding and current trading, is included in the Chairman's Statement.

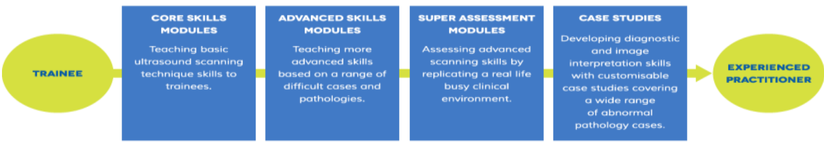
THE PRODUCTS

The Group has developed two ultrasound training simulators that utilise haptic based 'real feel' technology, aligned with real ultrasound scans, to replicate the one-to-one experience of learning from an expert. The systems incorporate a curriculum based learning programme and real-time expert guidance and performance assessment software, which enable trainees to learn the key ultrasound scanning skills without the need for volunteer patients and require minimal tutor supervision.

The ScanTrainer Transvaginal Simulator (TVS) uses an endo-cavity haptic probe and constraint to accurately replicate the feel of conducting transvaginal ultrasound examinations.

The ScanTrainer Transabdominal Simulator (TAS), like the TVS, replaces the need for manikins in training medical professionals and provides a highly realistic abdominal scanning experience replicating different patient and body part profiles.

The systems utilise modular based training and case studies covering Obstetrics & Gynaecology, Emergency and General Medicine.



The TAS simulator also has the potential to be developed for use in applications in other ultrasound training specialities, such as MSK, paediatrics, prostate and breast.

THE MARKET

Our products are aimed at medical training institutions and hospitals wanting to de-risk the impact of training on live patients; standardise their teaching and/or professional body accreditation practices and increase the time available for their trainees to practise their ultrasound scanning skills.

OUR STRATEGY

The Group's focus during the financial year to 31 December 2015 has been to continue to invest in its sales operations in the UK and North America, expand its international reseller base and continue to develop the product by offering a wider range of applications and enhancing its cloud-based solution which was launched at the end of the previous financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are identified as the principal risks and uncertainties facing the Group:-

Liquidity: As set out in the Chairman's Statement, the Company has received binding commitments from parties agreeing to invest £3.2m in the Company pursuant to a placing agreement with Cenkos Securities plc which was executed on 31 March 2016. The directors believe that this will provide sufficient funds to allow the Group to pay its debts as they fall due for the foreseeable future.

Technology: The Group invests in research and development to enable the delivery of new and enhanced products and services. All technology-based companies face the risk of becoming overtaken by superior solutions or undercut in price by low cost competitors drawing on Asian and third world technology expertise. The Group cannot be immune to this but is looking to mitigate the risk by continuing its investment in R&D and developing a platform for its services based on continuously evolving proprietary technology.

Personnel: The Group is dependent upon a relatively small number of staff who might be hard to replace. Talented software developers and experts in simulation technology are in demand in today's environment and MedaPhor is not immune to the risk of having its best talent "poached". The Group's response to this risk has been to develop strong relationships with Cardiff University and offer competitive remuneration to encourage talented graduates to join and remain with the Group.

Credit: The Group aims to minimise its exposure to credit risk through a mixture of credit limits and credit checks on new customers and requiring up-front payments where appropriate.

Foreign currency: The Group has a US subsidiary, it makes purchases of inventory, it incurs other costs in foreign currencies (principally Swiss Francs) and makes sales denominated in Sterling, US Dollars and Euro. The US Dollar costs incurred by the Company's US subsidiary are hedged by revenues invoiced in US Dollars. The Group has utilised foreign currency hedging instruments to mitigate the impact of other currency fluctuations.

KEY PERFORMANCE INDICATORS

The key performance indicators used to assess the performance and financial status of the Group are as follows:-

1. <u>Year on year growth in turnover</u> - in 2015 sales increased by 22%.
2. <u>Relationship with key certification, regulatory and governing bodies</u> - the Group operates in an emerging market where validation from opinion leaders in the field and by accreditation institutions is important to assure future revenue growth. The Group's senior management team is tasked with maintaining these key relationships and they report to the Board each month on progress made. The signing of the agreement with the ABOG (the American Board of Obstetrics and Gynecology) in the US is a major achievement for the company and the director's believe is indicative of ScanTrainer's potential to be the gold standard for professional body certification and examination as the market for ultrasound training grows.
3. <u>Effective sales and marketing organisation</u> - ensuring that there is a strong sales pipeline and that opportunities are vigorously pursued. Pipeline sales and opportunities are measured and monitored through the Group's Customer Relationship Management system and the Group's sales pipeline continues to expand proportionate to our investment in sales personnel.
4. <u>Efficient R&D Organisation</u> - assuring that development projects are delivered on time. Time spent by the R&D team is measured and monitored through the Group's timesheet system. The key projects described in the Chairman's Statement were delivered on a timely basis.

FUTURE DEVELOPMENTS

As reported in the Chairman's Statement, ScanTrainer Professional 2016 Edition and the new Cloud 2 service offer the potential for a global on-line community for medical professionals around the world to share anonymised patient cases, training lessons and examination modules and we are optimistic that these enhancements will provide both a platform for future hardware and software growth, as well as the potential for the generation of recurring revenue streams.

This Strategic Report was approved by the Board on 31 March 2016 and signed on its behalf by:

Stuart Gall
Chief Executive

31 March 2016

DIRECTORS' BIOGRAPHICAL DETAILS

The dates of appointment below relate to the dates of appointment of each director to the Board of the Company's main trading subsidiary, MedaPhor Limited. Stuart Gall and Wilson Jennings were appointed to the Board of MedaPhor Group plc on 7 May 2014 and the remaining directors were appointed to the Board of MedaPhor Group plc on 14 August 2014.

Riccardo Pigliucci, Non-Executive Chairman

Riccardo was appointed Chairman of the Board of MedaPhor Limited in 2012. He has more than 30 years' experience of guiding private and publically listed high technology companies and brings a wide range of experience in sales, marketing, operations, financing, acquisitions and public offerings within the medical sector. He is a former President, COO and Board Member of The Perkin Elmer Corporation, has served as CEO of Life Sciences International plc, Chairman and CEO of Discovery Partners International and was on the Board of several private and publically listed companies including Dionex, a public company purchased by Thermo Fisher in December 2010 and most recently DVS Sciences, sold in January 2014 to Fluidigm.

Stuart Gall, Chief Executive

Stuart was appointed Chief Executive Officer in 2009. Stuart was a joint founder and executive director of Fusion IP plc, an AIM listed university IP commercialisation company, before its purchase by IP Group plc for £103 million in 2014. Stuart has over 25 years' experience in both small company start-ups and public companies and previously worked at British Airways plc, The Promotions Partnership Limited, Anvil Limited and Toad plc (now 21st Century Technology plc). Stuart provides part-time Senior Advisor services to IP Group plc.

Nick Sleep, Chief Technology Officer

Nick was appointed Chief Technology Officer in August 2012. Before joining the Group, Nick ran his own consultancy specialising in providing management support to early stage companies, one of his clients being MedaPhor Limited. Nick is a software engineer by background, but has also run companies in areas as diverse as stem cell therapeutics and biofuels. Previous companies include The Technology Partnership Limited, The Automation Partnership Limited, Procognia Limited and Magnecell Limited.

Wilson Jennings, Finance Director

Wilson was appointed Finance Director in May 2014. He qualified as a Chartered Accountant with Deloitte Haskins & Sells in 1984. Wilson has experience of setting up US and European operations from his time as Finance Director of Isis Research plc and spent 14 years as Finance Director and latterly Chief Executive Officer of AIM listed 21st Century Technology plc.

Professor Nazar Amso, Non-Executive Director

One of the founders of the Group, Nazar has been a Fellow of the Royal College of Obstetricians and Gynaecologists since 1999 and Founding Fellow of the Higher Education Academy. Nazar is a recognised expert in the field of obstetrics and gynaecology and joined the Board of MedaPhor Limited on its incorporation in 2004. During 2015 Nazar was employed by Cardiff University which provided part-time consultancy services to the Group.

David Baynes, Non-Executive Director

David was appointed to the Board of MedaPhor Limited in 2011 and is currently the Chief Operating Officer of IP Group plc. David was the joint founder and Chief Executive Officer of Fusion IP plc before its purchase by IP Group plc for £103 million in 2014. David has previously worked at Celsis International plc, Toad plc (now 21st Century Technology plc), which he co-founded, and Codemasters Limited.

Professor Nick Avis, Non-Executive Director

Nick was the Scientific Director of MedaPhor Limited in its formative years and was appointed to the Board of MedaPhor Limited in 2006. Nick was one of the architects of the One Wales Research Institute for Visual Computing and the NISCHR funded Advanced Medical Image Analysis and Visualisation Project. He was a founding member of COSMOS (the Collaborative Online Social Media Observatory) and is currently the Executive Dean at the Faculty of Science and Engineering of the University of Chester.

REPORT ON CORPORATE GOVERNANCE

As an AIM-listed Company, MedaPhor is not required to comply (and does not comply fully) with the UK Corporate Governance Code (2014), a set of recommended corporate governance principles for UK public companies issued by the Financial Reporting Council. However, the directors support high standards of corporate governance and have established a set of corporate governance policies which they regard as appropriate for the stage of development of the Group. For example, the Company has adopted a share dealing code for directors and employees on substantially the same terms as AIM's model code on directors' dealings in company shares. The Board has also implemented a review of the key risks facing the business and the effectiveness of the Group's internal controls and has updated its internal control arrangements to ensure they remain appropriate.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Board holds meetings at least 8 times per annum and at other times as and when required.

The Board has established Audit and Remuneration Committees with formally delegated duties and responsibilities. These Committees comprise David Baynes as Chairman along with Riccardo Pigluicci and Professor Nick Avis.

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and accounting and internal control systems in use throughout the Group. The Audit Committee meets at least twice in each financial year and has unrestricted access to the Group's external auditors.

The Remuneration Committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to the employee share option schemes or equity incentive plans in operation from time to time. The Remuneration Committee meets as and when necessary.

The directors submit their report and consolidated financial statements of MedaPhor Group plc (the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the development, marketing and distribution of ultrasound simulation devices for use in the training of medical professionals.

REVIEW OF THE BUSINESS

The Chairman's review of the business is contained in the Chairman's Statement on page 3.

RESULTS AND DIVIDENDS

The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings. The Company was incorporated on 7 May 2014 under the name MedaPhor Medical Simulators plc and changed its name on 15 August 2014 to MedaPhor Group plc.

The Group's results for the year ended 31 December 2015 are shown in the Statement of Comprehensive Income on page 18. The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

A review of the future developments of the business is contained in the Chairman's Statement and the Strategic Report on pages 3 and 5 respectively.

RESEARCH AND DEVELOPMENT

The Group's research and development activity plays an important role in the operational and financial success of the business. The Group spent £621,478 (2014: £420,768) on research and development activities of which £298,598 (2014: £237,191) was expensed and £322,880 (2014: £183,577) was recognised as a development cost asset. The Group did not receive research and development grant income during the year (2014: Nil).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A description of the Group's financial and management objectives and policies is included in note 25 to the Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES AND KEY PERFORMANCE INDICATORS

A consideration of the principal risks and uncertainties facing the Group along with a review of the development, performance and position of the Group's operations are included within the Strategic Report on page 5.

GOING CONCERN

As set out in the Chairman's Statement, the Company has received binding commitments from parties agreeing to invest £3.2m in the Company pursuant to a placing agreement with Cenkos Securities plc which was executed on 31 March 2016. The directors believe that this will provide sufficient funds to allow the Group to pay its debts as they fall due for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The following directors have held office during the year:

Nazar Amso
Nicholas Avis
David Baynes
Stuart Gall
Wilson Jennings
Riccardo Pigliucci
Nicholas Sleep

DIRECTORS AND THEIR INTERESTS

The present members of the Board are as listed on page 2. The directors' interests in the shares of the Company are detailed below:-

	1p ordinary shares held at 1 January and 31 December 2015 No.	% of issued ordinary share capital (20,136,300 ordinary shares)
Nazar Amso	1,084,000	5.38%
Nicholas Avis	200,000	0.99%
Stuart Gall	40,000	0.20%
Nick Sleep	50,000	0.25%

In addition to the above Professor Nazar Amso is the beneficial holder of 180,000 shares representing 0.89% (2014: 0.89%) of the issued share capital through The Amso Trust and Professor Amso's spouse holds 120,000 shares representing 0.6% (2014: 0.6%) of the issued share capital.

Directors' Remuneration

The directors' remuneration for the year ended 31 December 2015 was:

Audited

	Salaries & fees	Pension allowance	Travel & accommod-ation allowance	Other benefits	Share options (attributable share-based payment charge)	Total 31 December 2015	Total 31 December 2014
	£	£	£	£	£	£	£
Nazar Amso	12,000	-	-	-	11,399	23,399	18,990
Nicholas Avis	12,540	-	-	-	2,985	15,525	14,033
David Baynes	12,000	-	-	-	-	12,000	12,000
Stuart Gall	160,000	16,000	16,320	2,524	22,899	217,743	148,943
Wilson Jennings	118,182	11,818	23,960	-	12,949	166,909	110,142
Riccardo Pigliucci	50,000	-	-	-	6,830	56,830	47,104
Nicholas Sleep	130,000	13,000	26,160	557	18,730	188,447	160,382
Total	494,722	40,818	66,440	3,081	75,792	680,853	511,594

Fees of £12,000 (2014: £12,000) in respect of Professor Amso were payable to Cardiff University.

Mr Baynes and Mr Gall each hold an interest in IP Group plc. The £12,000 fees in respect of the services provided by Mr Baynes were paid to IP Group plc (2014: £12,000).

Included in the salaries and fees paid in respect of Mr Gall during 2015 is £Nil (2014: £66,667) which were paid to Fusion IP plc.

Mr Jennings was appointed to the Board on 7 May 2014. Between February and April 2014 Mr Jennings worked as a consultant to the Group and he was paid fees totalling £15,750 during that period by the Group which are not included in his 2014 director salary and fees disclosed above.

Directors' Share Options

At 31 December 2015 the following options had been granted to the Company's directors and remain current and unexercised:

	Option exercise price	Balance as at 31 December 2014	Granted during year	Exercised during year	Expired/ forfeited during year	Balance as at 31 December 2015	Expiry date
Nazar Amso	16.508p	84,000	-	-	-	84,000	16 March 2021
Nazar Amso	19.0p	80,000	-	-	-	80,000	1 May 2023
Nazar Amso	42.5p	150,000	-	-	-	150,000	30 June 2024
Nick Avis	16.508p	84,000	-	-	-	84,000	16 March 2021
Nick Avis	42.5p	40,000	-	-	-	40,000	30 June 2024
Stuart Gall	19.0p	268,000	-	-	-	268,000	1 May 2023
Stuart Gall	42.5p	324,000	-	-	-	324,000	30 June 2024
Wilson Jennings	42.5p	200,000	-	-	-	200,000	30 June 2024
Riccardo Pigliucci	19.0p	216,000	-	-	-	216,000	1 May 2023
Riccardo Pigliucci	42.5p	80,000	-	-	-	80,000	30 June 2024
Nick Sleep	19.0p	268,000	-	-	-	268,000	1 May 2023
Nick Sleep	42.5p	260,000	-	-	-	260,000	30 June 2024

Insurance

The Group provides indemnity cover for the directors.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

A resolution to reappoint BDO LLP, Chartered Accountants, as auditors, will be put to the members at the annual general meeting.

By approval of the Board on 31 March 2016.

Wilson Jennings
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and financial statements are made available on the Company's website. Financial statements are published on the website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

We have audited the financial statements of Medaphor Group plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statement of financial position, the consolidated and parent company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Antonio Antonius (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Bristol
United Kingdom

31 March 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Note	2015	2014
		£	£
REVENUE	7	2,207,633	1,804,146
Cost of sales		(766,944)	(679,405)
Gross profit		1,440,689	1,124,741
Administrative expenses		(3,111,302)	(2,629,878)
OPERATING LOSS	8	(1,670,613)	(1,505,137)
Finance costs	9	(1,659)	(3,532)
LOSS BEFORE INCOME TAX		(1,672,272)	(1,508,669)
Income tax credit	10	42,175	19,749
LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(1,630,097)	(1,488,920)
OTHER COMPREHENSIVE INCOME			
Items that will or may be reclassified to profit or loss:			
Exchange loss arising on translation of foreign operations		(3,984)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(3,984)	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT		(1,634,081)	(1,488,920)
LOSS PER ORDINARY SHARE (PENCE) ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT			
Basic and diluted	12	(8.095)p	(10.622)p

There were no discontinued operations in 2015 or 2014. Accordingly the results relate to continuing operations.

The notes on pages 23 to 48 are an integral part of these financial statements.

MedaPhor Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Note	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 2014		107,580	-	(1,472,650)	60,000	1,990,187	-	685,117
COMPREHENSIVE INCOME FOR THE YEAR								
Loss for the year		-	-	(1,488,920)	-	-	-	(1,488,920)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Shares issued for cash	21	75,963	3,722,187	-	-	-	-	3,798,150
Shares issued in exchange for debt	21	17,700	867,300	-	-	-	-	885,000
Cost of raising finance	21	-	(269,580)	-	-	-	-	(269,580)
Shares issued on exercise of share options	22	120	2,160	-	-	-	-	2,280
Cost of share-based awards	22	-	-	-	75,000	-	-	75,000
Total contributions by and distributions to owners		93,783	4,322,067	-	75,000	-	-	4,490,850
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 YEAR								
Loss for the year		-	-	(1,630,097)	-	-	(3,984)	(1,634,081)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS								
Cost of share-based awards	22	-	-	-	116,000	-	-	116,000
		-	-	-	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

Equity comprises the following:

- *Ordinary share capital* represents the nominal value of equity shares.
- *Share premium* represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- *Accumulated losses* represent retained losses.
- *Share-based payment reserve* represents the cumulative amount expensed to the Statement of Comprehensive Income in respect of share-based payments.
- *Merger reserve* represents the difference between the cost of investment and the nominal value of the share capital acquired.
- *Foreign exchange reserve* represents the differences arising on translating opening net assets of overseas operations.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Note	Ordinary share capital £	Share premium £	Accumulated losses £	Share-based payment reserve £	Total £
BALANCE AT INITIAL SUBSCRIPTION		107,580	-	-	-	107,580
COMPREHENSIVE INCOME FOR THE YEAR						
Loss for year		-	-	(398,757)	-	(398,757)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS						
Shares issued for cash	21	75,963	3,722,187	-	-	3,798,150
Shares issued in exchange for debt	21	17,700	867,300	-	-	885,000
Cost of raising finance	21	-	(269,580)	-	-	(269,580)
Shares issued on exercise of share options	22	120	2,160	-	-	2,280
Cost of share-based awards	22	-	-	-	53,600	53,600
Total contributions by and distributions to owners		93,783	4,322,067	-	53,600	4,469,450
BALANCE AS AT 31 DECEMBER 2014		201,363	4,322,067	(398,757)	53,600	4,178,273
COMPREHENSIVE INCOME FOR THE YEAR						
Loss for year		-	-	(90,094)	-	(90,094)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS						
Cost of share-based awards	22	-	-	-	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	(488,851)	169,600	4,204,179

Equity comprises the following:

- *Ordinary share capital* represents the nominal value of equity shares.
- *Share premium* represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- *Accumulated losses* represent retained losses.
- *Share-based payment reserve* represents the cumulative amount expensed to the Statement of Comprehensive Income in respect of share-based payments.

CONSOLIDATED AND PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	£	£	£	£
NON CURRENT ASSETS					
Intangible assets	14	433,340	360,284	-	-
Property, plant and equipment	15	307,257	221,286	-	-
Investments in subsidiaries	16	-	-	926,960	161,181
		740,597	581,570	926,960	161,181
CURRENT ASSETS					
Inventories	17	264,587	142,131	-	-
Trade and other receivables	18	759,529	798,819	2,921,880	2,019,095
Current tax assets	10	-	19,749	-	-
Cash and cash equivalents		1,287,767	2,866,612	411,139	2,032,355
		2,311,883	3,827,311	3,333,019	4,051,450
TOTAL ASSETS		3,052,480	4,408,881	4,259,979	4,212,631
CURRENT LIABILITIES					
Trade and other payables	19	(851,949)	(691,834)	(55,800)	(34,358)
Provisions	20	(31,565)	(30,000)	-	-
TOTAL LIABILITIES		(883,514)	(721,834)	(55,800)	(34,358)
NET ASSETS		2,168,966	3,687,047	4,204,179	4,178,273
EQUITY					
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Ordinary share capital	21	201,363	201,363	201,363	201,363
Share premium		4,322,067	4,322,067	4,322,067	4,322,067
Accumulated losses		(4,591,667)	(2,961,570)	(488,851)	(398,757)
Share-based payment reserve		251,000	135,000	169,600	53,600
Merger reserve		1,990,187	1,990,187	-	-
Foreign exchange reserve		(3,984)	-	-	-
TOTAL EQUITY		2,168,966	3,687,047	4,204,179	4,178,273

These financial statements were approved by the Board of Directors and authorised for issue on 31 March 2016 and were signed on their behalf by:

R Pigliucci
Director

S Gall
Director

The notes on pages 23 to 48 are an integral part of these financial statements.

CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
CASH FLOW FROM CONTINUING OPERATING ACTIVITIES				
Loss before tax	(1,672,272)	(1,508,669)	(90,094)	(398,757)
Depreciation	215,397	104,467	-	-
Amortisation of intangible assets	249,824	167,356	-	-
Finance costs/(income)	1,659	3,532	(3,846)	(1,815)
Share-based payments	116,000	75,000	-	-
Operating cash flows before movement in working capital	(1,089,392)	(1,158,314)	(93,940)	(400,572)
Movement in inventories	(122,456)	(63,421)	-	-
Movement in trade and other receivables	37,476	(400,431)	(1,552,564)	(2,017,280)
Movement in trade and other payables	161,680	190,636	21,442	34,358
Cash used in operations	(1,012,692)	(1,431,530)	(1,625,062)	(2,383,494)
Income taxes received	61,924	25,996	-	-
NET CASH USED IN OPERATING ACTIVITIES	(950,768)	(1,405,534)	(1,625,062)	(2,383,494)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of subsidiary	-	-	-	(1)
Purchase of property, plant and equipment	(301,368)	(178,892)	-	-
Internally generated intangible assets	(322,880)	(183,577)	-	-
NET CASH USED IN INVESTING ACTIVITIES	(624,248)	(362,469)	-	(1)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of new shares	-	3,800,430	-	3,800,430
Issue and conversion of loan notes	-	885,000	-	885,000
Share issue costs	-	(269,580)	-	(269,580)
Finance income received/(costs paid)	155	(5,347)	3,846	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	155	4,410,503	3,846	4,415,850
Exchange losses	(3,984)	-	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,578,845)	2,642,500	(1,621,216)	2,032,355
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,866,612	224,112	2,032,355	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,287,767	2,866,612	411,139	2,032,355

The notes on pages 23 to 48 are an integral part of these financial statements.

1. GENERAL INFORMATION

MedaPhor Group plc ("the Company") is a limited liability company incorporated and domiciled in the United Kingdom whose shares are traded on AIM, a market operated by the London Stock Exchange. The Company's registration number is 09028611 and its registered office address is Cardiff Medicentre, Heath Park, Cardiff, CF14 4UJ.

The Company's principal activity is that of a holding company. The Group's principal activities are the development, marketing and distribution of medical training simulators.

2. STATEMENT OF COMPLIANCE WITH IFRS

The Group and the Company's financial statements have been prepared in accordance with the requirements of the AIM rules and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

New and amended standards adopted by the Group

Standards and amendments to IFRS which were effective for the first time in the current period did not have a material effect on these financial statements.

Standards, interpretations and amendments not yet effective

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2016 and which have not been adopted early, are expected to have a material effect on the Group's 2016 financial statements. The Group is in the process of assessing the impact of new standards taking effect on or after 1 January 2017.

3. BASIS OF PREPARATION

The accounting policies set out in note 5 have been applied consistently to all periods presented in these financial statements.

These financial statements are presented in Sterling as that is considered to be the currency of the primary economic environment in which the Group operates. This decision was based on the Group's workforce being based mainly in the UK and that Sterling is the currency in which management reporting and decision making is based.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes. Critical accounting judgements and estimates are described in note 6.

3. BASIS OF PREPARATION (continued)

The financial statements have been prepared on the going concern basis. The Board receives rolling cash flow projections on a monthly basis and monitors these against the Group's long term projections. These projections indicate that the Group will need to raise further funds by the second half of 2016.

As set out in the Chairman's Statement on page 3, the Company has received binding commitments from parties agreeing to invest £3.2m in the Company pursuant to a placing agreement with Cenkos Securities plc which was executed on 31 March 2016. The directors believe that this will provide sufficient funds to allow the Group to pay its debts as they fall due for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

4. BASIS OF CONSOLIDATION

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever the facts and circumstance indicate that there may be a change in any of these elements of control.

The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings. The Company was incorporated on 7 May 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 under IFRS. 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 had, in issue, an accounting standard covering business combinations (FRS 6) that permitted the use of 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.

There are no restrictions over the Company's ability to access or use assets and settle liabilities of the Group.

5. ACCOUNTING POLICIES

SHARE-BASED PAYMENTS

The Company issues equity-settled share-based payments to certain employees and directors of Group companies. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

The fair value is measured by use of a binomial probability option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations. No expense is recognised for awards that do not ultimately vest.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. A financial liability is a contracted obligation to deliver cash or another financial asset to another entity. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables
Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

5. ACCOUNTING POLICIES (continued)

Convertible debt
The liability and equity components of convertible debts are separately identified and then treated accordingly in the financial statements. The component of convertible bonds that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position. Any conversion feature is assessed on a standalone basis. For convertible debt with embedded derivative liabilities – such as the convertible debt the Group issued in 2013, whereby the debt instrument would be converted into equity only under certain circumstances and only then into a variable number of shares - the embedded derivative liability is determined first and the residual value is assigned to the debt host liability. However, in the case of the convertible debt issued in 2014, the embedded derivative liability has a zero fair value; therefore the debt host liability's initial carrying value equals its transaction price.

Forward currency contracts

Forward currency contracts are included in the Statement of Financial Position as assets or liabilities at their fair value at the period end. Whilst forward contracts were used in the year, only a single contract was in place at the year end and its fair value at the year-end was immaterial. There were no foreign exchange forward contracts at the end of the prior year and therefore no unrealised gains or losses to be considered. Realised gains and losses in the year were taken to profit or loss within Administrative Expenses.

INTANGIBLE ASSETS

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. Such intangible assets are carried at cost net of related grants received less amortisation.

Amortisation is charged to Administrative Expenses in the Statement of Comprehensive Income as follows:

Internally generated intangible assets	33%	Straight line
Software licences	33%	Straight line

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure is capitalised as an intangible asset only if the following conditions are met:
- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefit;
- the development cost of the asset can be measured reliably;
- it meets the Group's criteria for technical and commercial feasibility; and
- sufficient resources are available to meet the development to either sell or use as an asset.

Development expenditure thus capitalised is amortised on a straight-line basis over its useful life. Where the criteria are not met, development expenditure is recognised as an expense in the Administrative Expenses line of the Statement of Comprehensive Income.

5. ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less any subsequent accumulated depreciation or impairment losses.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Furniture, fixtures and equipment	25%	Reducing balance
Plant & equipment		
R&D/demonstration/loan units	33%	Straight line
Other	25%	Reducing balance

The assets' residual values and useful lives are reviewed at each year end and adjusted if appropriate. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct expenditure and production overheads based on a normal level of activity. Net realisable value is the price at which the stocks can be sold in the normal course of business after allowing for the costs of realisation and where appropriate for the costs of conversion from its existing state to a finished condition. Provision is made for obsolete, slow moving and defective stocks.

LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. The cost of operating leases (net of any incentives received from the lessor) is charged to the Statement of Comprehensive Income on a straight line basis over the periods of the leases.

The Group does not hold any assets under finance leases.

FOREIGN CURRENCIES

The functional currency of the Company is Sterling.

Foreign currency monetary assets and liabilities of group companies are converted to the functional currency at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are converted to Sterling at the rates of exchange ruling at the transaction date. All of the resulting exchange differences are recognised in the Statement of Comprehensive Income as they arise.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of

5. ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge these exposures if appropriate. These financial instruments are included in the Statement of Financial Position as assets or liabilities at their fair values. The Group does not use derivative financial instruments for speculative purposes but its financial instruments do not qualify for hedge accounting and consequently changes in their fair values are recognised in the Statement of Comprehensive Income as they arise. Realised gains and losses in the year were taken to profit or loss within Administrative Expenses.

INCOME TAX

The tax credit represents the sum of the current tax credit and deferred tax expense.

Taxable profit or loss differs from net profit or loss as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax credits in relation to Research and Development claims are recognised in the period when the claim is submitted.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted.

REVENUE RECOGNITION

Revenue represents the total of amounts receivable for goods and services provided excluding value added tax. Revenue is recognised on the despatch of the goods to the customer. In the case of demonstration stock held at customers' premises, any revenue arising is recognised when the customer confirms that they would like to purchase the demonstration stock. Where a service

5. ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

is provided covering a future period the applicable revenue is shown as Deferred Income under Current Liabilities and then released to profit as the service is provided.

PENSION COSTS

Pension allowances, contributions to defined contribution pension schemes and contributions to personal pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

WARRANTY CLAIMS

Provision is made for liabilities arising in respect of expected warranty claims based upon management's best estimate of the Group's liability for remedial work and warranties granted on products sold.

GOVERNMENT GRANTS

As permitted by IAS 20, government grants received toward specific research and development projects which can be recognised as an intangible asset are netted off against the related costs.

Other government grants towards research and development projects are recognised as income over the periods necessary to match them with the related costs and are included within Other Income.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 5, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Measurement and recoverability of internally-generated intangible asset

Determining the value of internally-generated development costs to be recognised as an intangible asset requires management to make an estimation of the expected future economic benefits attributable to the asset along with the asset's useful economic life.

During the year, management considered the recoverability of its internally generated intangible assets. The costs relate to the development of the Group's transabdominal simulator hardware and software and related modules and management continue to believe that the anticipated future profits will enable the carrying amount to be recovered in full. Assumptions have been made on the number of years over which the costs will be recovered based on management's best expectations and these could turn out to be longer or shorter. The carrying value of the development costs is £433,340 (2014: £360,284).

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Share-based payments

In determining the fair value of equity settled share-based payments and the related charge to the Statement of Comprehensive Income, the Company makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Company's dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Company's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Company could materially affect the reported value of share-based payments. The share-based payment charge for the year was £116,000 (2014: £75,000).

Warranty claims and remedial work

The warranty and remedial work provision is based upon management's best estimate of the potential liability of the Group for warranty and remedial work arising from products sold to date. This estimation of potential future liability is based upon actual warranty and remedial work costs incurred to date. However this basis alone has limitations given that the Group's products are new to the market and so management also draw upon their experience of warranty and remedial costs for similar products in arriving at their estimation of the potential liability. Management also seek to obtain back-to-back warranties from the Group's original equipment manufacturer suppliers to reduce the Group's exposure to warranty claims from its customers. The warranty provision at the year end is £31,565 (2014: £30,000).

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

7. SEGMENTAL ANALYSIS

The format of segmental reporting is based on the Group's management and internal reporting of the segments below which carry different risks and rewards and are used to make strategic decisions. Distribution is the sale of products through the Group's resellers. Direct Sales represents the sale of the products and services direct to customers.

The Board review the revenue and gross margin by segment. Administration costs and assets and liabilities are not measured by segment. All revenue is generated from external customers and no segments trade with each other.

Year ended 31 December 2015	Distribution £	Direct Sales £	Unallocated £	Total £
Segment revenue	339,139	1,868,494	-	2,207,633
Gross profit	164,215	1,276,474	-	1,440,689
Depreciation & amortisation	(38,378)	(426,843)	-	(465,221)
Finance costs	-	-	(1,659)	(1,659)
Income tax credit	-	-	42,175	42,175

Year ended 31 December 2014	Distribution £	Direct Sales £	Unallocated £	Total £
Segment revenue	304,635	1,499,511	-	1,804,146
Gross profit	149,748	974,993	-	1,124,741
Depreciation & amortisation	(28,259)	(243,564)	-	(271,823)
Finance costs	-	-	(3,532)	(3,532)
Income tax credit	-	-	19,749	19,749

7. SEGMENTAL ANALYSIS (continued)

The following table provides an analysis of the Group's revenue by geography based upon the location of the Group's customers. All assets are held in the UK other than cash and cash equivalents of £8,638 (2014: £165,676) which are held in the US and demonstration systems held in North America with a net book value of £82,845 (2014: £61,874) and demonstration systems held in the rest of the world with a net book value of £86,355 (£2014: £24,611).

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
	339,139	1,868,494	2,207,633

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
	304,635	1,499,511	1,804,146

Included within non-UK revenues are sales to the following countries which accounted for more than 10% of the Group's total revenue for the year:

	2015	2014
	£	£
USA	765,983	607,313

The Group had one customer who accounted for more than 10% (£298,700) of the Group revenue for the year ended 31 December 2015 (2014: Nil).

8. OPERATING LOSS

	2015	2014
	£	£
Operating loss is stated after charging/(crediting):		
Cost of inventories recognised as an expense	553,188	531,461
Depreciation - owned fixed assets	215,397	104,467
Amortisation of intangible assets	249,824	167,356
Operating lease rentals		
Land and buildings	45,290	43,036
Other	31,857	15,868
Staff costs (note 11)	1,589,256	1,185,372
Share issue costs expensed	-	314,633
Exchange (gain)/loss	(1,825)	4,770
Auditor's remuneration		
- audit services	20,000	20,000
- tax advisory services	10,587	12,000
- corporate finance services	-	60,000
- other	978	-
R&D cost		
- Expensed (including staff costs included above)	298,598	237,191
- Amortised	249,824	167,356

Staff and other development costs not included in the operating loss of £322,880 have been capitalised as intangible assets during the year (2014: £183,577).

9. FINANCE COSTS

	2015	2014
	£	£
Bank charges	1,659	3,532

10. INCOME TAX

Analysis of credit in the year

	2015	2014
	£	£
R&D tax credit	(42,175)	(19,749)

10. INCOME TAX (continued)

Factors affecting the tax charge

The Group has made a taxable loss for the year (2014: loss) but has not recognised the deferred tax asset arising due to uncertainty over the timing of future profits and consequently there has been no deferred tax credit recognised in the income statement.

	2015	2014
	£	£
Loss before tax	(1,672,272)	(1,508,669)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(338,635)	(324,364)
Effects of:		
Expenses not deductible/income not taxable	30,228	85,018
Differences between R&D expenditure credit and capitalised revenue expenditure	(53,187)	(35,980)
Deferred tax not recognised	361,594	275,326
R&D tax credit from prior years	(42,175)	(19,749)
Total tax	(42,175)	(19,749)

Deferred tax
The unrecognised and recognised deferred tax asset/(liability) comprises the following:

	Unrecognised		Recognised	
	2015	2014	2015	2014
	£	£	£	£
Accelerated capital allowances	(60,000)	(45,000)	-	-
Capitalised development costs	(87,000)	(78,000)	-	-
Tax losses	816,000	590,000	-	-
Total asset	669,000	467,000	-	-

11. EMPLOYEES

	2015	2014
	No.	No.
The average monthly number of persons (including Executive Directors) employed by the Group was:		
Research and development	13	10
Selling and distribution	11	8
Administration	5	4
	29	22

11. EMPLOYEES (continued)

Staff costs for the employees and directors (included under Administrative Expenses and in staff costs capitalised under development costs):

	2015	2014
	£	£
Wages and salaries	1,580,967	1,114,142
Social security costs	158,615	108,290
Pensions	40,818	18,087
Share-based payments	116,000	75,000
Total staff costs	1,896,400	1,315,519
Staff costs capitalised	(307,144)	(130,147)
Staff costs included under Administrative Expenses	1,589,256	1,185,372

Included above are costs relating to the key management of the Group:

	2015	2014
	£	£
Wages and salaries	625,098	552,309
Social security costs	79,741	58,420
Pensions	40,818	18,087
Share-based payments	64,103	43,194
	809,760	672,010

Directors' remuneration comprises the following:

	2015	2014
	£	£
Salaries and fees (including estimated value of other benefits)	540,243	417,146
Fees paid to third parties in respect of services provided by directors	24,000	24,000
Directors' pension costs	40,818	18,087

The number of directors accruing benefits under group pension schemes is nil (2014: nil).

	2015	2014
	£	£
This remuneration includes the following amounts in respect of the highest paid director:		
Salaries and fees (including estimated value of other benefits)	178,844	141,298
Pension costs	16,000	4,875

The highest paid director held 40,000 (2014: 50,000) shares at the year end and options in 592,000 (2014: 528,000) shares in the Company. None of the directors exercised any of their share options during the year (2014: None). Further details of directors' fees and salaries, bonuses, pensions and share options are given in the Directors' Report beginning on page 11.

12. LOSS PER ORDINARY 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:

12. LOSS PER ORDINARY SHARE (continued)

	2015	2014
	£	£
Loss for the year after taxation	(1,630,097)	(1,488,920)

	2015	2014
Number of ordinary shares of 1p each	No.	No.
Basic and diluted weighted average number of ordinary shares	20,136,300	14,017,387
Basic loss pence per share	(8.095)p	(10.622)p

At 31 December 2015 and 2014 there were share options outstanding (see note 22) which could potentially have a dilutive impact but were anti-dilutive in both years.

13. PARENT COMPANY LOSS FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income for the Company is not presented as part of these financial statements. The Company's loss for the year included in the consolidated financial statements is £90,094 (2014: £398,757).

14. INTANGIBLE ASSETS

	Internally generated development costs	Other (software licences)	Total
	£	£	£
COST			
As at 1 January 2014	479,868	25,000	504,868
Additions	183,577	-	183,577
As at 31 December 2014	663,445	25,000	688,445
Additions	322,880	-	322,880
As at 31 December 2015	986,325	25,000	1,011,325
AMORTISATION			
As at 1 January 2014	135,805	25,000	160,805
Charge for year	167,356	-	167,356
As at 31 December 2014	303,161	25,000	328,161
Charge for year	249,824	-	249,824
As at 31 December 2015	552,985	25,000	577,985
NET BOOK VALUE			
As at 31 December 2015	433,340	-	433,340
As at 31 December 2014	360,284	-	360,284
As at 1 January 2014	344,063	-	344,063

14. INTANGIBLE ASSETS (continued)

Development costs have been internally generated. Included within internally generated development costs are assets with a net book value of £25,767 (2014: £185,706) that are shown net of government grants received of £73,132 (2014: £73,132).

15. PROPERTY, PLANT & EQUIPMENT

	Furniture, fixtures & equipment	Plant & equipment	Total
	£	£	£
COST			
As at 1 January 2014	26,936	207,713	234,649
Additions	6,172	172,720	178,892
As at 31 December 2014	33,108	380,433	413,541
Additions	-	301,368	301,368
As at 31 December 2015	33,108	681,801	714,909
DEPRECIATION			
As at 1 January 2014	17,001	70,787	87,788
Charge for year	3,798	100,669	104,467
As at 31 December 2014	20,799	171,456	192,255
Charge for year	3,077	212,320	215,397
As at 31 December 2015	23,876	383,776	407,652
NET BOOK VALUE			
As at 31 December 2015	9,232	298,025	307,257
As at 31 December 2014	12,309	208,977	221,286
As at 1 January 2014	9,935	136,926	146,861

Total depreciation expenses of £215,397 (2014: £104,467) have been charged to Administrative Expenses in the Statement of Comprehensive Income. At 31 December 2015, the Group had contractual commitments to acquire plant and equipment at a cost of £Nil (2014: £Nil).

16. INVESTMENTS IN SUBSIDIARIES

	Subsidiary undertakings	
	2015	2014
	£	£
At 1 January	161,181	-
MedaPhor Limited acquired in the period via a share for share exchange	-	107,580
Transfer of MedaPhor North America Inc.	-	1
Further investment in MedaPhor North America Inc. (conversion of intercompany indebtedness to equity)	649,779	-
Capital contributions made during the year	116,000	53,600
At 31 December	926,960	161,181

16. INVESTMENTS IN SUBSIDIARIES (continued)

The capital contribution represents a share-based payment expense in respect of the fair value of share options over the Company's unissued shares granted to employees of subsidiaries.

The Company's subsidiary undertakings are as follows:

Name of undertaking	Incorporated in	Interest in ordinary share capital
MedaPhor Limited	England & Wales	100%
MedaPhor North America Incorporated (MNA)	USA	100%
MedaPhor International Limited	England & Wales	100%

The principal activity of MedaPhor Limited is the development and sale of ultrasound training equipment.

The principal activity of MNA is the sale of ultrasound training equipment. MedaPhor Limited subscribed $1 in return for all of the share capital of MNA on the date of MNA's incorporation on 1 February 2014. On 15 August 2014 (the date of the share for share exchange between MedaPhor Limited and MedaPhor Group plc), MedaPhor Limited sold its holding in the share capital of MNA to MedaPhor Group plc for $1. On 31 December 2015 the Company and MNA entered into a debt conversion agreement under which $1,000,000 of intercompany loans due from MNA to the Company where converted into 10,000 shares in MNA at a price per share of $10. MNA is exempt from statutory audit.

MedaPhor International Limited is a dormant company.

17. INVENTORIES

	Group	
	2015	2014
	£	£
Finished goods and goods for resale	264,587	142,131

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade receivables	442,886	643,124	-	-
Amounts owed by subsidiary undertakings	-	-	2,904,920	1,994,231
Other receivables and prepayments	316,643	155,695	16,960	24,864
	759,529	798,819	2,921,880	2,019,095

18. TRADE AND OTHER RECEIVABLES (continued)

Group

An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount. The allowance that has been made for estimated irrecoverable trade receivables is £88,590 (2014: £39,355). The movement in the impairment allowance is included in Administrative Expenses in the Statement of Comprehensive Income.

Movements in the impairment allowance for trade receivables are as follows:

		Group
	2015	2014
	£	£
At 1 January	39,355	17,360
Increase during the year	49,235	21,995
At 31 December	88,590	39,355

As at 31 December 2015 trade receivables of £203,056 (2014: £154,357) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

		Group
	2015	2014
	£	£
Up to 3 months	14,760	100,499
3 to 6 months	188,296	53,858
	203,056	154,357

The directors consider that the carrying amount of trade and other receivables approximates to their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

		Group		Company
	2015	2014	2015	2014
	£	£	£	£
Trade payables	362,937	406,794	29,800	19,357
Taxation and social security	43,895	40,055	-	-
Accruals	364,243	239,985	26,000	15,001
Deferred income	80,874	5,000	-	-
	851,949	691,834	55,800	34,358

The directors consider that the carrying amount of trade payables approximates to their fair value.

20. PROVISIONS

Remedials and warranty provision:		Group
	2015	2014
	£	£
Balance at 1 January	30,000	25,000
Provision made in the year	22,000	24,343
Remedial and warranty costs utilised in the year	(20,435)	(19,343)
Balance at 31 December	31,565	30,000

The provision represents management's best estimate of the Group's liability for remedial work and warranties granted on products sold net of warranty amounts recoverable from its suppliers. The warranty provision is all estimated to be due within one year.

21. SHARE CAPITAL

		2015		2014
	No.	£	No	£
Authorised	Unlimited	Unlimited	Unlimited	Unlimited
Allotted, issued and fully paid				
Ordinary shares of 1p each				
Balance at 1 January/initial subscription	20,136,300	201,363	10,758,000	107,580
Shares issued for cash	-	-	7,596,300	75,963
Shares issued in exchange for debt	-	-	1,770,000	17,700
Shares issued on exercise of share options	-	-	12,000	120
	20,136,300	201,363	20,136,300	201,363

On incorporation (7 May 2014) the share capital of the Company was £1, divided into 1 Ordinary Share of £1.00.

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 ("the Share Exchange Agreement").

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.

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.

21. SHARE CAPITAL (continued)

On 31 March 2016 the Company entered into a placing agreement with Cenkos Securities plc for the proposed placing of 7,111,112 newly issued shares of 1 pence each in the capital of the Company at a price of 45 pence per share ("the Placing Shares").

22. SHARE-BASED PAYMENTS

Share options

The Company has issued options (under the MedaPhor Group plc EMI Approved Option Scheme and several individual unapproved share option schemes) to subscribe for ordinary shares of 1 pence each in the Company. The purpose of the option schemes are to retain and motivate eligible employees and directors. Prior to the Share Exchange Agreement (see note 21) MedaPhor Limited had issued options (under the MedaPhor Limited EMI Approved Option Scheme and several individual unapproved share option schemes) to subscribe for ordinary shares of £1 in MedaPhor Limited ("the old options"). On the same day as the Share Exchange Agreement, the share options in MedaPhor Limited were exchanged for share options in MedaPhor Group plc with the same vesting conditions and pro-rata to the exchange of shares. This has been deemed to be a modification of the old options rather than a cancellation or settlement of these options. The fair value of the new options issued would have been the same as the value of the old options surrendered as at the date of the modification.

As at 31 December 2015 options under these schemes, including those held by directors, were outstanding over:

	2015 Options No.	2015 Weighted average exercise price	2014 Options No.	2014 Weighted average exercise price
Outstanding at beginning of year	2,796,058	32.41p	-	-
Granted during the year	-	-	2,848,058	32.49p
Forfeited during the year	(67,000)	53.02p	(40,000)	42.50p
Exercised during the year	-	-	(12,000)	19.00p
Outstanding at end of year	2,729,058	31.90p	2,796,058	32.41p
Exercisable at end of year	1,228,000	18.66p	778,000	18.46p

22. SHARE-BASED PAYMENTS (continued)

Share options (continued)

The exercise price and number of shares to which the options relate are as follows:

Option Exercise Price	Grant date	Balance as at 31 December 2014	Granted during year	Forfeited during year	Exercised during year	Balance as at 31 December 2015	Option & expected Life (years)	Risk free rate of return	Expected volatility	Vesting conditions notes below
Unapproved schemes										
16.508p	15/08/14	168,000	-	-	-	168,000	10	3.690%	40%	(i)
19p	15/08/14	296,000	-	-	-	296,000	10	1.790%	35%	(i)
42.5p	30/06/14	470,000	-	-	-	470,000	10	2.815%	35%	(ii)
EMI Scheme										
19p	15/08/14	764,000	-	-	-	764,000	10	1.790%	35%	(i)
42.5p	30/06/14	1,004,000	-	(20,000)	-	984,000	10	2.815%	35%	(iii)
50p	15/08/14	47,058	-	-	-	47,058	10	2.508%	35%	(ii)
57.5p	20/11/14	47,000	-	(47,000)	-	-	10	2.157%	35%	(iv)
Total		2,796,058	-	(67,000)	-	2,729,058				

The fair value of the equity settled share options granted is estimated as at the date of grant using a binomial probability option pricing model taking into account the terms and conditions upon which the options were granted. The volatility has been estimated by reference to comparable listed companies and the dividend yield has been assumed to be 0% for all schemes.

The Group charged £116,000 to the Statement of Comprehensive Income in respect of Share-Based Payments for the financial year ended 31 December 2015 (2014: £75,000).

The weighted average remaining life of all share options outstanding at 31 December 2015 is 7 years and 10 months (2014: 8 years 10 months).

Vesting conditions:
- (i) These options have vested.
- (ii) These options vest, dependent upon continued service, on 30 June 2017
- (iii) 236,000 of these options will vest when the Group achieves breakeven EBITDA for a financial year, 312,000 of these options will vest on the earlier of the Group achieving EBITDA of £2m or £10m revenue for a financial year and the remainder, dependent upon continued service, will vest on 30 June 2017
- (iv) These options vest, dependent upon continued service, on 20 November 2017.

Other

On admission to AIM in August 2014 the Company issued 424,300 Ordinary Shares of 1p each at a price of 50p per share to the Company's broker. The fair value of the shares issued (£212,150) was equal to the invoiced value for the services received from the broker.

23. FINANCIAL COMMITMENTS

At the year end, the Group had outstanding commitments for future minimum operating lease payments under non-cancellable operating leases, which fall due as follows:

Operating Leases	2015 £	2014 £
Land and buildings		
Within one year	32,479	43,603
In the second to fifth years inclusive	-	30,886
Other		
Within one year	25,996	23,091
In the second to fifth years inclusive	17,036	28,043

Land and buildings under operating leases represents one lease payable by the Group which has an expiry date on 16 September 2016.

At the end of the year the Company had no financial commitments or guarantees.

24. RELATED PARTY TRANSACTIONS

Details of the remuneration and share transactions with the directors, who are the key management personnel of the Group, are disclosed in the Directors' Report. Other related party transactions are as follows:

MedaPhor Limited ("Limited") and MedaPhor North America Inc. ("MNA") are related parties by virtue of being subsidiary companies of the Company. During the year working capital funding was provided by the Company to Limited and to MNA. Limited recharged director fees and other expenses to the Company and the Company recharged other expenses to Limited. The Company has recharged the share-based payment charge arising on share options granted by the Company to employees of Limited and MNA. The value of these intercompany transactions and the amounts due to the Company by Limited at the year end are disclosed below.

Fusion IP Cardiff Limited ("Fusion"), Finance Wales Investments (5) Limited and Finance Wales Investments (6) Limited (both together being "Finance Wales") and IP Group plc via IP2IPO Limited ("IPG") (together Fusion, Finance Wales and IPG being "the Investors") are related parties by virtue of their significant shareholdings in the Company.

David Baynes and Stuart Gall held an interest in Fusion and IP Group plc during the year. David Baynes is a director of IP Group plc and Stuart Gall undertakes consultancy work on retainer for IP Group plc.

During 2014 the Investors charged arrangement, commercial, legal, monitoring fees and expenses (together "the Fees") to the Group in respect of several investments made by the Investors in the Group's share capital during the year and in convertible loan notes issued to Fusion and Finance Wales. IPG recharged expenses to the Company during 2015 and 2014. The value of the Fees and the expenses (which exclude directors' fees noted above) and the amounts due by the Group to the Investors at each year end are disclosed below.

24. RELATED PARTY TRANSACTIONS (continued)

Arthurian Life Sciences Limited ("Arthurian") is a related party by virtue of being the fund manager of Wales Life Sciences Investment Fund LP ("WLSIF") which holds a significant shareholding in the Company. Arthurian charged a transaction fee upon the investment by WLSIF in the Company in August 2014. The value of this transaction fee is disclosed below. The Company and the Group did not owe and were not owed any amounts to or from Arthurian at the year end (2014: £Nil).

Professor Nazar Amso is a member of the Management Committee of The Welsh Institute of Women's Health ("WIWH"). During the year, WIWH charged the Group for administrative services provided by them and the Group charged WIWH for the rental of office space. The value of these charges and the amounts owed to the Group by WIWH at each year end are disclosed below.

Related party transactions – value of working capital funding paid to and charges made to/(purchases from) each related party:

	2015	2014
Company	£	£
Limited (working capital)	807,848	4,551,586
Limited (director fees)	(25,884)	(17,803)
Limited (expenses)	-	(29,500)
Limited (expenses)	17,674	5,191
Limited (share-based payment charge)	107,000	49,100
MNA (working capital)	169,873	284,757
MNA (expenses)	306,199	-
MNA (share-based payment charge)	9,000	4,500
IPG (expenses)	(553)	(2,150)
Arthurian (transaction fee)	-	(75,000)

	2015	2014
Group	£	£
Finance Wales (Fees)	6,500	(28,381)
Fusion (Fees)	-	(4,426)
IPG (Fees)	-	(9,000)
IPG (expenses)	(553))	(7,150)
Arthurian (transaction fee)	-	(75,000)
WIWH	(1,265)	(1,134)
WIWH	-	1,043

24. RELATED PARTY TRANSACTIONS (continued)

Amounts owed by/(to) each related party

	2015	2014
Company	£	£
Limited	2,793,870	1,994,231
MNA [Note 1]	111,050	-
IPG	(5,632)	-

	2015	2014
Group	£	£
Finance Wales	-	(6,500)
Fusion	(77,239)	(76,039)
IPG	(5,632)	(7,653)
WIWH	-	(91)

Note 1. On 31 December 2015 £649,779 of the amount due by MNA was converted into equity (see note 16). The remaining balance of £111,050 payable by MNA to the Company was carried forward as intercompany indebtedness.

25. FINANCIAL INSTRUMENTS

Financial risk factors - Group

The Group's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk), credit risk and risk associated with cash held on deposit with financial institutions. Where appropriate, the Group seeks to mitigate potential adverse effects on its financial performance.

Liquidity risk
As set out in the Chairman's Statement on page 3, the Company has received binding commitments from parties agreeing to invest £3.2m in the Company pursuant to a placing agreement with Cenkos Securities plc which was executed on 31 March 2016. The directors believe that this will provide sufficient funds to allow the Group to pay its debts as they fall due for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Cash held on deposit with financial institutions
The Group's main objective in managing its surplus cash is to maximise returns from funds held on deposit balanced with the need to safeguard the assets of the business and ensure that the Group has access to sufficient funds to service its working capital requirements on a timely basis. The Group holds funds on a mixture of short and long term deposit with Barclays Bank plc to fulfil this objective.

Credit risk
The Group's principal financial assets are bank balances, cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and the Group attaches considerable importance to the collection and management of trade receivables. The Group minimises its credit risk through the application of appropriate credit limits to customers based on an assessment of net worth and trading history with the Group. Standard credit terms are net 30 days from date of invoice. Overdue trade receivables are managed through a phased escalation

25. FINANCIAL INSTRUMENTS (continued)

Financial risk factors – Group (continued)

Credit risk (continued)

culminating in legal action. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Financial risk factors – Company

Amounts owed by and investments in subsidiary undertakings
In addition to the financial risk factors facing the Group described above, the Company also provides working capital funding for its two trading subsidiaries, MedaPhor Limited and Medaphor North America Inc. The funding provided is supported by annual budgets including monthly cash flows which are approved at the start of each year by the Board. The recoverability of the amounts owed to the Company by its subsidiary undertakings and the Company's investments in its subsidiary undertakings are dependent on the ability of the subsidiary undertaking businesses to grow in line with the longer term forecasts of the Group. The Board monitors the performance of the Company's subsidiary undertakings by monthly reviews of management accounts including the sales order pipeline and cash flows compared to budget.

Capital risk management

The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Financial instruments by category - Group

Assets as per Statement of Financial Position

	Loans and receivables at amortised cost	
	2015	2014
	£	£
Trade and other receivables excluding prepayments	603,306	712,616
Provision for impairment	(88,590)	(39,355)
	514,716	673,261
Cash and cash equivalents	1,287,767	2,866,612
	1,802,483	3,539,873

25. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category – Group (continued)

Liabilities as per Statement of Financial Position

	Other financial liabilities at amortised cost 2015 £	Other financial liabilities at amortised cost 2014 £
Trade and other payables excluding statutory liabilities	727,180	646,779

The contractual maturities of all financial liabilities are up to 3 months.

The carrying amount of short term (less than 12 months) trade receivables and payables approximates their fair values.

Financial instruments by category - Company

The financial assets and liabilities of the Company are shown in notes 18 and 19 respectively.

Financial assets consist of amounts due from subsidiary undertakings as well as other receivables. None of the receivables is overdue and the carrying amount of these short term receivables approximates to their fair values.

Financial liabilities consist of trade and other payables. The contractual maturity of these liabilities are up to 3 months and their carrying value approximates their fair value.

Currency denomination - Group
Group financial assets and liabilities are denominated in the following currencies:

Financial assets	2015 £	2014 £
Trade and other receivables excluding prepayments		
Sterling	209,760	413,936
US Dollar	221,738	72,966
Canadian Dollar	13,223	110,497
Euro	69,995	75,862
	514,716	673,261
Cash and cash equivalents		
Sterling	489,207	2,402,223
US Dollar	193,895	287,511
Swiss Franc	542,470	167,757
Euro	37,663	4,848
Canadian Dollar	24,532	4,273
	1,287,767	2,866,612
	1,802,483	3,539,873

25. FINANCIAL INSTRUMENTS (continued)

Currency denomination – Group (continued)

Financial liabilities	2015	2014
	£	£
Trade and other payables excluding statutory liabilities		
Sterling	562,705	458,643
Swiss Franc	97,083	115,417
US Dollar	56,373	72,719
Canadian Dollar	11,019	-
	727,180	646,779

Currency denomination - Company

The financial assets and liabilities of the Company, shown in notes 18 and 19 respectively, are all denominated in Sterling.

Currency fluctuations

At the year end the Group was exposed to fluctuations in the US Dollar, Canadian Dollar, Swiss Franc and the Euro against Sterling. The following table details the Group's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies rounded to the nearest £'000. 10% represents management's assessment of a reasonable possible change in foreign currency exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where Sterling strengthens against the relevant currency. For a 10% weakening in Sterling against the foreign currency, there would be an equal and opposite impact on the profit.

Group	2015	2014
	£	£
US Dollar	(36,000)	(29,000)
Canadian Dollar	(3,000)	(11,000)
Swiss Franc	(45,000)	(5,000)
Euro	(11,000)	(8,000)

26. ULTIMATE PARENT AND CONTROLLING PARTY

There was no overall controlling party as at 31 December 2015 or 31 December 2014.