Mainstay Medical annonce ses résultats financiers 2014

Dublin, Irlande - le 19 mars 2015 : Mainstay Medical International plc (« **Mainstay** » ou la « **Société** » cotée sur Euronext Paris: MSTY.PA et ESM de la Bourse irlandaise: MSTY.IE) annonce ses résultats pour l'exercice clos le 31 décembre 2014. Mainstay est une société de dispositifs médicaux basée en Irlande dont les activités sont basées en Irlande, aux États-Unis et en Australie. La Société est spécialisée dans le développement d'un dispositif médical implantable innovant de neurostimulation, ReActiv8®, conçu pour les personnes atteintes de lombalgie chronique. ReActiv8 est conçu pour traiter les causes sous-jacentes de la lombalgie chronique en aidant à rétablir le contrôle des muscles qui stabilisent en permanence la colonne lombaire.

Faits marquants

- ReActiv8-A, l'essai clinique de ReActiv8, a commencé en mars 2014. Il s'agit d'une étude clinique prospective à une seule branche ouverte à un maximum de 96 sujets en Australie et en Europe. Les instruments de mesures de l'étude clinique ReActiv8-A sont évalués trois mois après le début de la stimulation et sont comparés aux valeurs de base pré-implantation. Des informations complémentaires sont disponibles à l'adresse https://clinicaltrials.gov/show/NCT01985230.
- La Société est satisfaite des progrès de l'étude clinique ReActiv8-A. Le dispositif a été implanté chez plus de 40 sujets au cours de l'étude clinique ReActiv8-A et la Société estime que les données collectées auprès de ces sujets pourraient suffire pour solliciter le marquage CE. La Société prévoit de publier les résultats de l'étude clinique ReActiv8-A une fois toutes les données des sujets implantés disponibles, auditées et officialisées.
- Nous sommes heureux d'annoncer que des données plus complètes concernant l'étude de faisabilité de Mainstay ont été publiées dans le journal « Neuromodulation », une revue spécialisée et évaluée par des pairs. Cette étude, qui a débuté en 2011, a permis d'évaluer la thérapie qui est désormais proposée avec ReActiv8, et une synthèse des données obtenues avaient été publiée précédemment. La publication est réservée aux abonnés ou disponible à l'achat.
- En janvier 2015, la Société a soumis une demande d'exemption des dispositifs expérimentaux (*Investigational Device Exemption*, ou IDE) à la Food and Drug Administration (FDA) afin d'obtenir l'autorisation de débuter les essais cliniques de ReActiv8 aux États-Unis. La Société prévoit de nombreux échanges avec la FDA afin de développer des essais cliniques répondant aux besoins de la Société, de la FDA, et aux personnes qui pourraient potentiellement bénéficier de ReActiv8.
- En décembre 2014, la Société a annoncé qu'elle avait obtenu la certification de son Système de Gestion de la Qualité en conformité avec les normes internationales de qualité ISO 13485:2003 et EN ISO 13485:2012. Cette certification est une condition nécessaire avant l'obtention du marquage CE pour ReActiv8.

- La Société continue à élargir son portefeuille de propriété intellectuelle, des brevets supplémentaires ayant été déposés au cours de l'année 2014.
- Le 2 mai 2014, la Société s'est introduite en Bourse, cotant ses actions ordinaires sur l'ESM de l'Irish Stock Exchange et sur Euronext Paris. Un montant de 20,9 millions de dollars US (net de frais) a été levé dans le cadre de cette introduction en bourse.
- En 2014, les charges d'exploitation ont représenté un montant de 11,1 millions de dollars, en hausse de 2,7 millions de dollars par rapport à 2013 en raison de la hausse des coûts liés à l'essai clinique de ReActiv8, et du renforcement de nos équipes.
- La trésorerie disponible au 31 décembre 2014 représente un montant de 18,3 millions de dollars, et les flux de trésorerie liés aux activités d'exploitation pour 2014 ont représenté un montant de 11,4 millions de dollars.

M. Peter Crosby, Directeur Général de Mainstay, déclare : *« L'année 2014 a été une année importante pour Mainstay, et les étapes majeures franchies par la Société sont la preuve des efforts et de l'implication de notre équipe. Le succès de l'introduction en Bourse de la Société nous a permis de faire progresser l'étude clinique ReActiv8-A en Australie et en Europe comme prévu. Les chercheurs qui participent à l'étude continuent à nous faire part de leur enthousiasme quant au potentiel de ReActiv8 pour aider le nombre important de personnes atteintes de lombalgie chronique. La soumission de la demande d'IDE dans le cadre de la demande d'autorisation d'essais cliniques de ReActiv8 aux Etats-Unis constitue une étape fondamentale dans le développement de ReActiv8 sur le marché américain».*

À propos de Mainstay Medical

Mainstay est une société irlandaise de dispositifs médicaux qui développe un dispositif implantable innovant de neurostimulation, ReActiv8, pour les personnes souffrant de lombalgie chronique invalidante. La lombalgie est l'une des principales causes de limitation de l'activité et d'absence au travail dans les pays développés, faisant peser un poids économique significatif sur les individus, les familles, la société, l'économie et les gouvernements.

La société est basée à Dublin, en Irlande, elle dispose d'activités basées aux États-Unis et en Australie, et est cotée sur Euronext Paris et sur l'ESM de l'Irish Stock Exchange.

A propos de la lombalgie chronique

Une des causes reconnues de la lombalgie chronique est un affaiblissement du contrôle par le système nerveux central des muscles qui stabilisent la colonne vertébrale du bas du dos, et l'instabilité de la colonne vertébrale peut provoquer des maux de dos. ReActiv8 est conçu pour stimuler électriquement les nerfs responsables de la contraction de ces muscles et ainsi de contribuer à restaurer le contrôle musculaire et d'améliorer la stabilité de la colonne vertébrale, ce qui permet au corps de récupérer de la lombalgie chronique.

Les personnes atteintes de lombalgie chronique invalidante ont généralement une qualité de vie réduite et un niveau très élevé de la douleur, du handicap, de la dépression, de l'anxiété et des troubles du sommeil. Leur douleur et leur handicap peuvent persister malgré les meilleurs traitements médicaux disponibles, et seulement un faible pourcentage de cas résulte d'un état pathologique identifié, ou d'un défaut anatomique qui peut être corrigée par la chirurgie rachidienne. Leur capacité à travailler ou à être productif est sérieusement affectée par ce mal, et les journées de travail perdues, les prestations d'invalidité et le recours aux prestations de santé pèsent sur l'économie.

Further information can be found at www.mainstay-medical.com

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Forward looking statements

This announcement includes statements that are, or may be deemed to be, forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “should” or “will”, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts. They appear throughout this announcement and include, but are not limited to, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial position, prospects, financing strategies, expectations for product design and development, regulatory applications and approvals, reimbursement arrangements, costs of sales and market penetration.

By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the actual results of the Company’s operations, and the development of the markets and the industry in which the Company operates, may differ materially from those described in, or suggested by, the forward looking statements contained in this announcement. In addition, even if the Company’s results of operations, financial position and growth, and the development of the markets and the industry in which the Company operates, are consistent with the forward looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Company to differ materially from those expressed or implied by the forward looking statements including, without limitation, general economic and business conditions, the global medical device market conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes, the availability and cost of capital, currency fluctuations, changes in its business strategy, political and economic uncertainty. The forward-looking statements herein speak only at the date of this announcement.

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Mainstay Medical International plc and its subsidiaries
Annual Report
for the year ended 31 December 2014

Mainstay Medical International plc
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Forward looking statements

This Annual Report includes statements that are, or may be deemed to be, forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "should" or "will", or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward looking statements include all matters that are not historical facts. They appear throughout this Annual Report and include, but are not limited to, statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial position, prospects, financing strategies, expectations for product design and development, regulatory applications and approvals, reimbursement arrangements, costs of sales and market penetration.

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Mainstay Medical International plc
Corporate and shareholder information

Directors	Oern Stuge MD, Independent Non-Executive Chairman Peter Crosby, Chief Executive Officer and Executive Director David Brabazon, Independent Non-Executive Director Antoine Papiernik, Non-Executive Director Manus Rogan PhD, Non-Executive Director Dan Sachs MD, Non-Executive Director
Secretary	Tom Maher
Registered office	Clonmel House Forster Way Swords County Dublin, Ireland
Registered number	539688
Website	www.mainstay-medical.com
ISIN / Symbol	IE00BJYS1G50 / MSTY.PA (Paris) and MSTY.IE
Solicitors	McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2, Ireland
Independent Auditor	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2, Ireland
Principal Bankers	HSBC Bank of Ireland
ESM Adviser and Broker	J&E Davy Davy House 49 Dawson Street Dublin 2, Ireland
Registrar	Computershare Investor Services (Ireland) Limited Heron House Corrig Road Sandyford Industrial Estate Dublin 18, Ireland
Paying Agent (in France)	Société Générale Securities Services 32 rue du Champ de Tir CS 30812 44308 Nantes Cedex 3, France

Mainstay Medical International plc
Chairman's Statement

Dear Shareholder

2014 was a year of continued progress on the path to commercialisation of ReActiv8®, and I am pleased to present the Annual Report for Mainstay Medical International plc and its subsidiaries (the "Group").

Business review

The successful initial public offering in 2014 marked a major milestone in the Company's progress and allowed us to move to the next stage of development as a publicly listed company. The design of ReActiv8 was completed. The ReActiv8-A clinical trial is now at an advanced stage in Australia and Europe and we are pleased with its progress. Over 40 subjects have been implanted in the ReActiv8-A clinical trial and the Company believes that data from these subjects may be sufficient to apply for a CE Mark. The Company plans to announce data from the ReActiv8-A clinical trial after the outcome data from all implanted subjects are available, audited and adjudicated.

In January 2015, the Company submitted an application to the US Food and Drug Administration ("FDA") for approval to start a clinical trial of ReActiv8 under an Investigational Device Exemption ('IDE'). The Company anticipates that there will be multiple interactions with the FDA to develop a clinical trial that meets the needs of the Company, the FDA and the people who could potentially benefit from ReActiv8. Upon successful completion of the trial and if the results support it, the Company plans to submit an application for a Pre-Market Approval ("PMA") which is required to start commercialisation in the United States.

A detailed review of our 2014 activities can be found in the Directors' Report on page 7 of this report.

Finance

Cash on hand as at 31 December 2014 was \$18.3 million. Operating expenses before exceptional items were \$11.1 million during the year ended 31 December 2014 (2013: \$8.4 million) and relate to the ReActiv8-A clinical trial activities, research and development, and general and administrative expenses.

Outlook

Mainstay looks forward to continuing progress with the ReActiv8-A clinical trial as it works towards the goal of obtaining CE Mark and commencing commercialisation of ReActiv8.

Directors and Staff

I would like to thank all my fellow Directors, staff, consultants and study investigators for their support and dedication, which has enabled the continued success of the Company. I look forward to the future with confidence.

Yours faithfully,

Oern Stuge MD
Chairman
18 March 2015

Mainstay Medical International plc
Board of Directors
Biographies of Directors

Oern Stuge MD

Dr. Oern R. Stuge is the independent non-executive Chairman of the Board. He is an international executive with 25+ years of experience in the life science sector. He is the owner of Orsco Lifesciences AG, through which he holds several executive & non-executive board memberships & advisory roles.

Prior to founding Orsco, Oern Stuge worked for 12 years for Medtronic, Inc. in different roles including Senior Vice President (SVP) & President Europe & Central Asia, and SVP & President Cardiac Surgery. He was a member of the Medtronic Executive Committee & Operating Committee. Dr. Stuge has been credited for successfully transforming Medtronic's global Cardiac Surgery business and accelerating the growth in its neurological and cardiovascular business in Europe, Middle East & Africa.

Dr. Stuge earned an MD from University of Oslo, and an MBA from IMD, Switzerland.

Peter Crosby

Mr. Peter Crosby has been a Board member of the ultimate holding company of the Group since he was appointed CEO of Mainstay Medical in mid-2009. Mr. Crosby was instrumental in founding the Group and raising the 2010 and 2012 financing rounds, and completing the 2014 IPO. He is an internationally experienced medical device executive who has been chief executive officer or chairman of 7 medical device companies (public and private) in four countries.

Mr. Crosby has contributed to the development and introduction to the global market of dozens of medical devices over a career spanning more than 30 years. After working for 5 years in a hospital environment, Mr. Crosby entered industry as one of the first three employees of Cochlear, and continued his career with executive roles in many more companies. He has direct experience in active implantable medical devices, including cardiac pacemakers and defibrillators (Telectronics Pacing Systems), cochlear implants (Cochlear), left ventricular assist devices (Ventracor), Neuromodulation (Mainstay Medical), ultrasound (Ausonics, NeoVision), software (Cardicomm Solutions), and in-vitro diagnostics (First Medical, Ischemia Technologies). Mr. Crosby has raised capital for many medical device companies, and has been directly involved in the sale of several companies.

Mr. Crosby graduated with a Bachelor of Electrical Engineering and a Masters in Engineering Science (Biomedical Engineering) from the University of Melbourne, Australia. He is a named inventor on over 25 patents and patent applications, primarily in the field of biomedical engineering.

David Brabazon

Mr. David Brabazon is a co-founder of Adapt Pharma Limited and serves as Chief Financial Officer and a board member. Adapt Pharma Limited is a US focused speciality pharmaceuticals business with its corporate headquarters in Ireland. Mr. Brabazon previously was a co-founder and Chief Financial Officer of Azur Pharma plc, which merged with Jazz Pharmaceuticals plc in early 2012. Mr. Brabazon continued to serve in the merged business as Senior Vice President of Finance and Company Secretary until late 2012. Prior to Azur Pharma, Mr. Brabazon served as Vice President of Finance and Group Financial Controller of Elan Corporation plc.

Mr. Brabazon is a chartered accountant and holds a Masters of Accounting degree from University College Dublin, Ireland and a Master of Business Administration degree from INSEAD, France. David serves as a director of Headway (Ireland) Limited which provides support and services to people affected by brain injury.

Antoine Papiernik

Mr. Antoine Papiernik is a Non-Executive Director of the Company and is a Managing Partner at Sofinnova Partners, which he joined in 1997. Sofinnova has been an initial investor and Antoine has been an active board member in public companies like Actelion, Auris, ProQR, Novus Pharma (then sold to CTI), Movetis (then sold to Shire), Mainstay Medical, Pixium Vision and Stentys which went public respectively on the Zürich stock exchange, the NASDAQ, the Milan Nuovo Mercato, the Belgium Stock Exchange, the Irish Stock Exchange and EuroNext Paris, in Cotherix (initially NASDAQ listed, then sold to Actelion), CoreValve (sold to Medtronic), Fovea (sold to Sanofi Aventis) and Ethical Oncology Science (EOS sold to Clovis Oncology). He has also invested, for Sofinnova, in and is a board member of private companies ReCor, MD Start, Shockwave Medical, and Reflexion Medical. Antoine has an MBA from the Wharton School of Business, University of Pennsylvania. In 2012 and 2011 Antoine was selected by Forbes for its “Midas List” of the world’s top venture capital investors. Antoine is one of the only Europeans on the list, and one of the few life science investors as well.

Manus Rogan PhD

Dr. Manus Rogan is a Managing Partner and co-founder of Fountain Healthcare Partners. He has over 26 years of investment and operating experience in the life science sector in both the US and Europe. Dr. Rogan earned a PhD in chemistry from the University of York (sponsored by GlaxoSmithKline) and an MBA from Trinity College Dublin.

Dr. Rogan began his career in product development at GlaxoSmithKline in the UK and in 1996 joined Elan Corporation’s business development group. For four years he was responsible for licensing products and drug delivery technologies in Europe and Japan. In 2001, Dr. Rogan joined Elan’s Corporate Venture Capital group in New York where he invested in private and public biotechnology companies. Investments included Sirna (acquired by Merck, 2006) and Beyond Genomics (IPO, 2011). In his 7 years at Elan, Manus concluded over twenty five investment and technology licensing transactions involving companies in the US, Europe and Japan. Manus currently serves on the board of Opsona Therapeutics and Mainstay Medical. He recently stepped down as Chairman of the Irish Venture Capital Association (”IVCA”) and previously represented Fountain Healthcare Partners on the board of Amarin Corporation.

Dan Sachs MD

Dr. Dan Sachs is a physician entrepreneur, and founder of KSpine Inc., Respicardia, Inc., Mainstay Medical Inc., and Amphora Medical, Inc. all venture-backed medical device companies. He was previously a venture capital investor with Investor Growth Capital and Spray Venture Partners, and served as Instructor in Medicine on the faculty of Harvard Medical School in the Division of Emergency Medicine.

Dr. Sachs earned an MD from the University of Michigan, and MBA from Harvard Business School.

Mainstay Medical International plc
Directors' Report

We are pleased to report on the progress of Mainstay Medical International plc ("Mainstay" or the "Company") and present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

Principal activities

Mainstay is a medical device company which is developing an innovative implantable neurostimulation medical device, ReActiv8, for people with Chronic Low Back Pain ("CLBP"). ReActiv8 is designed to address the root cause of CLBP by helping to restore control to the muscles that dynamically stabilise the lumbar spine. The design and development of ReActiv8 has been completed and the ReActiv8-A clinical trial is at an advanced stage.

Key performance indicators

Current key performance indicators, used by management to measure performance and exercise control over operations are summarised below:

Securing funds - The Group has financed its operations to date principally through placements of equity. The management team continues to develop and strengthen relationships to explore further financing options. These may include strategic partnering, private placement or public offering of equities or debt.

Effective monitoring of use of funds - Management prepare budgets and rolling forecasts to track and monitor use of funds. Actual expenditure is measured against budget, and is reported to and evaluated by the Directors on a monthly basis.

Achieving milestones - The Group has defined the strategic activities and milestones leading to commercialisation of ReActiv8. These include:

- Conclusion of product design and development of ReActiv8
- Conducting the ReActiv8-A clinical trial
- Quality System Certification
- Obtaining CE Mark
- European commercialisation of ReActiv8
- Obtain approval for an IDE from the FDA to start a clinical trial of ReActiv8 in the US
- Conducting a clinical trial of ReActiv8 under the IDE to generate data to file a PMA application with the FDA
- Following PMA approval, start of US commercialisation of ReActiv8.

Progress towards these milestones is reported by the management team to the Board on a regular basis.

Business review

Corporate developments - The Company was incorporated and registered in Ireland on 17 February 2014 as a public limited company. Following a reorganisation on 3 April 2014, the Company became the ultimate holding company of the Group. The Company together with its operating subsidiaries Mainstay Medical Limited, MML US, Inc. and Mainstay Medical (Australia) Pty. Limited now form the Mainstay Medical Group. Prior to this reorganisation, Mainstay Medical Limited had been the holding company of the Group.

On 2 May 2014, the Company listed its ordinary shares on the ESM of the Irish Stock Exchange and Euronext Paris. Total proceeds of $20.9 million (net of issue costs) were raised by way of a capital increase in conjunction with the listing of the entire issued ordinary share capital of the Company (the "IPO"). The proceeds are being used by Mainstay to fund clinical trial activities to obtain CE Mark, which is required for initial commercialisation of ReActiv8 in Europe.

Feasibility study - A Mainstay Sponsored Feasibility study on the therapy to be delivered by ReActiv8 was conducted in Europe, and summary data have been previously reported. We are pleased to announce that more complete data of the Mainstay Sponsored Feasibility study have been published in the peer reviewed journal, Neuromodulation. The paper is available to subscribers or for purchase from the journal.

Product design & development - Engineering development of ReActiv8 including the proprietary Implantable Stimulation Leads and Implantable Pulse Generator was completed.

ReActiv8-A trial - The purpose of the ReActiv8-A clinical trial is to investigate ReActiv8 as a treatment for adults with debilitating CLBP for whom surgery is not indicated (see http://clinicaltrials.gov/show/NCT01985230). The ReActiv8-A clinical trial is a prospective single arm clinical trial with up to 96 subjects at sites in Australia and Europe. Outcome measures for the ReActiv8-A trial are assessed at a three month endpoint after activation of stimulation and compared to baseline prior to implant.

The first subjects in the ReActiv8-A clinical trial were recruited in Australia following approval in March 2014 by Ethics Committees in Australia. In June the ReActiv8-A clinical trial was expanded to sites in Belgium following receipt of authorisation from the Belgian Federal Agency for Medicines and Health Products ("FAGG") and the Central Ethics Committee, and in July 2014 authorisation from the UK Medicines and Healthcare Products Regulatory Agency ("MHRA") and the Central Ethics Committee allowed expansion of the ReActiv8-A clinical trial to include clinical trial sites in the United Kingdom.

We are pleased with the progress of the ReActiv8-A clinical trial. Over 40 subjects have been implanted as part of the ReActiv8-A clinical trial and the Company believes that data from these subjects may be sufficient to apply for a CE Mark. The Company plans to announce data from the ReActiv8-A clinical trial after the outcome data from all implanted subjects are available, audited and adjudicated.

US clinical trial and regulatory process - In January 2015, the Company submitted an application to the FDA for approval to start a clinical trial of ReActiv8 under an IDE. The Company anticipates that there will be multiple interactions with the FDA to develop a clinical trial that meets the needs of the Company, the FDA and the people who could potentially benefit from ReActiv8.

Upon successful completion of the trial and if the results support it, the Company plans to submit an application for a PMA which is required to start commercialisation in the United States.

Quality Management System - In December 2014, the Company announced that it had achieved certification of its Quality Management System in compliance with the international quality standards ISO 13485:2003 and EN ISO 13485:2012. The certification granted by the Company's Notified Body, BSI Group-Medical Devices, covers the operational activities for developing and bringing to market implantable stimulation systems in the area of pain management. This ISO 13485 certification was achieved after passing the audits of our Quality Management System at all our facilities in Ireland, Australia and the USA.

Financial review

Income Statement – Mainstay is at a pre-revenue stage. Operating expenses related to on-going activities (excluding exceptional items) were $11.1 million during the year ended 31 December 2014 (2013: $8.4 million). On-going activities include the ReActiv8-A clinical trial activities, research and development, and general and administrative expenses.

Research and development expenses reflect costs incurred for research, development and design of the Group's product ReActiv8. Research and development expenses were $2.6 million during the year ended 31 December 2014 (2013: $4.0 million). Clinical and regulatory expenses relate to the ongoing ReActiv8-A clinical trial and regulatory activities. Clinical and regulatory expenses were $4.0 million during the year ended 31 December 2014 (2013: $0.9 million).

Net loss attributable to equity holders after exceptional items was $82.5 million (2013: $10.3 million). As referred to in the Company's 2014 Half Year Financial Results announcement, this includes a non-cash exceptional item of $66.5 million associated with requirements under International Financial Reporting Standards ("IFRS") to "fair value" financial derivative instruments related to preference shares in issue prior to the Company's listing. All of these preference shares converted on a one for one basis to ordinary shares immediately prior to the listing and accordingly such fair value movements through profit or loss will not arise in future periods.

Statement of financial position – Cash on hand at 31 December 2014 was $18.3 million. Operating cash out flows for the year ended 31 December 2014 were $11.4 million (2013: $7.1 million). Total assets of the Group were $18.8 million (2013: $10.0 million).

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group remain substantially unchanged from the disclosures included in the IPO prospectus. A detailed discussion of these risk factors was included in the IPO prospectus (on pages 24 to 38, and summarised on pages 17 to 18), and these risk factors are listed below. This IPO Prospectus can be found on the Company's website:

- The Group has incurred significant operating losses and may not be able to achieve or subsequently maintain profitability.
- The Group will likely require additional funds in the future in order to meet its capital and expenditure needs and further financing may not be available when required or could significantly limit the Group's access to additional capital.
- The Group's future financial performance is entirely dependent on the commercial success of ReActiv8, its only product at the date of this report.
- The Group operates in a highly regulated environment and regulatory approval is required before the Group can market or sell ReActiv8.
- Seeking and obtaining regulatory approval for medical devices can be a long and uncertain process. Strict or changing regulatory regimes, government policies and legislation in any of the Group's target markets may delay, prohibit or reduce potential sales.
- The Group is required to conduct clinical trials for regulatory approvals and other purposes, clinical trials carry substantial risks and are costly and time consuming, with uncertain results.
- Attracting physicians and subjects to perform clinical trials and meet clinical trial objectives is costly and uncertain.
- Even if the Group has obtained regulatory approval for its products, there is no guarantee that the products will perform as intended.
- There is no certainty that the market for ReActiv8 to address people with CLBP will develop as currently anticipated by the Group or at all.
- The success of ReActiv8 depends on its acceptance and adoption by medical professionals.
- Active implantable medical devices such as ReActiv8 carry risks associated with the surgical procedure for implant or removal of the device, use of the device, or associated with the therapy delivered by the device.
- The Group's business exposes the Group to an inherent risk of potential product liability claims relating to the manufacturing, clinical trials, market and sale and recall of an active implantable medical device.
- Competition in the medical device industry is intense and expected to increase.
- Other treatments for CLBP may emerge which could compete with ReActiv8.
- Any inability to fully protect and exploit the Group's intellectual property may adversely impact the Group's financial performance and prospects.
- The Group could become subject to intellectual property litigation that could be costly, result in the diversion of management's time and efforts, require the Group to pay damages, prevent the Group from marketing ReActiv8 or other products and/or reduce the margins for ReActiv8.
- The Group depends on confidentiality agreements with third parties to maintain confidential information.
- The Group's success is partly contingent on third party payment from government providers, healthcare insurance providers or other public or private sources.
- Manufacturing issues may arise that are detrimental to the Group.
- The Group depends on third party suppliers for the manufacture of ReActiv8. Disruption of the supply chain, or failure to achieve economies of scale could have a material adverse effect on the Group.
- Compliance with regulation for quality systems for medical device companies is difficult, time consuming and costly. The Group may be found to be non-compliant, for example as a result of future changes in or interpretation of the regulations regarding quality systems in certain jurisdictions.
- The Group may be unable to attract and retain management and other personnel it needs to succeed.

- In some markets the Group will depend on distributors over which the Group has little or no control.
- The Group relies on third parties for management services, manufacturing, marketing, regulatory advice and other services that are crucial to its business.
- Information Technology ("IT") forms a key support requirement with the Group's business. Any failure of the Group's IT systems could present a substantial risk to its business continuity.
- US "anti-inversion" tax laws could negatively affect the Group's results.
- The Group is exposed to foreign exchange risk.

The principal risks and uncertainties relating to the Company's shares remain substantially unchanged from the disclosures included in the IPO prospectus (but, for the purposes of this Annual Report, excluding the risk factor set forth at paragraph 2.2.5 of Part 2 of the IPO Prospectus). A detailed discussion of these risk factors, was included in the IPO prospectus (on pages 38 to 42, and summarised on pages 18 to 19), and these risk factors are listed below. The IPO Prospectus can be found on the Company's website:

- A liquid market for the ordinary shares may fail to develop, which may cause the shares to trade at a discount to the office price (in the IPO) and make it difficult to sell the shares.
- The market price of the ordinary shares may fluctuate widely in response to various factors and investors may not be able to sell their ordinary shares at or above the offer price (in the IPO).
- The market price of ordinary shares could be negatively impacted by sales of substantial number of ordinary shares in the public markets.
- Future issuances of ordinary shares, share options or share warrants may affect the market price of the ordinary shares and could dilute the interests of existing shareholders.
- Certain significant shareholders of the Company may have different interests from the Company after the offer (the IPO) and may be able to influence the Company, including the outcome of shareholder votes.
- The Company does not intend to pay dividends for the foreseeable future.
- The requirements of being a public company will increase the Company's costs and may strain its resources and distract its management.
- Any sale, purchase or exchange of the ordinary shares may become subject to the Financial Transaction Tax.
- Ordinary shareholders may have only limited ability to bring actions or enforce judgements against the Company or the Directors.
- Overseas shareholders may not be able to exercise future pre-emptive rights and their ownership interests may therefore be diluted.

Financial risk management

The Group is exposed to a variety of financial risks including interest rate, foreign currency and credit risks. Further details regarding financial risks are set out in Note 20 to the consolidated Financial Statements.

Outlook and future developments

Mainstay looks forward to continuing progress with the ReActiv8-A clinical trial as it moves towards the goal of obtaining CE Mark and initial commercialisation of ReActiv8.

Directors and Secretary and their interests

The names of currently serving Directors are set out on page 3. The Directors were all appointed on 3 April 2014.

Tom Maher was appointed as Company Secretary on 2 September 2014. Hugh Kavanagh who had been appointed on 3 April 2014 resigned as Company Secretary on 2 September 2014.

The beneficial interest of the Directors and Company Secretary, who held office at 31 December 2014, in the ordinary share capital of the Company at the dates below were as follows:

Ordinary shares		*Ordinary shares at par value of €0.001 each*	
Name		**At 31 December 2014**	**At 31 December 2013** (Note 1)
Peter Crosby	Ordinary shares of €0.001 each	81,400	1,628,000
David Brabazon	Ordinary shares of €0.001 each	4,728	-
Dan Sachs MD	Ordinary shares of €0.001 each	515,000	-
Dan Sachs MD	Series Z shares of US$0.001 each	-	10,000,000

Notes:

1. On 3 April 2014, the Company acquired all outstanding ordinary and preference shares in Mainstay Medical Limited in exchange for issuing 793,425 series A shares, 1,967,177 series B shares, 500,000 series Z shares and 81,400 ordinary shares to former shareholders in Mainstay Medical Limited, in each case on the basis of one share in the Company in place of 20 shares of the same class in Mainstay Medical Limited. See note 4 for further information.

Share Options	**Deemed date of Grant**	**Exercise price per Ordinary Share**	**Expiry date**	**No. of Ordinary Shares under option 31 December 2014**	**No. of Ordinary Shares under option 31 December 2013** (Note 1)
Oern Stuge MD	23 January 2013	US$1.00	10 years from vesting	55,014	55,014
Peter Crosby	23 January 2013	US$1.00	10 years from vesting	75,000	75,000
David Brabazon	5 December 2013	US$1.00	10 years from vesting	18,427	18,427
Tom Maher	24 June 2014	€17.08	10 years from vesting	32,000	-

Notes:

1. On 3 April 2014, all outstanding share options in Mainstay Medical Limited were surrendered by the holders, and in return the Company granted one share option in place of 20 share options on substantially the same terms. See note 21 for further information.

Except as disclosed in this report, none of the Directors, who held office at 31 December 2014, had a beneficial interest in the share capital of the Company or its subsidiaries and no such interest, the existence of which is known or could with reasonable diligence be ascertained by the relevant Director, is held by any connected person.

Antoine Papiernik holds no interest in the issued share capital of the Company other than the interests that he is deemed to hold in the Company by virtue of the interests that he holds in Sofinnova Capital VI FCPR. At 31 December 2014, Sofinnova Capital VI FCPR owned 1,775,829 ordinary shares amounting to approximately 41.35% of the entire issued ordinary share capital of the Company. As at 31 December 2013, Sofinnova Capital VI FCPR held 13,767,220 Series A Preference Shares and 16,803,384 Series B Preference Shares amounting to approximately 20.6% and 25.1% respectively of the entire issued share capital of Mainstay Medical Limited.

Manus Rogan holds no interest in the issued share capital of the Company other than the interests that he is deemed to hold in the Company by virtue of the interests that he holds in Fountain Healthcare Partners Fund 1 LP. At 31 December 2014, Fountain Healthcare Partners Fund 1 LP owned 556,171 ordinary shares amounting to approximately 13.18% of the entire issued ordinary share capital of the Company. As at 31 December 2013, Fountain Healthcare Partners Fund 1 LP held

9,746,589 Series B Preference Shares amounting to approximately 14.6% of the entire issued share capital of Mainstay Medical Limited.

Directors' remuneration

The following table shows the amount of remuneration paid and benefits in kind granted to the Directors by the Group for services in all capacities:

2014:	Fees	Salary	Annual Incentive	Benefits in Kind	Total
Executive Directors					
Peter Crosby	-	$448,167	$89,244	$4,395	$541,806
Non-Executive Directors					
Oern Stuge MD (Note 1)	$44,326	-	-	-	$44,326
David Brabazon	$21,439	-	-	-	$21,349
Antoine Papiernik	-	-	-	-	-
Manus Rogan PhD	-	-	-	-	-
Dan Sachs MD	-	$8,500	-	-	$8,500

2013:	Fees	Salary	Annual Incentive	Benefits in Kind	Total
Executive Directors					
Peter Crosby	-	$400,207	-	$27,601	$427,808
Non-Executive Directors					
Oern Stuge MD (Note 1)	$51,258	-	-	-	$51,258
David Brabazon	-	-	-	-	-
Antoine Papiernik	-	-	-	-	-
Manus Rogan PhD	-	-	-	-	-
Dan Sachs MD	-	$12,000	-	$21,259	$33,259

Notes:

1. The Group makes payments under a consultancy agreement to ORSCO Life Sciences AG, a Swiss company which is controlled by Oern Stuge. Details of payment to ORSCO Life Sciences AG are included in Note 25.

Issued share capital

At 31 December 2014 the authorised share capital of the Company was 10,000,000 ordinary shares of €0.001 each, representing 99.6% of total share capital and 40,000 deferred shares of €1.00 each, representing 0.4% of total share capital. At 31 December 2014, the issued share capital of the Company was 4,294,141 ordinary shares of €0.001 each (which carry voting rights) and 40,000 deferred shares of €1.00 each (which do not carry voting rights, are not entitled to receive any dividend or distribution and have in effect no right to a return of capital on a winding up). Further information on share movements is provided in Note 18.

By written resolution of the shareholders of the Company passed on 2 April 2014:

- the Directors were authorised, pursuant to Section 20 of the Companies (Amendment) Act 1983 ("1983 Act"), to allot "relevant securities" (essentially ordinary shares, or rights to subscribe for, or convert into, ordinary shares of the Company) up to an aggregate nominal value of €5,000 representing approximately 116% of the Company's issued share capital as at 31 December 2014. This authority will expire on 2 April 2019, being five years from the date on which the resolution was passed;
- the Directors were authorised, pursuant to Section 24 of the 1983 Act, to dis-apply statutory pre-emption provisions in the event of a rights issue or other pro rata offer of equity securities to shareholders for cash; or other issue of equity securities for cash up to an aggregate nominal value of €2,500 representing approximately 58% of the Company's issued share capital as at 31 December 2014. This authority will expire on 18 June 2015 at the conclusion of the Company's annual general meeting ("2015 AGM"). A resolution will be proposed at the 2015 AGM to renew this authority.

Other than the Lock-up Agreements outlined in the IPO prospectus which is available on the Company's website, the Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of ordinary shares or voting rights over ordinary shares. The Directors in their absolute discretion and without assigning any reason therefor may decline to register any transfer of a deferred share. The Company is authorised at any time to appoint any person to execute on behalf of the holder(s) of deferred shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holder(s) thereof and persons so entitled, to such person(s) as the Company may determine as holder(s) thereof and beneficially entitled thereto.

Memorandum and Articles of Association

The Company's Articles of Association detail the rights attached to the shares; and the rules relating to the Directors, including their appointment, retirement, re-election and powers. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

A copy of the Memorandum and Articles of Association can be obtained from the Group's website.

Substantial shareholders

As of 16 March 2015 being the latest practicable date before publication of this Directors' Report, in so far as was notified to the Company, the following were holders of 3% or more of the Company's issued ordinary share capital:

Shareholder	No. of Ordinary Shares	Percentage
Sofinnova Capital VI FCPR	1,775,829	41.35%
Fountain Healthcare Partners Fund 1, L.P.	566,171	13.18%
Dan Sachs MD	515,000	11.99%
Perceptive Life Sciences Master Fund, Ltd	321,513	7.49%
Capricorn Health-Tech Fund NV	259,312	6.04%
Medtronic, Inc	235,209	5.48%
Seventure Partners Managed Funds	194,333	4.53%

Going concern

The Group has incurred losses of $61.6 million to date. As at 31 December 2014, the Group reported shareholders' equity of $16.9 million and cash of $18.3 million. As detailed in the Directors' Report the Group is at a pre-revenue stage in the development of ReActiv8 and expects to incur further losses in the medium term. Progress on the development of ReActiv8 is detailed in the Directors' Report.

To fund the further development of ReActiv8 the Group has raised debt and equity and it continues to explore funding strategies (e.g.: equity, debt, partnering) to support the Group's activities into the future. The Group is carefully monitoring its cash flows and has the ability to consider alternative strategies and budgets to ensure that the Group will have sufficient funds to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these Financial Statements.

Accordingly the Directors believe it is appropriate that these Financial Statements are prepared on the going concern basis.

Dividends

The Directors do not recommend the payment of a dividend.

Related party transactions

Details of related party transactions that have taken place during the reporting period are set forth in note 25 to the consolidated Financial Statements.

Political donations

During the year, the Group and Company made no donations requiring disclosure.

Post balance sheet events

Details of important events affecting the Group and Company which have taken place since the end of the year are given in note 26 to the Financial Statements.

Subsidiary undertakings

At 31 December 2014, the Company had the following subsidiaries and owns 100% of the called up ordinary share capital of each such subsidiary:

- Mainstay Medical Limited ("MML") is registered in the Ireland and its principal activities include research, development, clinical and regulatory activities and support services to other Group companies.
- MML US, Inc. is registered in the United States of America and its principal activity is the provision of support services to other Group companies.
- Mainstay Medical (Australia) Pty. Limited (MMA) is registered in Australia and its principal activity is the provision of support services to other Group companies.

Accounting records

The Directors believe that they have complied with the requirement of section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at its registered office.

Auditors

During the year, KPMG, Chartered Accountants, were appointed auditor and in accordance with Section 160 (2) of the Companies Act, 1963, will continue in office.

On behalf of the Board on 18 March 2015,

Oern Stuge MD	**Peter Crosby**
Chairman	*CEO*

Mainstay Medical International plc
Corporate Governance Report

The Board recognises the importance of good governance in supporting growth in long term shareholder value and is accordingly committed to maintaining the highest standards of corporate governance commensurate with the size and stage of the development of the Group.

While there is no specific corporate governance regime mandated in Ireland for companies listed on ESM (whether or not such companies are listed on a regulated market in another country), the Company applies recognised corporate governance principles to the extent they are appropriate for a company of its size, stage of development and resources.

The Board will also take account of other institutional shareholder governance guidelines on disclosure and shareholder authorisations to the extent they are appropriate for a company of its size, stage of development and resources.

The Board

The Board is responsible for the supervision and control of the Company and is accountable to the shareholders. The Board has reserved decision-making on a variety of matters, including determining strategy for the Group, reviewing and monitoring executive management performance and monitoring risks and controls.

The Board comprises six Directors, including one Executive Director, four Non-Executive Directors and the Non-Executive Chairman. The roles of Chairman and Chief Executive Officer are not exercised by the same individual. The Group is currently conducting a search for an additional Independent Non-Executive Director.

The Board meets regularly (no less than four times per year) to consider strategy, performance and the framework of internal controls. The Directors have also established an Audit, Risk and Compliance Committee, a Remuneration Committee, and a Nominations Committee with formally delegated rules and responsibilities. Each of the Committees currently comprises Non-Executive Directors only.

The Board comprises a mix of the necessary skills, knowledge and experience required to provide leadership, control and oversight of the management of the Company and to contribute to the development and implementation of the Company's strategy. In particular, the Board combines a group of Directors with diverse backgrounds within the medical device and related sectors, in both public and private companies.

All the Directors bring independent judgment to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Articles require that at each annual general meeting of the Company one-third of the Directors retire by rotation.

Internal control

The Board acknowledges that it is responsible for maintaining the Company's system of internal control and risk management process required to safeguard the Group's assets and intellectual property. Such a system is designed to identify, manage and mitigate financial, operational and compliance risks inherent to the Company and the Group. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.

The main features of internal control and risk management processes for preparing Financial Statements and financial reporting include:

- Board approval of the annual budget and strategy;
- Monitoring of performance against the annual budget through monthly Board reports detailing actual results versus budget, analysis of material variances, and re-forecasting where required;
- Finance function resourced to facilitate segregation of duties;
- Audit, Risk and Compliance Committee review of the integrity of the Annual Report, Half-Yearly Report and Interim Management Statements;

- Board review and approval of the Annual Report and Half-Yearly Report; and
- Board approved authorisation limits and investment policy.

Board Committees

The Board has established a number of committees to deal with specific matters. Brief particulars are set out below:

- Audit, Risk and Compliance Committee – Mr. David Brabazon (Chairman), Dr. Manus Rogan, Mr. Antoine Papiernik and Dr. Oern Stuge;
- Nominations Committee - Dr. Oern Stuge (Chairman), Dr. Manus Rogan, Mr. David Brabazon and Mr. Antoine Papiernik;
- Remuneration Committee - Mr. David Brabazon (Chairman), Mr. Antoine Papiernik, Dr. Manus Rogan and Dr. Oern Stuge.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is chaired by Mr. David Brabazon. The Chief Financial Officer and Chief Executive Officer may also be invited to attend meetings of the Committee. It meets at least three times a year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. The Committee also meets with and reviews findings of the audit with the external auditor. It meets with the auditors at least once a year without any members of management being present and is also responsible for considering and making recommendations regarding the appointment and remuneration of such auditors.

Remuneration Committee

The Remuneration Committee is chaired by Mr. David Brabazon. It meets at least three times a year and considers and recommends to the Board the framework for the remuneration of the Chief Executive Officer, Chairman, Company Secretary, Chief Financial Officer, executive Directors and such other officers as it is designated to consider and, within the terms of the agreed policy, considers and recommends to the Board the total individual remuneration package of each executive Director including bonuses, incentive payments and share awards. It reviews the design of all incentive plans for approval by the Board and (if required) Shareholders and, for each such plan, recommends whether awards are made and, if so, the overall amount of such awards, the individual awards to executive Directors and the performance targets to be used. No Director is involved in decisions concerning his/her own remuneration.

Nominations Committee

The Nominations Committee is chaired by Dr. Oern Stuge. It meets at least two times a year and considers the selection and re-appointment of Directors. It identifies and nominates candidates for all Board vacancies and review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.

General meeting

The Company shall hold in each year a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it. Not more than 15 months shall elapse between the date of one annual general meeting and that of the next. All general meetings other than annual general meetings shall be called extraordinary general meetings.

The Company will hold its first annual general meeting on Thursday, 18 June 2015.

The Directors may convene general meetings. Extraordinary general meetings may also be convened on such requisition, or in default may be convened by such requisitionists, and in such manner as may be provided by the Companies Acts, 1963 to 2013.

Subject to the provisions of the Companies Acts, 1963 to 2013 allowing a general meeting to be called by shorter notice, an annual general meeting and an extraordinary general meeting shall be called by at least 21 clear days' notice, except that an extraordinary general meeting that is not called for the passing of a special resolution may, subject to compliance with all applicable provisions of the Companies Acts, 1963 to 2013, be called by at least 14 clear days' notice.

The Directors shall specify in the notice of a general meeting the voting record date, being a date not more than 48 hours before the general meeting to which it relates. A person shall be entered on the register at the voting record date in order for that person to exercise the right of a member to participate and vote at the general meeting and any change to an entry on the register after the voting record date shall be disregarded in determining the right of any person to attend and vote at the meeting.

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Two persons entitled to attend and to vote upon the business to be transacted, each being a member or a proxy for a member, shall be a quorum.

If such a quorum is not present within half an hour from the time appointed for the meeting, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors may determine.

All business shall be deemed special that is transacted at an extraordinary general meeting. All business that is transacted at an annual general meeting shall also be deemed special, with the exception of declaring a dividend, the consideration of the accounts, balance sheets and reports of the Directors and auditors, the appointment of Directors in the place of those retiring, the re-appointment of the retiring auditors and the fixing of the remuneration of the auditors.

Every member entitled to attend and vote at a general meeting may appoint a proxy to attend, speak and vote on his behalf provided, however, that:

- a member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to shares held in different securities accounts; and
- a member acting as an intermediary on behalf of a client in relation to shares may appoint that client or any third party designated by that client as a proxy in relation to those shares,

subject to such requirements and restrictions as the Directors may from time to time specify.

The Company's AGM gives shareholders the opportunity to question the Directors. The Company must answer any question a member asks relating to the business being dealt with at the meeting unless answering the question would interfere unduly with the preparation for the general meeting or the confidentiality and business interests of the Company, or the answer has already been given on a website in the form of an answer to a question, or it appears to the Chairman of the meeting that it is undesirable in the interests of good order of the meeting that the question be answered.

The business of the Company is managed by the Directors who may exercise all the powers of the Company unless they are required to be exercised by the Company in general meeting. Matters reserved to shareholders in general meeting include the election of directors; the payment of dividends; the appointment of the external auditor; amendments to the articles of association; measures to increase or reduce the share capital; and the authority to issue shares.

Votes

The Companies Act, 1963 to 2013 require that resolutions of the general meeting be passed by the majority of votes cast (ordinary resolution) unless the Acts or the Company's Articles of Association provide for 75% majority of votes cast (special resolution). The Company's Articles of Association provide that the Chairman has a casting vote in the event of a tie.

At meetings, unless a poll is demanded, all resolutions are determined on a show of hands, with every shareholder who is present in person or by proxy having one vote so, however, that no individual shall have more than one vote, and on a poll every member shall have one vote for every share carrying rights of which he is the holder. On a poll a member entitled to more than one vote need not cast all his votes or cast all the votes he uses in the same way. At the meeting, after each resolution has been dealt with, details will be given of the level of proxy votes lodged for and against that resolution and also the level of votes withheld on that resolution.

Subject to the Companies Acts, 1963 to 2013 and to such requirements and restrictions as the Directors may, in accordance with the Irish Companies Acts, specify, the Company at its discretion may provide for participation and voting in a general meeting by electronic means.

Subject to the Companies Acts, 1963 to 2013 and to such requirements and restrictions as the Directors may, in accordance with the Irish Companies Acts, specify, the Company may at its discretion provide for voting on a poll by correspondence. Where the Company permits votes to be cast on a poll by correspondence, it shall be required to count only those votes cast in advance by correspondence that are received before the date and time specified by the Company for that purpose, provided that such date and time is not more than 24 hours before the time at which the vote is to be concluded.

Mainstay Medical International plc
Directors' responsibilities statement

Statement of the Directors in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Company Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and company financial statements for each financial year. Under that law and in accordance with the ESM Rules, the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the EU, as applied in accordance with the Companies Acts, 1963 to 2013. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group.

In preparing each of the Group and Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRS as adopted by the EU, as applied in accordance with the Companies Acts, 1963 to 2013; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its Financial Statements comply with the Companies Acts, 1963 to 2013. They have general responsibility for taking such steps as are reasonably open to them to safe guard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law, the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the current Directors, whose names are listed in the Corporate Information confirms that they consider that the Annual Report and Financial Statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy. Each of the current Directors also confirms that to the best of each person's knowledge and belief:

- the Financial Statements prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities and financial position of the Company and the Group and of the profit of the Group; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board on 18 March 2015,

Oern Stuge MD	**Peter Crosby**
Chairman	*CEO*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAINSTAY MEDICAL INTERNATIONAL PLC

We have audited the Group and Company Financial Statements (''Financial Statements'') of Mainstay Medical International plc for the year ended 31 December 2014 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in shareholders' equity, the consolidated and parent company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Acts 1963 to 2013.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19 the Directors are responsible for the preparation of the Financial Statements giving a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view, in accordance with IFRSs as adopted by the EU; and
- the Financial Statements have been properly prepared in accordance with the Companies Acts 1963 to 2013.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAINSTAY MEDICAL INTERNATIONAL PLC (*continued*)

Matters on which we are required to report by the Companies Acts 1963 to 2013

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The Company statement of financial position is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

In our opinion the information given in the Directors' report and Chairman's statement are consistent with the Financial Statements and the description in the Corporate Governance Report of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements is consistent with the Group Financial Statements.

The net assets of the Company, as stated in the Company statement of financial position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions of the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

18 March 2014

Patricia Carroll
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place, St. Stephen's Green. Dublin 2

Mainstay Medical International plc
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014

($'000)	Notes	**Before exceptional items 2014**	**Exceptional items 2014**	**Year ended 31 December 2014**	Year ended 31 December 2013
Revenue		-	-	-	-
Operating expenses	6	(11,120)	-	(11,120)	(8,396)
IPO related expenses	9	-	(4,040)	(4,040)	-
Operating loss		(11,120)	(4,040)	(15,160)	(8,396)
Finance income	10	-	-	-	50
Fair value (loss)/ gain on derivative financial instruments	9	-	(66,468)	(66,468)	771
Finance expense	10	(779)	-	(779)	(2,711)
Net finance expense		(779)	(66,468)	(67,247)	(1,890)
Loss before income taxes		**(11,899)**	**(70,508)**	**(82,407)**	**(10,286)**
Income taxes	12	(154)	96	(58)	(32)
Loss for the year and comprehensive loss for the year		**(12,053)**	**(70,412)**	**(82,465)**	**(10,318)**
Net loss attributable to equity holders		**(12,053)**	**(70,412)**	**(82,465)**	**(10,318)**
Basic and diluted loss per share (in $)	11	($4.11)	($23.99)	($28.09)	($126.76)

The accompanying notes form an integral part of these Financial Statements.

On behalf of the Board on 18 March 2015,

Oern Stuge MD
Chairman

Peter Crosby
CEO

Mainstay Medical International plc
Consolidated statement of financial position
at 31 December 2014

($'000)	Notes	**31 December 2014**	31 December 2013
Non-current assets			
Property, plant and equipment	13	72	68
Current assets			
Prepayments and other receivables	14	413	385
Cash and cash equivalents	15	18,283	9,590
Total current assets		18,696	9,975
Total assets		**18,768**	**10,043**
Equity			
Share capital	18	61	1
Share premium	18	72,584	250
Share based payment reserve	21	1,162	534
Other reserves	19	4,700	(9,609)
Retained loss		(61,581)	(13,146)
Surplus/(deficit) on shareholders' equity		16,926	(21,970)
Non-current liabilities			
Preference shares	16	-	24,965
Derivative financial instruments	20	-	4,622
Deferred tax	12	-	96
Total non-current liabilities		-	29,683
Current liabilities			
Loans and borrowings	16	-	785
Trade and other payables	17	1,842	1,545
Total current liabilities		1,842	2,330
Total liabilities		**1,842**	**32,013**
Total equity and liabilities		**18,768**	**10,043**

The accompanying notes form an integral part of these Financial Statements.

On behalf of the Board on 18 March 2015,

Oern Stuge MD
Chairman

Peter Crosby
CEO

Mainstay Medical International plc
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2014

($'000)	Share capital	Share premium	Capital conversion reserve	Reorganisation reserve	Share based payment reserve	Retained loss	Total equity
Balance at 1 January 2013	1	250	-	(9,609)	104	(2,828)	(12,082)
Loss for the year	-	-	-	-	-	(10,318)	(10,318)
Share based payments	-	-	-	-	430	-	430
Balance at 31 December 2013	**1**	**250**	**-**	**(9,609)**	**534**	**(13,146)**	**(21,970)**
Balance at 1 January 2014	1	250	-	(9,609)	534	(13,146)	(21,970)
Loss for the year	-	-	-	-	-	(82,465)	(82,465)
Share based payments	-	-	-	-	628	-	628
Effect of reorganisation	55	879	-	(34,964)	-	34,030	-
Effect of IPO:							
Issue of shares	1	23,922	-	-	-	-	23,923
Conversion of preference shares	4	47,533	49,273	-	-	-	96,810
Balance at 31 December 2014	**61**	**72,584**	**49,273**	**(44,573)**	**1,162**	**(61,581)**	**16,926**

The accompanying notes form an integral part of these Financial Statements.

Mainstay Medical International plc
Consolidated statement of cash flows
for the year ended 31 December 2014

($'000)	Notes	**Year ended 31 December 2014**	Year ended 31 December 2013
Cash flow from operating activities			
Net loss attributable to equity holders		(82,465)	(10,318)
Add/(less) non-cash items			
Depreciation	13	32	23
Fair value of derivative financial instruments	10	66,468	(771)
Finance income		-	(50)
Finance expense	10	779	2,711
Share-based compensation	21	628	430
Add/(less) changes in working capital			
Prepayments and other receivables		27	(198)
Trade and other payables		297	1,148
Initial public offering and reserves related expenses		3,003	-
Taxes paid		(195)	-
Interest paid		(18)	(83)
Net cash used in operations		**(11,444)**	**(7,108)**
Cash flow from investing activities			
Acquisition of property and equipment	13	(36)	(25)
Net cash used in investing activities		**(36)**	**(25)**
Cash flow from financing activities			
Net proceeds from issue of shares		20,973	153
Repayment of borrowings	16	(800)	(800)
Net cash from financing activities		**20,173**	**(647)**
Net increase/(decrease) in cash and cash equivalents		**8,693**	**(7,780)**
Cash and cash equivalents at beginning of year		9,590	17,370
Cash and cash equivalents at end of year	15	**18,283**	**9,590**

The accompanying notes form an integral part of these Financial Statements.

Mainstay Medical International plc
Notes to the consolidated Financial Statements

1 General information and reporting entity

Mainstay Medical International plc is a company incorporated and registered in Ireland. Details of the registered office, the officers and advisers to the Company are presented on the Corporate and Shareholder Information page.

The annual report and Consolidated Financial Statements ("the Financial Statements") in this report for the year ended 31 December 2014 comprise the results of the Company and of its subsidiaries (together the "Group").

The Company was incorporated on 17 February 2014. Following a reorganisation (the "2014 Corporate Reorganisation" detailed in Note 4 below) on 3 April 2014, the Company became the new parent company of the Group. At 31 December 2014, the Group comprises the Company and its operating subsidiaries Mainstay Medical Limited, MML US, Inc. and Mainstay Medical (Australia) Pty. Limited. Prior to 3 April 2014, Mainstay Medical Limited was the ultimate parent company of the Group.

The Group is focused on developing an active implantable medical device (AIMD) designed to treat Chronic Low Back Pain (ReActiv8).

2 Basis of preparation

Statement of compliance

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union (EU) and in accordance with the ESM rules of the Irish Stock Exchange. The Company Financial Statements have also been prepared in accordance with IFRS as adopted by the EU, in accordance with ESM rules and as applied in accordance with the Companies Acts, 1963 to 2013, which permits a company that publishes its company and group financial statements together to take advantage of the exemption in Section 148(8) of the Companies Act, 1963 from presenting to its members both its company statement of profit or loss and other comprehensive income and related notes which form part of the approved company financial statements.

The IFRSs adopted by the EU applied by the Group in the preparation of this financial information are those that were effective for accounting periods beginning on or after 1 January 2014 with no early adoption of forthcoming requirements.

The Financial Statements were authorised for issue by the Board of Directors on 18 March 2015.

Going concern

The Group has incurred losses of $61.6 million to date. As at 31 December 2014, the Group reported shareholders' equity of $16.9 million and cash of $18.3 million. As detailed in the Directors' Report the Group is at a pre-revenue stage in the development of ReActiv8 and expects to incur further losses in the medium term. Progress on the development of ReActiv8 is detailed in the Directors' Report.

To fund the further development of ReActiv8 the Group has raised debt and equity and it continues to explore funding strategies (e.g.: equity, debt, partnering) to support the Group's activities into the future. The Group is carefully monitoring its cash flows and has the ability to consider alternative strategies and budgets to ensure that the Group will have sufficient funds to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these Financial Statements.

Accordingly the Directors believe it is appropriate that these Financial Statements are prepared on the going concern basis.

Basis of measurement

The consolidated financial information is prepared on the historic cost method, except for:

- Share based payments and warrants, which are initially measured at grant date fair value;

- Derivative financial instruments, which are measured at fair value through profit or loss and other comprehensive income; and
- The issue of shares in the Company as part of the 2014 Corporate Reorganisation as defined and dealt with in Note 4 below, which were accounted for at fair value at the date of the 2014 Corporate Reorganisation as required by the Companies Acts 1963 to 2013.

Currency

The Financial Statements are presented in US Dollars ("$"), which is the functional and presentational currency of the Company. Balances in the Financial Statements are rounded to the neared thousand ("$'000") except where otherwise indicated

Use of estimates and judgements

The preparation of the financial information in conformity with IFRS requires management to make judgements, estimates and assumptions. Estimates are reviewed on an ongoing basis. The areas where judgement has the most significant effect on amounts recognised in this financial information are:

- Fair value determination of preference shares issued by the Company for the purposes of calculating the reorganisation reserve following the 2014 Corporate Reorganisation (Note 4 and Note 18);
- Initial fair value measurement of equity-settled share based payments (Note 21);
- Measurement of contingencies (Note 22)
- Determination of the carryover basis of accounting for the 2014 Corporate Reorganisation (Note 4);
- Measurement of derivative financial instruments held at fair value (Note 20);

Details of the inputs into the fair values of each of the above are provided in the relevant notes as listed above. Fair value disclosures for financial instruments as required by IFRS 13 are provided in Note 20.

Basis of consolidation

The introduction of Mainstay Medical International plc as the new parent company in the Group by way of the 2014 Corporate Reorganisation has been accounted for as a continuation of Mainstay Medical Limited's business. Consequently the financial information presented represents that of the Group headed by Mainstay Medical Limited for the prior year and the period to 2 April 2014 and of the Group headed by the Company for the period from 3 April 2014 to 31 December 2014. Further information is provided in Note 4 below.

3 Significant accounting policies

The Financial Statements have been prepared applying the accounting policies as set out below. These have been applied consistently for all years presented. In addition the Group applied IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities for the first time in the current year, along with the amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities. None of these have had any material impact on the Group's implementation of accounting policies or on its reported results.

a) Business combinations

Business combinations, other than the 2014 Corporate Reorganisation (refer to Note 4), are accounted for using the acquisition method as at the acquisition date, which is the date on which control transfers to the Group. Control is the power to govern the financial and operating policies of an entity.

The Group measures goodwill at the acquisition date as:

- the fair value of consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of any pre-existing interest; less
- the fair value of the assets and liabilities acquired/assumed.

When the excess is negative, the gain is recognised immediately in profit or loss. Transaction costs are expensed as incurred. Contingent consideration is measured at fair value on the acquisition date and any subsequent re-measurement is dealt with through consolidated profit or loss.

b) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the financial information from the date that control commences until the date that control ceases.

c) Pension costs
The Group provides pensions to its employees in Ireland and Australia under several defined contribution schemes. Obligations for contributions to the defined contribution schemes are expensed as the related service is provided.

d) Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of each asset over its estimated future life, as follows:

Computer and office equipment: 3 – 5 years

e) Leases
Operating leases related to the Group's offices are charged to profit or loss on a straight line basis over the lease term. An operating lease is one where the majority of risks and rewards of the asset are not transferred to the Group over the lease term. The Group has no finance leases.

f) Taxation
Tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the consolidated statement of profit or loss and other comprehensive income except to the extent that they relate to a business combination, or items recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable result for the year and any adjustments in relation to tax payable or receivable in respect of the previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- temporary differences related to subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates at which the temporary differences are expected to reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset where the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities related to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that there will be taxable profits in the foreseeable future against which they can be utilised.

g) Foreign currency transactions and balances
Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Any resulting monetary assets and liabilities are translated at the exchange rate at the reporting date and all exchange differences thereon are dealt with in consolidated profit or loss.

h) Financial instruments
Non-derivative financial assets

Financial assets are initially recognised on the date they are originated and when the Group obtains contractual rights to receive cash flows. The Group derecognises financial assets when the contractual rights to cash flows expire or it transfers the right to receive cash flows in a transaction which transfers substantially all the risks and rewards of ownership of the asset.

The Group holds the following categories of financial assets:

Receivables
Such assets are initially recognised at fair value and subsequently measured at amortised cost less accumulated impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less.

Non-derivative financial liabilities
The Group's non-derivative financial liabilities comprise the following categories:

Loans and borrowings
These are initially recorded at fair value less applicable transaction costs and are subsequently measured at amortised cost using the effective interest method over the contractual term of the associated liability.

Preference share liabilities
Preference shares classified as liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method over the expected life of the associated liability.

Preference shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders, if dividend payments are not discretionary, or if the conversion rights attaching to the shares require a variable number of ordinary shares be delivered by the Company in the event of conversion. The conversion option is treated as an embedded derivative and separately recognised.

Trade and other payables
Trade and other payables are measured initially at fair value and subsequently at amortised cost.

Derivative financial instruments
Series A, series B and series Z shares included conversion rights which were settleable in a variable number of ordinary shares. These conversion rights were classified as derivative financial instruments in accordance with IAS 39 and were carried at fair value through profit or loss and other comprehensive income. Details of the significant inputs and assumptions into the fair values of these instruments are provided in Note 20

i) Equity
Ordinary share capital is recognised directly in equity at fair value on issue and is not subsequently re-measured.

j) Impairment
Financial assets
Financial assets are assessed at each reporting date to determine if there is objective evidence of impairment. The Group considers the need for impairment of financial assets at both an individual and collective level. Impairment losses are recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Non-financial assets
All non-financial assets, other than deferred taxes are reviewed at the reporting date to determine whether there is evidence of impairment. If such indicators exist, then the asset's recoverable value is determined. An impairment loss is recognised if the carrying value exceeds the recoverable amount. Recoverable amount is the greater of an asset's value in use and its fair value. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market conditions.

k) Provisions
A provision is recognised if, as a result of a past event, the Group has a present obligation that it is probable, will result in an outflow of resources and this can be estimated reliably.

l) Finance income and expense
Finance income comprises foreign exchange gains on financial items, fair value gains on derivative financial instruments and deposit interest. Interest income is recognised as it accrues. Finance costs comprise interest on borrowings, dividends on series A and series B shares recognised on an effective interest rate basis and fair value losses on derivative financial instruments. Fair value movements on derivatives are presented separately due to their magnitude.

m) Share based payments

The grant date fair value of equity-settled share based awards made to employees and non-employees is recognised as an expense, with a corresponding adjustment to equity, over the vesting period of the award. The amount recognised as an expense is adjusted to reflect the number of awards for which the achievement of service and non-market conditions are expected to be met, such that the amount ultimately recognised represents only vested awards.

As at 31 December 2014 the Group has granted share options. The grant-date fair value of share options granted to employees is determined using a Black-Scholes model, details of which are provided in Note 21. The grant-date fair value of share options granted to non-employees is determined based on the fair value of services received in return for the option, or where such a value is not available, based on the same model as used for employee options. Options can only be settled by way of share issues.

On 3 April 2014, all outstanding share options in Mainstay Medical Limited were surrendered by the holders. In return the Company granted one share option in place of 20 share options on substantially the same terms. As this exchange reflected the terms of the 2014 Corporate Reorganisation and was not beneficial to the holders, there was no impact on shareholder's equity or statement of profit or loss and comprehensive income.

n) Warrants

Warrants issued alongside debt instruments are initially recognised at fair value with a corresponding reduction in the debt instrument liability whereon this adjustment to the liability is amortised to the income statement on an effective interest rate basis.

All warrants issued by the Group can only be settled in a fixed number of equity instruments and accordingly are classified as equity instruments. Equity instruments are not re-measured over the life of the instrument.

o) Exceptional items

Certain items related to the Group's initial public offering are so significant relative to the ordinary operations of the Group, they are presented as exceptional in the statement of profit or loss. Details of these are provided in Note 9. The Group also presents other significant and unusual amounts as exceptional if they arise outside the ordinary course of business. The cost of settlement of certain historical share classes prior to the initial public offering are also disclosed as exceptional in the current year.

p) Forthcoming standards

A number of new standards and amendments to standards are effective for future periods and have not been early adopted by the Group in these Financial Statements. The following new standards or amendments are not expected to have a significant impact on the Group's consolidated Financial Statements as presented: IFRS 9 Financial Instruments; IFRS 15 Revenue from contracts with customers; IFRS 14 Regulatory Deferral Accruals; Amendments to IAS 16, IAS 19, IAS 28, ISA 41 and IFRS 11.

4 2014 Corporate reorganisation

On 3 April 2014, the Company acquired all outstanding ordinary and preference shares in Mainstay Medical Limited in exchange for issuing 793,425 series A shares, 1,967,177 series B shares, 500,000 series Z shares and 81,400 ordinary shares to former shareholders in Mainstay Medical Limited, in each case on the basis of one share in the Company in place of 20 shares of the same class in Mainstay Medical Limited.

The difference between the carrying amount of preference shares and other equity items, including retained losses previously held by Mainstay Medical Limited, and the fair value of the shares issued by the Company is reflected in the Statement of Changes in Equity where it is recorded in the reorganisation reserve.

The impact of the above on the reorganisation reserve was a transfer of $34,030,000 from retained losses, representing the accumulated losses of Mainstay Medical Limited at 3 April 2014, and a fair value increase in ordinary shares in issue of $934,000, resulting in a total transfer to the reorganisation reserve of $34,964,000.

Both prior to and subsequent to the 2014 Corporate Reorganisation no individual shareholder or party had control of the Group.

As the 2014 Corporate Reorganisation effectively changed the parent company of the Group from a legal perspective only, no business combination in accordance with IFRS 3 was deemed to have occurred. The introduction of Mainstay Medical International plc has been accounted for as a continuation of the business of Mainstay Medical Limited. Consequently, even though the Company was not incorporated until 17 February 2014 and did not become a Group company until 3 April 2014, the disclosures in the Financial Statements include the consolidated financial statements of Mainstay Medical Limited prior to the date of the 2014 Corporate Reorganisation.

5 Segment reporting

Due to the nature of the Group's current activities, the Company considers there to be one operating segment, active implantable medical devices (AIMDs). The results of the Group are reported on a consolidated basis to the Chief Operating Decision Maker of the Group, the Chief Executive Officer. There are no reconciling items between the Group's reported condensed consolidated statement of profit or loss and other comprehensive income and statement of financial position and the results of the AIMDs segment.

The Group has operations in Europe, the US and Australia. The non-current assets held in these jurisdictions are detailed below:

($'000)	**31 December 2014**	31 December 2013
Europe	35	19
United States	37	49
Australia	-	-
Total non-current assets	**72**	**68**

6 Operating expenses

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Research and development expenses	2,601	3,980
Clinical and regulatory expenses	3,978	945
General and administration expenses	3,913	3,041
Share-based compensation expenses	628	430
Total operating expenses	**11,120**	**8,396**

7 Employee numbers and benefits

As of December 2014, the Group's employees were based in Ireland, the United States and Australia.

The table below sets out the number of employees of the Group for the financial year ended 31 December 2014, analysed by category:

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Research and development and quality	5	7
Clinical and regulatory	5	2
General and administration	7	4
	17	**13**

The aggregate payroll costs of these employees, including Directors, were as follows for the year to 31 December 2014:

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Wages and salaries	2,396	1,571
Other remuneration	695	625
Social security costs/ payroll taxes	210	131
Share based payments	628	430
Pension	41	13
Total payroll costs	**3,970**	**2,770**

8 Statutory information and Auditors remuneration note

The loss before income tax has been arrived at after charging the following items for the year to 31 December 2014:

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Audit of these financial statements	72	53
Other assurance services	618	95
Taxation advisory services	165	159
Total auditor's remuneration	**855**	**307**
Depreciation of plant and equipment	32	23
Rentals payable under operating leases	191	169
Research and development expenditure	2,601	3,980

9 Exceptional items

The Directors have presented the following matters as exceptional as they relate to matters arising as a result of the Company's IPO on 2 May 2014.

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Fair value adjustment of derivative financial instruments	66,468	-
IPO related expenses	4,040	-
	70,508	**-**

On 3 April 2014, pursuant to the 2014 Company Reorganisation (refer to note 4) the Company acquired all outstanding ordinary and preference shares in Mainstay Medical Limited. The preference shares having equivalent rights in Mainstay Medical Limited had been classified as non-current liabilities and derivative financial instruments in the statement of financial position of the Group at 31 December 2013. Immediately prior to the reorganisation, a fair value expense adjustment of $17,193,978 was recorded in Mainstay Medical Limited's statement of profit or loss representing the difference between the carrying value at 31 December 2013 and the carrying value at 3 April 2014. There was a corresponding increase in share premium.

Immediately prior to completion of the IPO, all issued Series A, Series B and Series Z preference shares in the Company converted on a one-for-one basis into ordinary shares of €0.001 in the Company. Prior to the conversion of the preference shares in the Company to ordinary shares, a fair value adjustment was recorded in the statement of profit or loss of $49,273,644 representing the difference between the carrying value at 3 April 2014 and the fair value as at 28 April 2014. There was a corresponding increase in the capital conversion reserve.

The combined impact of the above events has resulted in a total fair value expense adjustment of $66,467,622 recorded in the Group statement of profit or loss. Following conversion of all preference shares, the Company will not incur such fair value movements through the statement of profit or loss in future periods in relation to these preference shares.

Expenses directly associated with the Company listing its existing shares on the ESM and Euronext Paris of $4,039,681 have been charged directly to profit or loss in the year.

10 Net finance expense

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Finance income		
Foreign exchange gain	-	50
Total finance income	**-**	**50**
Fair value (loss)/gain on derivative financial instruments	**(66,468)**	**771**
Finance expense		
Foreign exchange loss	(45)	-
Interest expense on borrowings	(33)	(134)
Finance expense related to preference shares	(701)	(2,577)
Total finance expense	**(779)**	**(2,711)**
Net finance expense	**(67,247)**	**(1,890)**

11 Earnings per share

Earnings per share are calculated by dividing net loss attributable to equity holders for the year by the weighted average number of ordinary shares outstanding during the year. As the Group is incurring operating losses, there is no difference between the basic and the diluted earnings per share.

The weighted average number of ordinary shares for the year ended 31 December 2014 (denominator) amounted to 2,935,310 (2013: 81,400). Immediately prior to the completion of the Company's IPO, all issued Series A, Series B and Series Z preference shares in the Company converted on a one for one basis into ordinary shares. Please refer to note 18 for further information. There are no adjustments between reported profit or loss from continuing operations and earnings used for the purposes of earnings per share.

The loss per share before exceptional items for the year ended 31 December 2014 was $4.11 (2013: $126.76). The loss per share for the year ended 31 December 2014 after exceptional items was $28.09 (2013: $126.76).

12 Taxes

Current income tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the relevant taxation authorities. The tax rates and tax laws used to compute the amount are those used in Ireland, the United States and Australia.

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Irish tax	146	(136)
Income tax in other jurisdictions	8	72
Deferred tax	(96)	96
Total income tax charge/(credit)	**58**	**32**

Certain companies within the Group provide services on a "cost plus basis" to other group companies, and consequently generate profits that are subject to corporation tax in the United States and Australia.

Reconciliation of effective tax rate

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Loss before tax	(82,407)	(10,286)
Taxed at tax rate in Ireland of 12.5%	(10,301)	(1,286)
Non-deductible expenses	509	58
Fair value movements	8,404	(96)
Tax credits	34	(164)
Foreign rate differential	79	69
Unrecognised tax losses	1,333	1,451
	58	**32**

Deferred tax liability

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Derivative financial instruments	-	96
Deferred tax liability	**-**	**96**

Reconciliation of opening and closing deferred tax liabilities

($'000)	Derivative financial instruments	**Total**
At 31 December 2012	**-**	**-**
Recognised in profit or loss	96	96
At 31 December 2013	**96**	**96**
Recognised in profit or loss	(96)	(96)
At 31 December 2014	**-**	**-**

Unrecognised deferred tax assets

The Group has unrecognised potential deferred tax assets as follows. These potential assets are not recognised as the time of any potential taxable profits against which these assets may be offset by the Group is uncertain.

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Balance at the beginning of the year	2,037	487
Unrecognised tax losses during the year	1,333	1,451
Share based payments	364	99
Total unrecognised deferred tax assets	**3,734**	**2,037**

13 Property, plant & equipment

($'000)	**Office Equipment 31 December 2014**	Office Equipment 31 December 2013
Cost		
At beginning of year	107	82
Additions	36	25
Disposals	(13)	-
At end of year	130	107
Depreciation		
At beginning of year	39	16
Charge for the year	32	23
Disposals	(13)	-
At end of year	58	39
Carrying value at end of year	**72**	**68**

14 Prepayments and other receivables

($'000)	**31 December 2014**	31 December 2013
Prepayments	188	101
Incomes taxes receivable	150	193
VAT recoverable	44	52
Other receivable	31	39
Total prepayments and other receivables	**413**	**385**

15 Cash and cash equivalents

($'000)	**31 December 2014**	31 December 2013
Cash in bank accounts – USD	18,188	8,148
Cash in bank accounts – Euro	83	1,409
Cash in bank accounts – AUD	12	33
Total cash and cash equivalents	**18,283**	**9,590**

16 Borrowings and shares classified as debt

On 2 December 2011, Silicon Valley Bank provided the Group with a loan of $2,000,000 with a fixed annual interest rate of 10% to be serviced by interest-only payments until 1 July 2012, followed by monthly principal and interest payments until 1 December 2014. The bank loan was repaid in full on 7 March 2014.

In connection with these borrowings, MML issued immediately exercisable warrants to purchase up to 13,000 shares at $7.70 per share with an expiration date of 2 December 2021. The fair value of these warrants on the date of issue was $69,000.

($'000)	**31 December 2014**	31 December 2013
Loans and borrowings - current		
Term Loan	-	800
Unamortised discount	-	(21)
Accrued interest	-	6
Total current loans and borrowings	**-**	**785**
Shares classified as non-current debt		
- Series A preference shares	-	5,032
- Series B preference shares	-	17,171
Unamortised discount on series B shares	-	(722)
Accrued dividends	-	3,484
Total non-current preference shares	**-**	**24,965**

Expenses associated with the issuance of series B shares were capitalised against the related liability and were being amortised to profit or loss on an effective interest basis over the earliest contractual redemption term of the shares.

All preference shares converted to ordinary shares during the current year.

17 Trade and other payables

($'000)	**31 December 2014**	31 December 2013
Trade and other payables	1,282	1,083
Accrued expenses	560	462
Total trade and other payables	**1,842**	**1,545**

18 Called up share capital

On 2 May 2014, the Company listed its ordinary shares on the ESM of the Irish Stock Exchange and on 5 May 2014, the Company listed its ordinary shares on the Euronext Paris. As at 5 May 2014, the issued share capital of the Company consisted of 4,294,141 ordinary shares of €0.001 each (which carry voting rights) and 40,000 deferred shares of €1.00 each (which do not carry voting rights, are not entitled to receive any dividend or distribution and have in effect no right to a return of capital on a winding up).

The Company's ordinary shares are quoted in Euro and have been translated into US Dollars at the rates ruling at the date of transactions.

Authorised	**2014 €**
10,000,000 ordinary shares of €0.001 each	10,000
40,000 deferred shares of €1.00 each	40,000
	50,000

Issued, called up and fully paid	**2014 $**
4,294,141 ordinary shares of €0.001 each	5,949
40,000 deferred shares of €1.00 each	55,268
	61,217

As at 31 December 2013 the authorised share capital of Mainstay Medical Limited was 100,000,000 Ordinary Shares of $0.001 each, 10,000,000 Series Z Shares of $0.001 each, 16,128,520 Series A Shares of $0.001 each and 45,000,000 Series B Shares of $0.001 each. On 3 April 2014, the Company acquired all outstanding ordinary and preference shares in Mainstay Medical Limited. See note 4 for further information.

Details of movement in shares:

			Number of shares		
	Ordinary shares	Deferred shares	Series A shares	Series B shares	Series Z shares
At 1 January 2014	1,628,000	-	15,868,520	39,343,640	10,000,000
Effect of reorganisation:					
Cancellation of Mainstay Medical Limited shares	(1,628,000)	-	(15,868,520)	(39,343,640)	(10,000,000)
Issue of Mainstay Medical International plc shares	102,400	40,000	793,425	2,008,877	500,000
Effect of IPO					
Issue of new shares	889,439	-	-	-	-
Conversion of pref. shares to ordinary shares	3,302,302	-	(793,425)	(2,008,877)	(500,000)
At 31 December 2014	**4,294,141**	**40,000**	**-**	**-**	**-**

Series A, Series B and Series Z shares were classified as non-current liabilities and derivative financial instruments as at 31 December 2013. Immediately prior to the Company's IPO, all Series A, Series B, and Series Z preference shares converted on a one-for-one basis into ordinary shares of €0.001 each in the Company.

19 Other reserves

($'000)	**31 December 2014**	31 December 2013
Reorganisation reserve	(44,573)	(9,609)
Capital conversion reserve	49,273	-
Total other reserves	**4,700**	**(9,609)**

The reorganisation reserve represents fair value differences arising as a result of group restructurings in 2012 and 2014. The capital conversion reserve represents fair value uplifts in preference shares between issue and conversion.

20 Financial instruments

Financial risk management
In terms of financial risks, the Group has exposure to credit risk, liquidity risk and market risk (comprising foreign currency risk and interest rate risk). This note presents information about the Group's exposure to each of the above risks together with the Group's objectives, policies and processes for measuring and managing those risks.

Risk management framework
Mainstay's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. Risk management systems and policies will be reviewed regularly as the Group expands its activities and resource base to take account of changing conditions.

Due to the current pre-revenue nature of the Group's activities, there are no significant concentrations of financial risk other than concentration of cash with individual banks and there has been no significant change during the financial year, or since the end of the year to the types or quantum of financial risks faced by the Group or the Group's approach to the management of those risks.

Credit risk
The Group's only exposure to significant credit risk relates to cash on deposit. The Group maintained its cash balances with its principal financial institutions throughout the year. The Group's principal financial institutions carried investment grade rating throughout the year.

Liquidity risk
The following is an analysis of the maturity of the contractual outflows associated with the Group's financial liabilities at 31 December 2014

($'000)	**Carrying value**	**Cash flow (total)**	**Less than 1 year**	**Between 1-2 years**	**Between 2-5 years**
31 December 2014					
Trade and other payables	1,842	1,842	1,842	-	-
At 31 December 2014	**1,842**	**1,842**	**1,842**	**-**	**-**
31 December 2013					
Trade and other payables	1,545	1,545	1,545	-	-
Term loans	785	811	811	-	-
Derivative Financial instruments	4,622	-	-	-	-
Series A and series B shares classified as liabilities*	24,965	36,000	-	-	36,000
At 31 December 2013	**31,917**	**38,356**	**2,356**	**-**	**36,000**

*Series A, Series B and Series Z shares were classified as non-current liabilities and derivative financial instruments as at 31 December 2013. Immediately prior to the Company's IPO, all Series A, Series B, and Series Z preference shares converted on a one-for-one basis into ordinary shares of €0.001 each in the Company.

Foreign currency risk
The Group's reporting currency is the US Dollar. The Group's exposure to foreign currency risk arises through expenditure incurred in Euro and Australian Dollars. The Group's Australian subsidiary has an AUD functional currency. The translation differences on the Australian subsidiary are not material.

The Group did not have material asset or liability amounts in foreign currencies at year end other than €68,077 and AUD15,568 held in cash. A strengthening (or weakening) of the US Dollar against Euro of 5 per cent. would have (decreased)/ increased the loss for the year by $3,400 (2013: $43,000). Any reasonable or likely movement between the US Dollar and the Australian Dollar are considered not likely to have a material impact on the Group's statement of profit or loss and other comprehensive income.

The following table sets forth, for the years indicated, certain information concerning the exchange rate between: (i) the Euro and the US dollar; (ii) the Australian dollar and the US dollar:

Euro per US$1.00	**End of year**	**Average**
Year ended 31 December 2013	1.3791	1.3308
Year ended 31 December 2014	1.2141	1.3211

Australian dollar per US$1.00	**End of year**	**Average**
Year ended 31 December 2013	0.8855	0.9338
Year ended 31 December 2014	0.8187	0.8981

Interest rate risk
The Group's cash balances are maintained in short term access accounts and carry a floating rate of interest. A 50bps change in the rate of interest would not have had a material impact on the Group's statement of profit or loss in the year.

Fair values
Series A, Series B and Series Z shares were classified as non-current liabilities and derivative financial instruments as at 31 December 2013. Immediately prior to the Company's IPO, all Series A, Series B, and Series Z preference shares converted on a one-for-one basis into ordinary shares of €0.001 each in the Company.

A reconciliation of the fair values of derivative financial instruments is provided below:

	31 December 2014	**31 December 2013**
At beginning of year	4,622	5,393
Fair value movement recognised in profit or loss	66,468	(771)
Conversion to ordinary shares	(71,090)	-
At end of year	**-**	**4,622**

There were no derivative financial instruments held as at 31 December 2014.

Details of the key unobservable inputs and methodologies used by the Group in determining the fair values of derivative financial instruments and the fair value disclosures for other financial instruments held at amortised cost as at 31 December 2013 are detailed below.

Fair values of derivative financial instruments and the liability components of series A, B and Z shares classified as liabilities at amortised cost were classified as Level 3 as they contain unobservable inputs. All other fair values were Level 2.

All the below information relates to 2013 as the instruments are no longer in issue at 31 December 2014.

Type	Valuation approach	Key unobservable inputs	Interaction between key unobservable inputs and fair value
Gross value of series A, B and Z shares on issue and at 31 December 2013	Option model based on probability assessment of liquidation preferences derived from the series A and series B funding rounds.	• Risk free rate (1.6%) • Volatility (60%) • Term (5 years) • No dividend yield	The fair value would increase with a decrease in the risk free rate, an increase in volatility or a lengthening of the expected term.
Value on issue of component of series A and B shares classified as liabilities held at amortised cost	Discounted cash flows based on contractual cash flows at a market rate of interest.	• Term (5 years) • Interest rate (10%)	An increase in the interest rate would reduce the fair value of the liability component and increase the value of the derivative component below.
Valuation of conversion rights in series A, B and Z shares classified as derivative financial instruments	The fair value of the derivative was determined as the residual difference between the gross value of the instruments and the fair value of the component classified as liability held as amortised cost above.	• Input as above	As above.
Loans and borrowings (excluding shares classified as liabilities)	Discounted cash flows based on contractual cash flows at a market rate of interest.	• Interest rate (10%)	An increase in the interest rate would reduce the fair value of the liability.

Fair values and carrying amounts for all financial instruments:

($'000)	Designated at fair value	Loans and receivables	Financial liabilities at amortised cost	Total carrying value	Fair value
Assets					
Cash and cash equivalents	-	18,283	-	18,283	N/A
Liabilities					
Trade and other payables	-	-	(1,842)	(1,842)	N/A
At December 2014	**-**	**18,283**	**(1,842)**	**(16,441)**	**N/A**

($'000)	Designated at fair value	Loans and receivables	Financial liabilities at amortised cost	Total carrying value	Fair value
Assets					
Cash and cash equivalents	-	9,590	-	9,590	N/A
Liabilities					
Trade and other payables	-	-	(1,545)	(1,545)	N/A
Term loans			(785)	(785)	(811)
Derivative financial instruments	(4,622)	-	-	(4,622)	(4,622)
Series A and series B shares	-	-	(24,965)	(24,965)	(24,965)
At December 2013	**(4,622)**	**9,590**	**(27,295)**	**(22,327)**	**N/A**

Cash and trade payables are settleable within 30 days and accordingly fair value is equal to carrying value in accordance with IFRS 13.

21 Share based payments

Stock Incentive Plan

The Group operates an employee share option plan (the "Plan"). As at 31 December 2014, the Plan allows for the Company to grant various classes of share options to employees of the Group companies, Directors, consultants and other contractors. As at 31 December 2014, 393,870 share options over ordinary shares of the Company have been granted under the Plan.

The Plan allows for flexibility in the grant conditions of each individual option, including variations on the amounts of options granted, the vesting requirements for each option and the expiration terms of the options. On 3 April 2014, all outstanding share options in Mainstay Medical Limited were surrendered by the holders, and in return the Company granted one share option in place of 20 share options on substantially the same terms. All options are to be settled through the physical delivery of shares in the Company. As this exchange reflected the terms of the 2014 Corporate Reorganisation and was not beneficial to the holders, there was no impact on shareholders' equity or profit or loss and other comprehensive income.

Share Options

Details of share options granted as at 31 December 2014.

	Number of instruments in thousands	Contractual life of options
Options granted in 2010	41	10 years from vesting
Options granted in 2011	17	10 years from vesting
Options granted in 2012	3	10 years from vesting
Options granted in 2013	242	10 years from vesting
Options granted in 2014	91	10 years from vesting
Total share options in issue	**394**	

No share options have expired unexercised or have been exercised during the year ended 31 December 2014. 29,884 share options have been forfeited during the year ended 31 December 2014. The above options all include service vesting conditions related to employee and non-employee service and vest over periods ranging from one to four years.

Options granted prior to 2013 have an exercise price of $0.80. Options granted in 2013 have an exercise price of $1.00. Options granted in 2014 have exercise prices of either $1.00 or in the range of €14.90 to €18.51. At 31 December 2014, 168,785 options were exercisable.

The value of services received in return for the share options granted to employees and non-employees was based on the fair value of the options granted, measured using a Black-Scholes model with the following inputs:

	2014	2013	2012	2011
Weighted average share price ($)	17.53 – 25.05	3.60	0.80	0.80
Weighted average exercise price ($)	17.53 – 25.05	1.00	0.80	0.80
Weighted average expected share volatility	60%	60%	60%	60%
Expected term (years)	7	7	7	7
Expected dividends	-	-	-	-
Risk free rate (average)	0.86%	1.60%	0.85%	0.85%
Fair value of option ($)	3.00 – 14.80	3.00	0.40	0.40

Total costs in relation to share options for the year ended 31 December 2014 were $628,000 (2013: $430,000).

22 Commitments and contingencies

The Directors and management are not aware of any contingencies that may have a significant impact on the financial position of the Group.

The Group had no capital commitments authorised and not contracted for at any reporting date.

Subsidiary guarantee

The Company has guaranteed the liabilities of its subsidiary in Ireland in respect of any losses or liabilities (as defined in section 5(c) of the Companies (Amendment) Act, 1986) for the year ended 31 December 2014. This subsidiary avails of the exemption from filing audited financial statements as permitted by section 17 of the Companies (Amendment) Act, 1986.

Operating lease commitments

The Group has entered into various leasing contracts for the purpose of renting buildings and equipment. There are no restrictions or liens placed upon the Group by entering into these leases.

Operating lease expenses amounted to approximately $191,070 for the reporting year.

The future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2014	31 December 2013
Within one year	142	152
After one year but no more than five years	17	192
More than five years	-	-
Total operating leases at 31 December 2014	**159**	**344**

23 Pension schemes

Defined contribution schemes

The Group operates defined contribution pension schemes for certain employees in Ireland and Australia. The assets of the schemes are held separately from those of the Group in independently administered funds. The advice of a professionally qualified pension consultant was taken in the setting up and maintenance of the schemes.

Total pension costs of the defined contribution schemes for the year ended 31 December 2014 amounted to $40,729 (2013:$13,000). There were no accruals or prepayments in respect of the pension costs at 31 December 2014 (2013: Nil).

24 Subsidiary undertakings

At 31 December 2014, the Company had the following subsidiaries and owns 100% of the called up ordinary share capital of each such subsidiary:

- Mainstay Medical Limited is registered in the Republic of Ireland.
- MML US, Inc. is registered in the United States of America.
- Mainstay Medical (Australia) Pty. Limited is registered in Australia.

25 Related party transactions

During 2014, the Group purchased services of $67,406 (2013: $61,832) from Orsco Life Sciences AG, a company controlled by Oern Stuge MD, a Director of Mainstay.

Key management compensation and Directors' remuneration

The Group defines key management as its executive Directors and senior management. Details of remuneration for key management personnel are provided below:

($'000)	**Year ended 31 December 2014**	Year ended 31 December 2013
Salaries and fees	1,079	715
Other remuneration	786	773
Share based payments	428	234
Pension	16	3
Total remuneration	**2,309**	**1,725**

Details of Directors' remuneration and interests are provided in the Directors' Report on pages 7 to 14.

26 Events subsequent to 31 December 2014

There were no material events subsequent to the end of the year to 31 December 2014.

Parent Company Financial Statements
Mainstay Medical International plc

Company statement of financial position
At 31 December 2014

($'000)	Notes	31 December 2014
Non-current assets		
Investment in subsidiary		49,434
Current assets		
Prepayments and other receivables	(a)	54
Amounts due from subsidiary undertakings		1,786
Cash and cash equivalents	(b)	17,410
Total current assets		19,250
Total assets		**68,684**
Equity		
Share capital	18	61
Share premium	18	72,584
Share based payment reserve	21	1,162
Capital conversion reserve		49,273
Retained loss		(54,962)
Surplus/(deficit) on shareholders' equity		68,118
Current liabilities		
Trade and other payables	(c)	566
Total current liabilities		566
Total liabilities		**566**
Total equity and liabilities		**68,684**

On behalf of the Board on 18 March 2015,

Oern Stuge MD
Chairman

Peter Crosby
CEO

Company statement of changes in equity
At 31 December 2014

($'000)	Share capital	Share premium	Capital conversion reserve	Share based payment reserve	Retained loss	Total equity
Issue of shares on incorporation	**55**	**-**	**-**	**-**	**-**	**55**
Loss for the period	-	-	-	-	(54,962)	(54,962)
Share based payments	-	-	-	396	-	396
Effect of reorganisation	1	1,129	-	766	-	1,896
Effect of IPO:						
Issue of shares	1	23,922	-	-	-	23,923
Conversion of preference shares	4	47,533	49,273	-	-	96,810
Balance at 31 December 2014	**61**	**72,584**	**49,273**	**1,162**	**(54,962)**	**68,118**

Company statement of cash flows
At 31 December 2014

($'000)	Notes	31 December 2014
Cash flow from operating activities		
Net loss attributable to equity holders		(54,962)
Add/(less) non-cash items		
Fair value of derivative financial instruments		49,274
Share-based compensation	21	396
Add/(less) changes in working capital		
Prepayments and other receivables		(1,840)
Trade and other payables		566
Initial public offering related expenses		3,003
Net cash used in operations		**(3,563)**
Cash flow from financing activities		
Net proceeds from issue of shares		20,973
Net cash from financing activities		**20,973**
Net increase/(decrease) in cash and cash equivalents		**17,410**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	(b)	**17,410**

Notes to the Company Financial Statements

Notes 1, 2, 3, 4, 9, 18, 21, 26 to the consolidated Financial Statements (as provided earlier herein) also directly apply to the Company Financial Statements. The accounting policies of the Company are the same as the accounting policies of the Group as set out in Note 3 to the consolidated Financial Statements, with the exception of:

Business Combinations

The Company was incorporated to be the parent company of the Group for the purposes of the initial public offering. This was accounted for in accordance with IAS 27, whereby the Company measured in its separate Financial Statements its interest in subsidiaries at the fair value of the ordinary and preference shares in issue by MML at 3 April 2014, the date of the 2014 Reorganisation.

In addition, the following notes are specific to the Company statement of financial position:

(a) Prepayments and other receivables

($'000)	**31 December 2014**
Prepayments	51
VAT recoverable	3
	54

(b) Cash and cash equivalents

($'000)	**31 December 2014**
Cash in bank accounts – USD	17,383
Cash in bank accounts - Euro	26
Cash in bank accounts - AUD	1
	17,410

(c) Trade and other payables

($'000)	**31 December 2014**
Trade and other payables	73
Accrued expenses	493
	566

(d) Financial instruments

The Company’s policies for managing financial instruments risks are the same as those for the Group. The Company’s primary financial instruments and their associated risks are as follows:

Financial assets
The Company’s only financial assets are cash and cash equivalents, which are held in the currencies details in note (c). A 5% change in the exchange rate between the US dollar and the Euro would have altered the Company’s loss for the year by $1,000. The carrying value of the Company’s cash is the same as its fair value.

Financial liabilities
The Company’s only financial liabilities are trade payables and accruals as set out in Note (d). All amounts fall due for payment within 30 days and the carrying value represents the fair value of these liabilities.

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