MEDICA GROUP

A network of specialists – leading the way in teleradiology

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

IMPROVING YOUR OUTCOMES THROUGH A COLLABORATIVE APPROACH TO CARE

Creating value through our core commitments:

- Collaborative approach to the delivery of our service
- Accessible to our customers when they need us
- Responsive to the clinical needs of patients and hospitals
- Excellence in everything we do

STRATEGIC REPORT

GOVERNANCE

FINANCIALS

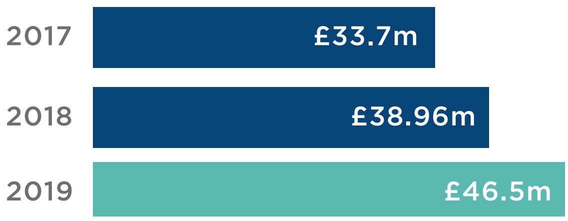
MEDICA GROUP PLC IS THE MARKET-LEADING PROVIDER OF TELERADIOLOGY SERVICES IN THE UK.

Medica prides itself on delivering the highest quality service, underpinned by strong clinical governance and a culture of customer-centric process improvement. Medica provides a fast and reliable service during out-of-hours for urgent reporting, as well as support for routine diagnostic reporting throughout the week. Medica has developed a bespoke IT interface with customers, allowing comprehensive access to diagnostic images enabling our reporters the best opportunity to deliver high quality reports for our clients and in turn, for their patients.

HIGHLIGHTS

£46.5M

Revenue



£13.0M

Adjusted EBITDA

47.8%

Gross Profit Margin

8.13P

Adjusted Earnings Per Share

Strong financial position and dedicated teams to support long-term growth

> **"Medica's high quality service delivery and clinical governance make the Company the partner of choice for approximately half of the NHS Acute Trusts across the UK**

I am pleased to provide my chairman's statement for Medica Group PLC and to report good progress over the last 12 months.

In addition to consistently delivering on our financial and operational targets throughout the year, 2019 was a significant year for Medica Group. Having made a significant change in leadership of the Company.

BOARD AND MANAGEMENT CHANGES

Last year, I announced that John Graham planned to retire as Chief Executive Officer (CEO) in 2019, which he did in August. I would like to thank John for his commitment to Medica. John has successfully led the business since he joined Medica in 2011, delivering year-on-year organic growth and bringing Medica to the public markets in March 2017. The Board would like to thank John for his dedication to the business and wish him every success in the future.

On 1 September 2019, Dr. Stuart Quin joined the Company as CEO. Stuart brings with him a wealth of experience from previous roles and has already set about refining the strategic vision for Medica. I am very pleased with the progress made since September and the achievements made overall during the last twelve months.

In addition to Stuart joining the Board, we were also fortunate to welcome Jo Easton as a Non-Executive Director in April 2019. Jo has been appointed to the Audit, Nomination and Remuneration Committees. She brings with her extensive experience in change management and employee relations including as Group Director of Human Resources at De La Rue PLC where she developed and implemented a group-wide HR strategy with a key focus on culture change to forge a more dynamic and results-driven culture. In addition, Jo will become Chair of the Remuneration Committee in May 2020 following the departure of Professor Mike Bewick at the AGM. Mike notified the Board of his intention to stand down as a non-executive director and chairman of the Remuneration Committee on 6 April 2020. I would like to thank Mike for his valuable contribution to Medica during his tenure, both from a Remuneration Committee and clinical perspective. We wish him the very best for the future.

On 11 March 2020, the Board announced that the Finance Director, Tony Lee, had mutually agreed with the Board that he will be leaving the Company to pursue other business opportunities. During his 10-year tenure at Medica, Tony made many significant contributions to the company. In particular, he was instrumental in navigating the successful IPO in 2017 and strengthening Medica's position as a market leader in the provision of teleradiology services. I would like to thank him on behalf of the Board for his commitment and hard work during a time of significant change at Medica. The Board and I wish him well for the future.

On 30 March 2020, we announced the appointment of Richard Jones as chief financial officer (CFO) and an executive director of the Board. Following a transition period, Richard will join the Company later in the year at a date to be announced in due course. Richard brings with him 20 years' extensive experience working with and in fast-growing healthcare businesses, nine of which as a proven CFO of two listed healthcare UK companies. Richard is currently CFO at Mereo BioPharma Group Plc and was previously CFO at Shield Therapeutics Plc. He is also currently a non-executive director and chair of Audit Committee at Alliance Pharma Plc.

STRONG FINANCIAL POSITION AND DEDICATED TEAMS TO SUPPORT LONG-TERM GROWTH

Notwithstanding the significant impact of COVID-19 on short term trading, the Company remains in a strong financial position with cash of £16.6m at period end. There was no change in borrowing at £12m and a further £1m RCF is available if required. This strong cash position provides flexibility to invest as appropriate in the future. The board is closely monitoring the current COVID-19 situation and will work with the management team to ensure the Company is taking steps to maximise the short term cashflow. This will predominantly include the postponement of discretionary CAPEX until Q3/Q4 2020 when the impact of the current pandemic is better understood.

Revenue has grown by over 19% year on year to £46.5m and whilst we have experienced some gross margin pressure, the Group has increased Profit Before Tax by 5% to £ 9.6m. This performance is credit to the hard work of our team who deliver an outstanding service day and night. I would like to thank both our radiologist and radiographer teams, which report from all over the UK and overseas, as well as our dedicated team based in Hastings, who provide the support and systems to enable our highly skilled medical team to report in a high quality and timely manner.

Without their commitment, dedication and hard work Medica would not be the successful and exciting company it is today.

TELERADIOLOGY AS PART OF A PORTFOLIO CAREER FOR RADIOLOGISTS HAS GROWN SIGNIFICANTLY, AND MOST NHS TRUSTS NOW RELY ON COMPANIES SUCH AS MEDICA GROUP TO BE AN INTEGRATED, TRUSTED PARTNER IN THE DELIVERY OF THEIR VITAL RADIOLOGY REPORTING SERVICES

The demand for Medica's services remains high due to increasing number of diagnoses requiring imaging, more complex imaging modalities and a shortage of reporting capacity across the NHS at critical times, including during the night. Medica has expanded its range of services over the last 12 months to offer a wider portfolio and has also deepened relationships with many of its customers. Medica's high quality service delivery and clinical governance make the Company the partner of choice for approximately half of the NHS Acute Trusts across the UK.

OUR BUSINESS REMAINS DEPENDENT UPON EMPLOYING EXPERIENCED REPORTERS AND RELIABLE SYSTEMS TO ENABLE THEM TO DELIVER HIGH QUALITY REPORTS AS FAST AS POSSIBLE

Sustained growth requires a continued increase in our reporting capacity and we have been able to increase the number of reporting hours by 20% this year. To be successful we need to ensure that as well as continuing to attract new reporters to work for Medica, our existing pool of reporters is also able to increase the number of sessions of reporting performed and productivity per session. Over the last 12 months, we have expanded to recruit two reporters in Australia and have also enabled reporting within other EU countries. We will continue to focus on increasing capacity, as well as the depth and breadth of reporting capabilities.

The last 12 months has seen a focus on investment in our data centre to ensure that we are able to scale effectively. Whilst this investment was a necessity to keep pace with growth, we have recently also embarked on an assessment of our current capabilities to determine the benefit that

can be derived from improved and upgraded systems and more focus on our internal processes. We have decided to embark on a programme of work that will see Medica deploy the next generation of reporting systems, as well as proprietary systems to enhance both the quality and speed of reporting for our customers and our reporters.

MEDICA'S BOARD CONTINUES TO MAINTAIN A PROGRESSIVE DIVIDEND POLICY SEEKING TO MAXIMISE SHAREHOLDER VALUE

Medica's strong earnings and cash flow characteristics allow it to retain capital to fund ongoing operating requirements and to invest in the Group's long-term growth. Following the interim dividend of 0.85 pence for the period to 30 June 2019, the Board had intended to propose a further dividend in line with the Company's growth. However, in light of the ongoing uncertainty surrounding the potential impact of COVID-19 the Board has not recommended a dividend for the year and the decision to pay a dividend will be deferred until later in the year once the Board has more clarity. The Company expects to hold its AGM on 20 May 2020 as planned, but we will review in light of current guidance.

We look forward to continuing Medica's growth story with a new CEO at the helm. I am confident the executive team and fellow non-executive directors will continue to drive growth and to leverage the successful Medica platform to evaluate opportunities for deeper customer partnership and diversification in the years to come.

ROY DAVIS,
CHAIRMAN

6 April 2020

20%

increase in the number of reporting hours for 2019

"We look forward to continuing Medica's growth story with a new CEO at the helm

WHAT IS TELERADIOLOGY?

Teleradiology is the secure electronic transmission of radiological patient images,

including plain film x-rays (PF), computerised tomography (CT) scans and magnetic resonance imaging (MRI) scans, from one location to another, for the purposes of diagnostic interpretation and reporting by highly-qualified radiologist experts.

Through teleradiology, images can be transmitted from the hospital setting, where the images are created, to a reporter who can review and report on the images remotely.

In the case of Medica, these reporters comprise consultant radiologists, reporting radiographers and rheumatologists, all specialising in their relevant field, who typically report on the images from their own home or from one of Medica's dedicated reporting centres. Teleradiology improves patient care by enabling reporters to provide their services remotely, thereby facilitating the rapid availability of trained specialists 24 hours a day, 365 days a year.

The features of the Medica platform

- Radiologists are available to discuss or clarify reports with the clients
- Experienced in-house technical team offering full support 24/7
- Dual data centre and multiple contingency systems providing a robust and resilient network
- A network linking Medica's over 435 reporters with over 100 hospitals
- Differentiated NightHawk contingency system for urgent, out-of-hours reporting eliminating downtime

5 benefits of the Medica platform

Through a virtual private network (VPN) Medica has the unique ability to access the client hospital's own radiology information system (RIS) which provides equivalence to an in-house radiologist. This access offers a number of advantages:

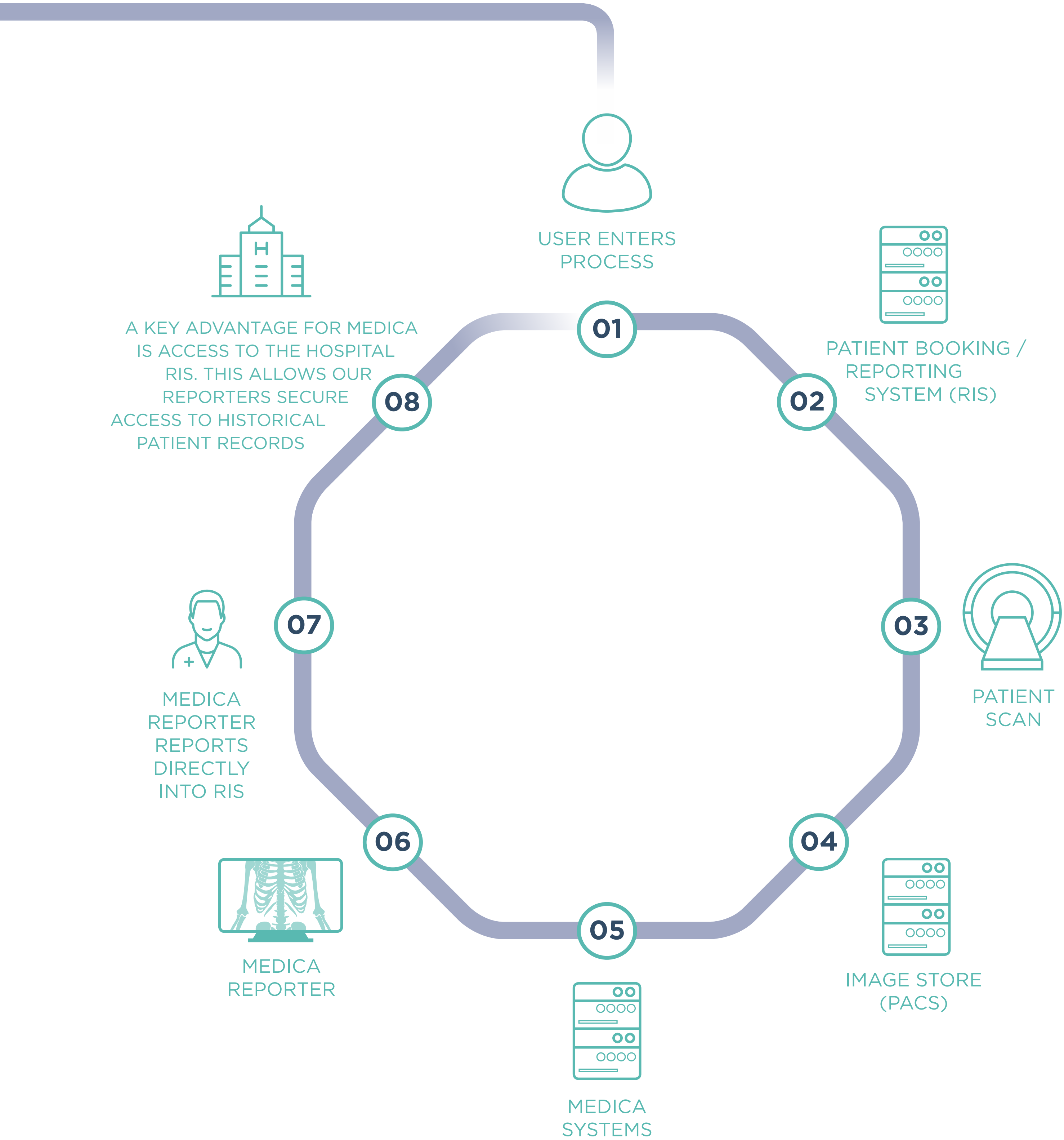
01
ACCESS TO PATIENT DATA INCLUDING HISTORICAL REPORTS

02
PROPRIETARY SYSTEM TO HANDLE URGENT, OUT-OF-HOURS IMAGE WORKFLOW AND REPORTING

03
KNOWLEDGE OF BROADER PATIENT HISTORY - FOR EXAMPLE ALLERGY ALERTS

04
ABILITY TO RECOMMEND/BOOK FURTHER REFERRALS

05
SAVES CLIENT TIME SELECTING FILES TO SEND TO MEDICA


USER ENTERS
PROCESS
01
PATIENT BOOKING /
REPORTING
SYSTEM (RIS)
02
03
PATIENT
SCAN
04
IMAGE STORE
(PACS)
05
MEDICA
SYSTEMS
06
MEDICA
REPORTER
07
MEDICA
REPORTER
REPORTS
DIRECTLY
INTO RIS
08
A KEY ADVANTAGE FOR MEDICA
IS ACCESS TO THE HOSPITAL
RIS. THIS ALLOWS OUR
REPORTERS SECURE
ACCESS TO HISTORICAL
PATIENT RECORDS

OUR SERVICES

NightHawk

Out-of-hours emergency CT and MR reporting – less than 60 minutes. Timely and accurate reporting of images is the most critical aspect of emergency teleradiology. To achieve this, Medica has invested heavily in its technical platform and this has enabled the achievement of an average turnaround time of just over 20 minutes, which compares favourably with a typical contracted service-level turnaround time of 60 minutes. Based on feedback from NHS customers, Medica's average turnaround time for NightHawk reports is shorter than the industry average

47.4%

of NightHawk revenue/ total revenue

Specialist Services

Range of diagnostic imaging examinations being performed by hospitals increases each year as technology improves and becomes integrated into the clinical diagnostic pathway. Medica continues to develop a range of specialist reporting services in response to its customer requirements and integrates these services into its core routine reporting offering. These include:

- Multiparametric prostate MRI
- Specialist cardiac reporting
- CT colonoscopy ('virtual colonoscopy' service)
- DXA reporting (flexible reporting by UK rheumatologists)
- Nuclear medicine examinations
- PET-CT
- Tailored cancer reporting
- Audit
- CBCT

2.6%

of specialist services revenue/ total revenue

Routine Cross Sectional

Reporting for less urgent CT and MRI exams within a turnaround required by the client, typically 48 hours.

40.7%

of routine revenue/ total revenue

Routine Plain Film

Reporting for less urgent Plain Film exams within a turnaround required by the client, typically 48 hours.

9.3%

of plain film revenue/ total revenue

WHAT MAKES MEDICA GROUP UNIQUE?

01
SIZE
Largest pool of UK General Medical Council registered consultant radiologists outside of the NHS

02
BREADTH
Scale and breadth of specialisms in the pool of consultant radiologists

03
TECHNOLOGY
Bespoke IT platform that provides a robust and secure connection with hospital radiology systems providing a unique linkage between clients and Medica reporters

04
EFFICIENCY
Average turnaround time considerably shorter than the market average (including in-house radiology departments – based on customer feedback)

05
EXPERIENCE
Highly experienced, market-leading clinical governance function

BUSINESS MODEL

MEDICA GROUP

Pool of expert reporters

Reporters carry out the interpretation and reporting on MRI, CT and plain film images.

Clinical governance and audit

Strong clinical governance ensures high quality of clinical services by continually monitoring the performance of radiologists. We have close relationships with our hospital customers due to our bespoke IT platform that provides market-leading integration between a hospital's radiology information system (RIS) and the network of remote Medica reporters.

PATIENTS

By delivering the highest quality clinical services to our clients, we consistently drive improvements in the quality of clinical diagnostic reporting across the UK. We work in partnership with our clients to deliver high quality clinical care for patients by reducing waiting times for scan reports thereby reducing the time to make a diagnosis and ultimately impacting positively on patient outcomes.

HEALTHCARE PROVIDERS (CLIENTS)

Our clients include the NHS, private hospital groups and diagnostic imaging firms. We provide our clients with rapid access to a broad range of highly experienced specialists 24 hours per day, 365 days per year.

VALUE CREATED FOR:

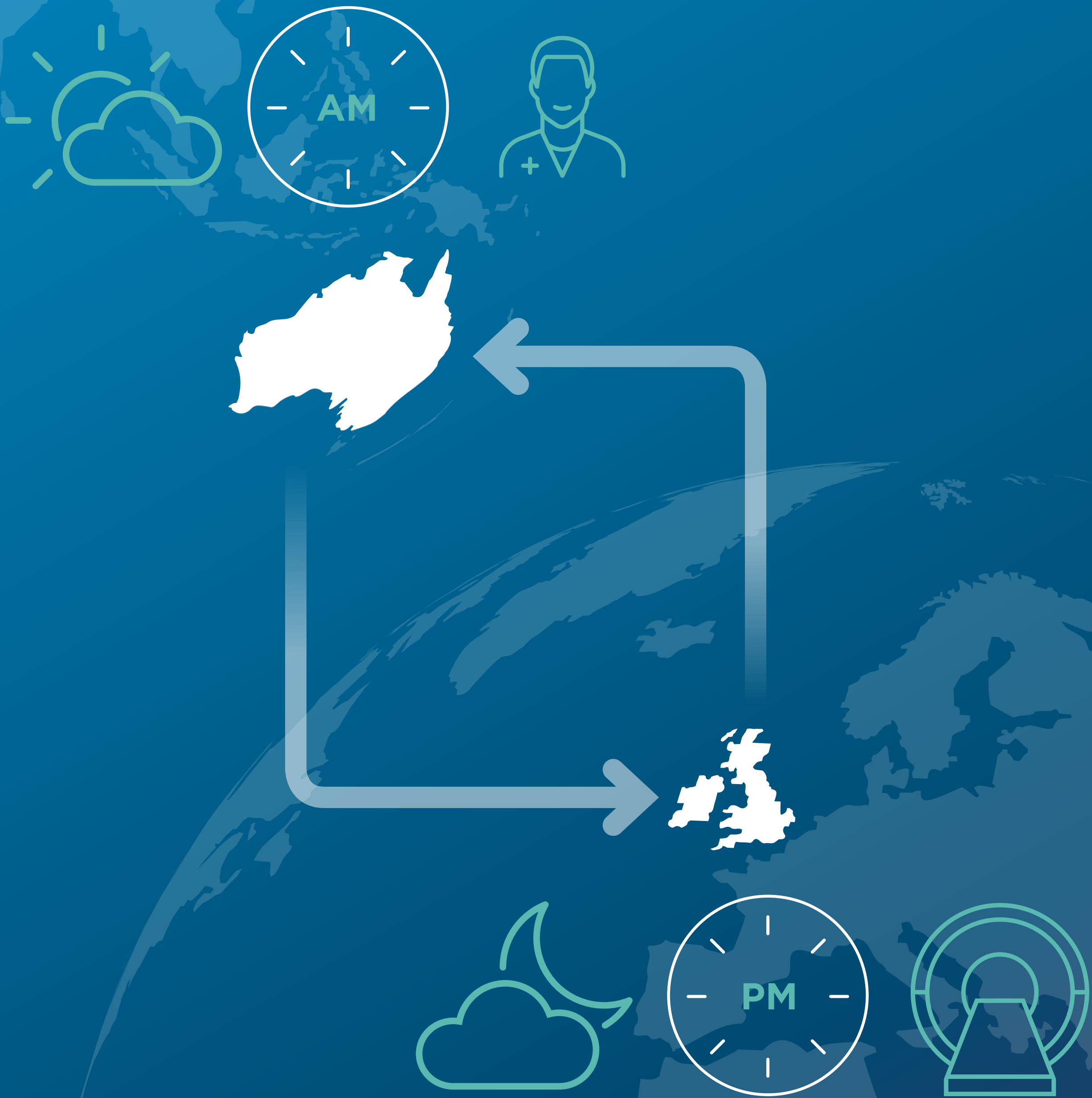
Patients
Patients receive improved and more responsive clinical care driven by the reduction in waiting times for diagnostic scan reporting.

Healthcare Providers (Clients)
Timely and reliable turnaround of diagnostic imaging reports, including out-of-hours, assisting hospitals to manage workloads and reporter capacity across a wide range of subspecialist disciplines. This is enabled by rapid availability of trained specialists 24 hours per day, 365 days per year.

Investors
Medica has delivered strong financial performance since IPO with double-digit revenue and EBITDA growth. The Group has strong cash generation and cash conversion ratios. Close relationships with its clients as part of an integrated, customer-centric service means that there are high levels of repeat revenues, with over 85% of revenue derived from customers who have worked with Medica for more than three years.

Reporters
Attractive and flexible terms, with ability to work from home and to focus on areas of specialist reporting to enable consultant radiologists to further their sub-specialist expertise outside of their day job as well as to develop a portfolio of opportunities to further their careers and earning potential.

EXPLORE AND SEE MORE WITH MEDICA



Medica's traditional model has been GMC registered, NHS experienced radiologists based in the UK. Thanks to growth and investment, the Company has started to set up a global network of reporters, with offices around the world, while maintaining GMC registered, NHS experienced reporter capacity.

Few jobs offer the security of Medica, while allowing the flexibility of working in a choice of locations around the world with accommodating hours. Reporters choose to work one week on, one week off, meaning they have 26 weeks holiday a year, giving them plenty of opportunity to spend time with family and travel, exploring beautiful neighbouring countries. The regular, guaranteed income is an attractive offer to reporters looking to move away from the stresses of public sector working or spend more time working on their preferred specialism. All of this means Medica is seeing more reporters than ever joining their international network.

Working internationally also has the advantage of often being night-time emergency reporting for the NHS, during day-time hours. This presents a varied caseload, at a time when the NHS is functioning on limited staff with emergency cases, and helps to ensure high levels of efficiency, professionalism and accuracy from reporters.

Australia is a very popular destination, with many choosing to short-term or permanently locate themselves there, which presents huge benefits for the reporter and Medica.

Medica understands the needs of reporters, providing specialist equipment, 24/7 support, one-to-one training, flexibility and, unlike any other teleradiology company, direct access to the RIS – all of which is available anywhere in the world.

POSTCARD FROM AUSTRALIA - JONNY AYRES, MEDICA RADIOLOGIST, BRISBANE

"With so much free time, I have also been able to take up new hobbies and spend more time with my family

I never cycled in the UK because the weather was so unpredictable, and the roads were often congested. In Brisbane there is a huge cycling culture, with many people choosing to commute by bicycle or on foot. Since living here, I have become one of the first people to cycle the return length of the Brisbane Valley Rail Trail (161km).

I often get asked if I miss the UK. I love the weather in Brisbane, but occasionally I do miss the clear frosty nights in November with the autumnal colours in the trees, or walking along the Thames on a summer's day. I couldn't move back though, Brisbane is definitely our home. The support and experience that I have with Medica allows me to continue to be able to live and work in the place that I love, whilst still being able to serve NHS patients remotely and build my portfolio of specialist caseload in a safe and high quality reporting environment

Every Easter we visit Moreton Island with our neighbours, a small island off the coast of Brisbane. It is one of Australia's largest sand islands, with crystal clear water that's perfect for swimming and fishing. My son caught a parrot fish, a memory that will stay with us for a long time!

BEHIND THE SCENES OF OUR NIGHTHAWK SERVICE

JAKE BEECH HAS BEEN A NIGHTHAWK ADMINISTRATOR FOR MEDICA GROUP PLC FOR 18 MONTHS.

There are two main elements to my job, allocation of scans and dealing with telephone calls.

We can have up to 25 radiologists working at our busiest times and when I am on Allocation I work as part of a team who are responsible for ensuring we match scans waiting to be reported to the most appropriate radiologist as quickly as possible. We then monitor the progress of reporting and ensure the report is completed within the turnaround time requested by our clients. When I am dealing with telephone calls we handle calls from referring doctors wanting advice from our radiologists, radiographers letting us know a scan is on the way or wanting to discuss a case with our radiologists and then from our own radiologists asking for us to call the referring doctor so they can provide an urgent update on the report.

Weekends and Mondays are usually our busiest shifts, but it does vary so we need to be ready for anything and be flexible to meet the increasing client demands. We see so many time-critical cases sent to us throughout the night, and this increases on the weekends. Fortunately, the team I work with are fantastic, everybody gets on so well and there's a real feeling of comradery among us "NightHawks"; there's always someone to talk to and I feel it's important to keep things upbeat at work, especially in a job such as this.

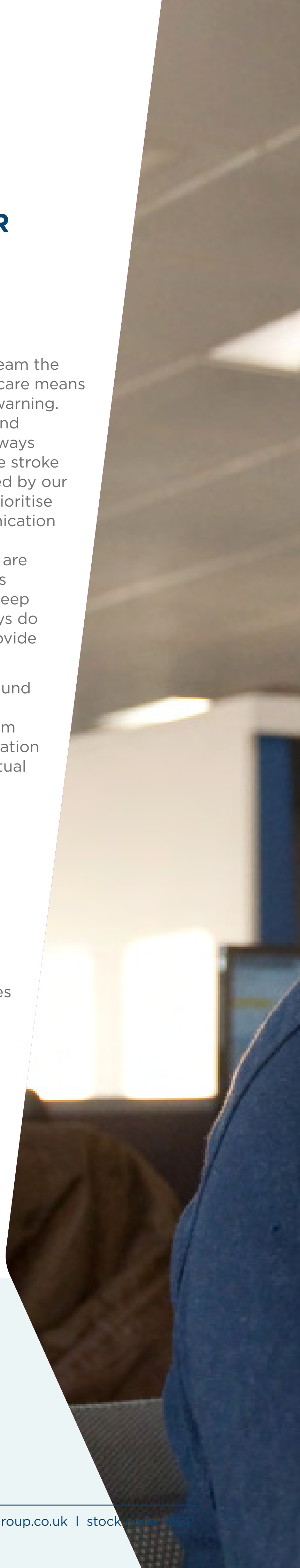
Since joining Medica, there have been a few memorable shifts. Working on Christmas day is not at the top of most peoples to do list, myself included, but working Christmas was a genuinely rewarding experience. All the staff at the hospital I interacted with on the shift were in the same boat as me and it gave us a common bond. It really brought it home to me how much all the staff working unsociable hours give up to provide patient care around the clock. Whilst I had not been looking forward to the shift, when I was on duty I remember thinking I was lucky to be sat at work rather than in hospital needing an emergency scan. I got to go home and see my family in good health.

Whilst our average turnaround of cases is much faster than the time window we are given by clients, we are always aware that generally speaking the faster we can get a report back to the clinical team the better. The nature of emergency care means we can have busy shifts with no warning. Knowing the impact the turnaround time can have on a patient, we always prioritise polytrauma and possible stroke patients. We are constantly trained by our clinical team to ensure that we prioritise urgent cases and critical communication is paramount with the referring hospital. Referrers/radiographers are understanding when the service is busier than usual, so long as we keep them informed. I believe we always do everything we possibly can to provide the best service we can.

As our reporters are based all around the country (and even as far as Australia!) I don't get to meet them but we are in constant communication during shifts. We all work as a virtual team and as a result I feel I know them well.

I would love to meet some of them in person in the future. Our radiologists, together with my colleagues in the NightHawk administration team, provide a great service to our clients and ultimately the patient having a scan. Our service makes a really positive impact, especially in cases such as acute stroke where every second is vital –
I honestly think the NightHawk service is amazing and
I'm proud to be a part of it.

JAKE BEECH,
NIGHTHAWK
ADMINISTRATOR



I like the varied nature of my role as a NightHawk administrator. My shift pattern is great, I work nights, four days on and four days off. My partner also works nights, so it works well for us. The night-time work is very engaging and interesting, I find it really rewarding being part of something so integral to patient care.

LIFE AT MEDICA: MEDICA DEVELOPS AND LAUNCHES ENHANCED VERSION OF ITS PROPRIETARY URGENT, OUT-OF-HOURS REPORTING SYSTEM

Responding to demand from our clients, our reporters and our service administrators, we undertook a complete refresh of the software that supports our out-of-hours service and launched our proprietary NightHawk reporting portal version 3 (NH3).

The development, which was conducted by our internal team, went live in Quarter 1 2019. The new system delivered:

01

STANDARDISED AND SIMPLIFIED WORKFLOWS

NH3 was designed specifically with workflow in mind and means that the pathway for every patient/ communication through the system takes the same route. Key information is now mandatory, ensuring all users have the required level of information to take the appropriate actions and decisions.

02

CLIENT SPECIFIC REQUIREMENTS

NH3 allows us to configure clients within the system at hospital level to best match the service they require. We can set up exclusions on certain exam types, reporters, referrer roles and cover times as well as other information specific information relating to that client.

03

SINGLE SYSTEM

All the information that the NightHawk team need to know in order to run the service is contained within the single system. All information relating to the reporters who are rostered, what exams they can report, their specialities and what clients they can service is all available. We can also see all NightHawk exams that are on our PACS and all of the client rules/configurations that are in place. Deviation from these rules requires explicit justification. We are also able to carry out all routine maintenance from within the portal itself.

04

USABILITY

NH3 is far more intuitive and easier to use. The fact it was designed with workflow in mind means that the system follows the natural sequence in which information needs to be collected. This has streamlined the processes we use and has eased the training of new staff that join the business. We can have a new member of the team trained in portal usage and working in a live environment within 24 hours (excluding Medica induction time).

05

DATA AND ANALYTICS

Another key factor in the design of this system is the traceability of actions. Every interaction with the portal is recorded at a user level; and this gives us a full history of that patient/ communications journey through our system. We are able to export every element of the portal into our Business Intelligence software that has enabled us to refine the service we provide from utilising a much richer data source.

Furthermore, the system delivered

- A more robust, resilient, performant platform ensuring improved speed of reporting
- An automated workflow to enhance patient care and reduce the potential for error
- Built in alerts to warn staff of patient safety issues e.g. alerts for incoming studies
- A streamlined user interface to provide ease of use for NightHawk staff

Going forward, we will continue to innovate and enhance the functionality of our NightHawk portal to be able to continually improve the quality and responsiveness of our service for our customers and their patients.

ARTIFICIAL INTELLIGENCE

PAST

In 2019 the company invested time to evaluate the impact and potential opportunities Artificial Intelligence (AI) represents for teleradiology companies and for Medica in particular. As part of this assessment, Medica has engaged with a multitude of suppliers, reviewing published data and mapping out how AI in radiology could integrate with our business in the future. As well as AI tools, Medica has also utilised robotic process automation tools to improve workflows.

The scene is changing at pace but all of our efforts in 2019 have reinforced our belief that there is a clear opportunity for Medica to harness innovation in this area, ultimately for the benefit of patients.

The main theme that has emerged is that in the medium term at least, artificial intelligence solutions will be approved on the basis of 'decision support tools'. For this reason we prefer the term 'Augmented Intelligence' as this better describes the use of such tools as a support for our expert radiologists. Whilst AI may allow prioritisation of studies or identification of regions of concern on an image, the decision to accept the prioritisation or to accept/reject the clinical findings remains absolutely at the discretion of the expert radiologist. AI is still not sufficiently advanced today for radiologists to have the confidence not to review a case because the algorithm does not detect the abnormality that it was searching for. Whilst it is possible that this will evolve over time – particularly in less complex diagnoses such as breast screening – it is envisaged that radiologists will continue to retain the professional liability for diagnosis and will therefore need to make the decisions themselves with their respective clinical governance organisations to deploy AI and to change the way they handle and report cases as a result. Medica is well placed to assist in this change in reporting processes and we are working closely with our radiologists to understand how new tools such as AI can have an impact on workflows and clinical decision making. AI companies also seek out Medica as an obvious partner as the market leader operating at the scale at which AI can have a real impact if deployed smartly and with the consent and support of reporters.

As we outlined in 2019 we believe the short to medium term future for AI in radiology can deliver two main benefits: workflow enhancement and clinical decision support. The accuracy of tools in identifying specific clinical presentations, or the presence/absence of a specific disease is encouraging; however, no single tool or combination of tools is close to being able to provide a full clinical report, at least in the areas of radiology where Medica currently operates. A radiologist evaluates a wide array of data, including reason for referral, clinical history and all of the image data in this wider context for all possible significant findings, not just a handful of specific findings. For example, algorithms now have similar accuracy to radiologists in finding lung nodules on a CT scan, but they are unable to accurately assess a multitude of other structures such as lymph nodes. To ensure the appropriate clinical pathway for the patient it is essential that the all elements of the scan are reported.

PRESENT

As a result of our work in 2019 we are currently selecting a partners with whom to put our research into practice. During 2020 we are targeting work in two areas:

The first is to jointly develop an **'Exam Identification Tool'** for cross sectional imaging. We receive imaging from over 2000 scanners each year and each one may label a study slightly differently. Using AI to look at all the available data and provide a definitive Exam Description will enhance or ideally completely replace an existing manual process. The aim is to increase the speed and accuracy with which we can match a study to the best available reporter, which has clear benefits to Medica, our reporters and ultimately the patients.

Implementation of a workflow support tool and a clinical decision support tool is our second aim. The biggest value of this product will be as an enhancement to our NightHawk service where the tool will be used to:

- flag exams for priority reporting which may contain urgent clinical findings
- assist radiologists in their evaluation of the data set by highlighting what it believes to be clinically relevant findings such as bleeds or skull fractures

INCREASED DEMAND FOR MEDICA GROUP SERVICES

There are a range of underlying market conditions which, when combined, result in increasing demand for our services.

Annual growth in UK scan volumes

The need for examinations continues to grow and increase in complexity. A drive for early diagnosis in a greater number of specialities, pressures from increasing A&E admissions, a move towards NHS seven-day working and NICE guidelines evolving to include more diagnostic imaging has all contributed to a growth in scan volumes across the UK. These factors have resulted in a 30% increase in diagnostic reporting workload over the last five years – three times more than the rate of workforce growth.

NHS Trusts unable to meet demand

The critical shortfall of consultant radiologists has left 97% of radiology departments in the UK unable to meet their reporting requirements within staff contracted hours. Medica Group offer these struggling departments a cost-effective solution, covering regional shortages and providing access to consultant radiologists who are experts in specialist areas.

Continued shortage of radiologists

Hospitals continue to struggle to add enough in-house radiologist capacity. According to the Royal College of Radiologists (RCR) Workforce Census 2017 there is a radiologist shortfall of 1,000 consultants which was projected to increase to 1,600 over five years' time. Resourcing through traditional channels continues to fail, with the RCR reporting that one in ten consultant radiologist posts are vacant, of which 70% have been unfilled for over 12 months. Stagnant radiologist growth across some regions continues to contribute to this shortfall with less than a 1% increase in radiologists across Scotland, Wales and Northern Ireland over the past five years.

59%

increase in revenue from Specialist Services in 2019

71%

more plain film reported by reporting Radiographers in 2019

Growth in outsourcing

With increasing workloads, a critical shortage of radiologists and trouble with recruitment, radiology departments in the UK are increasingly seeing the value in using the services of outsourced teleradiology, with the use of radiology outsourcing doubling over the last three years.

Demand for specialist services

Working collaboratively with NHS hospitals and specialist doctors, Medica has developed a range of Specialist Reporting Services. These allow us to provide additional capacity to supplement local resources, or to provide reporting capability which is not available from local staff.

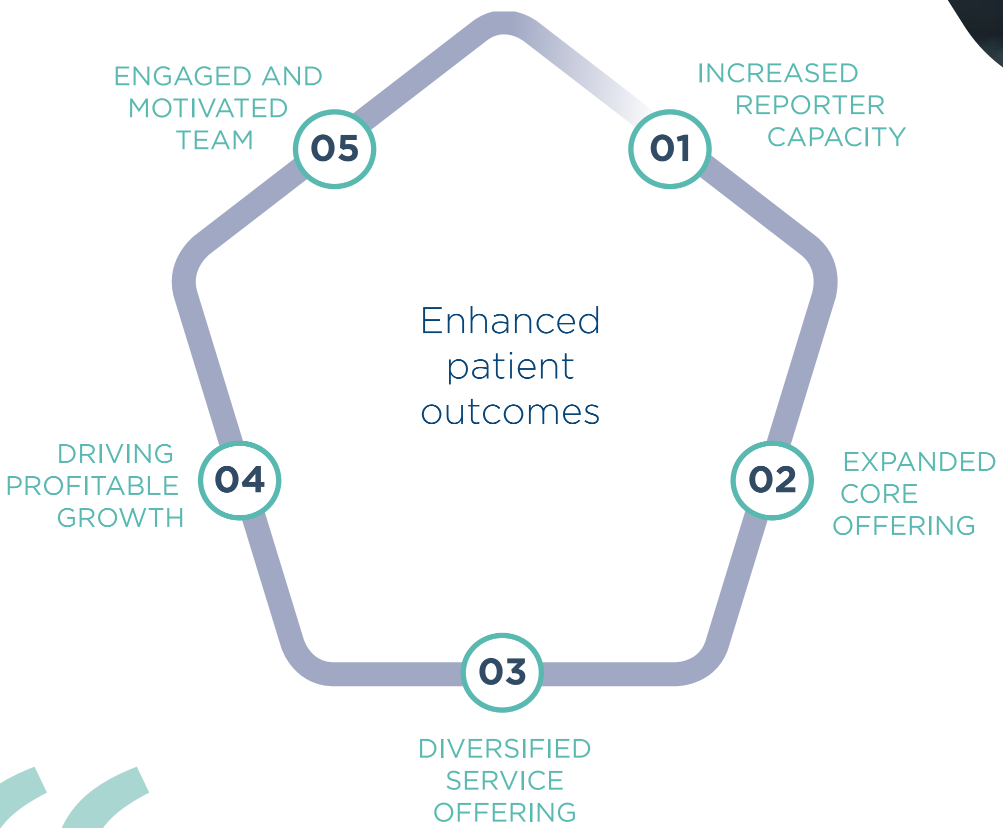
Demand for radiographer reporting

Radiologists are increasingly required to change their job plans away from plain film, towards cross-sectional and interventional work to meet local needs. Retiring radiologists also often undertake a higher than average percentage of plain film reporting. These factors combine to result in a decrease of radiologist plain film reporting capacity. Radiographer reporting is widely adopted within the NHS and Medica Group are providing a reporting radiographer service which offers high quality capacity and expertise. In 2019 the percentage of our plain film reporting undertaken by radiographers rose to 33%.

STRATEGY

Enhanced patient outcomes and superior investor returns will be driven by investing in future-proofed systems, automated workflow processes and a more efficient management of resources.

Medica will continue to deliver a positively differentiated experience for reporters, a reliable and high-quality service for customers and together this will generate improved outcomes for patients and enhanced returns for investors.



"Medica's new strategic approach will deliver investment in systems and processes to unlock and grow capacity, enhance the experience for reporters, as well as improve the responsiveness and quality of our service for customers and patients. By investing in our people and driving a performance-focused culture, we are creating a shared vision for growth in the future. Diversification that builds on Medica's strong brand reputation and core competencies will deliver additional value for our customers and investors

DR. STUART QUIN, CEO

DRIVERS OF OUR STRATEGY

1

INCREASED REPORTER CAPACITY

- Reporter liaison management
- Increase number of rostered reporting hours and productivity of reporter network
- Reduce manual workflow processes and deliver proprietary image allocation solutions and state-of-the-art reporting systems
- Expanded network of international reporters

2

EXPANDED CORE OFFERING

- Integrate "Augmented Intelligence" into workflow as a clinical decision support tool to improve efficiency and speed of reporting for customers and patients
- Expand presence in partnership with independent hospitals
- Geographic expansion of teleradiology reporting leveraging our installed base of reporters and bespoke reporting system
- Expanded portfolio of services including PET-CT, Cardiac, Prostate and Lung Screening

3

DIVERSIFIED SERVICE OFFERING

- Leverage teleradiology platform to expand into new areas of radiology reporting such as clinical trial reporting
- Evaluate opportunities to diversify broader telemedicine offerings
- Develop strategic partnerships to change how we access the market and deliver a differentiated service to customers

KEY

- Systems
- Processes
- People
- Results
- Growth

4

ENHANCED BUSINESS PERFORMANCE

- Constantly strive to deliver better turnaround performance for routine and NightHawk services with specific focus on critical communication for urgent cases
- Reduce manual workflow and drive improved productivity by improving efficiency of service delivery
- Deliver operating leverage through improved system and process design

5

ENGAGED AND MOTIVATED TEAM

- Ensure that Medica remains a great place to work for both our service delivery team, as well as the network of reporters who choose Medica to build and enhance their careers
- Energised and aligned employees: clear, transparent objectives and motivating incentives closely aligned to business performance

CAPITAL ALLOCATION STRATEGY

1

Reinvestment in business to underpin future growth trajectory

- Resources to enable business to scale: service delivery, clinical, quality etc
- Investment in reporter liaison function to drive increased reporting capacity

2

CapEx to develop and deploy scalable systems and processes

- Investment over the next 3 years to deliver new reporting system
- Includes investment in Medica Patient Platform; proprietary system that streamlines the interface with the customer and improves productivity
- Investment will generate scalability and deliver operating leverage

3

Investment to drive organic growth and diversification

- Payer diversification strategy: new sources of revenue
- New telemedicine services leveraging Medica's high quality clinical governance process and frameworks
- Internationalisation to attract reporters for UK work and enter new markets

4

Highly selective opportunities to accelerate business strategy

- Opportunities to generate a step-change in strategy via acquisitions
- Acquisitions to enter new markets

KEY PERFORMANCE INDICATORS

AVERAGE URGENT CARE (NIGHTHAWK) TURNAROUND TIME

23 MINUTES

DEFINITION

This represents the time taken for a exam to be reported by a Medica radiologist with a diagnosis and this will in turn inform the patient care plan.

WHY IS THIS METRIC IMPORTANT?

In an acute environment where a patient may have had a thrombolysis (Stroke) or major trauma, time is critical, simply put the quicker an accurate and actionable report can be delivered, the better the chances of a positive patient outcome.

PERFORMANCE

23 MINUTES

NUMBER OF REPORTERS

435

DEFINITION

This represents the number of live reporters (including consultant radiologists, rheumatologists and radiographers) at Medica.

WHY IS THIS METRIC IMPORTANT?

Recruitment and retention of reporters is a high priority for Medica as we grow the number of our reporters to meet the market demand.

PERFORMANCE

UP **20.2%** FROM 2018

NUMBER OF REPORTED BODY PARTS

1.94M

DEFINITION

The number of different body regions included within an exam.

WHY IS THIS METRIC IMPORTANT?

It provides a better understanding of our case load than simply reporting patient numbers.

PERFORMANCE

UP **16.7%** FROM 2018

REVENUE

£46.5M

PERFORMANCE

UP **19.4%** FROM 2018

ADJUSTED OPERATING PROFIT

£11.3M

PERFORMANCE

UP **5.9%** FROM 2018

There is a growing need for our customers to have a partner that delivers a reliable, trusted service

“Competition for out-of-hours service remains high due to the nature of the business: exclusivity with a Trust for urgent reporting through the night-time is often the first area for partnering with a teleradiology company to prioritise consultants to work during the daytime

FULL YEAR 2019 FINANCIAL RESULTS

For the financial year ended 31 December 2019, the Company has delivered against both its financial and operational metrics:

OPERATIONAL METRICS

INCREASE IN REPORTER HOURS OF
20% YEAR-ON-YEAR

NUMBER OF REPORTED BODY PARTS
1.94m UP 17% ON LAST YEAR

NIGHTHAWK TURNAROUND TIME OF
23 minutes

FINANCIAL METRICS

REVENUE OF
£46.5m DEMONSTRATING GROWTH OF 19.4% YEAR-ON-YEAR

ADJUSTED OPERATING PROFIT OF
£11.3m AN INCREASE OF 5.9% COMPARED TO 2018

ADJUSTED EPS OF
8.13p

During the COVID-19 pandemic, the Board's priority is to safeguard the health and safety of the Group's employees. I would like to open my statement by recognising the professionalism and commitment shown by the entire Medica team, which include those working behind the scenes to ensure continuity of the service, as well as our reporters, many of whom are working in the front line, at this incredibly difficult time.

It is only at times like this that our contingency plans are fully tested and have been shown to be resilient. With a strong balance sheet and variable cost base, I am confident our Company emerge stronger as an organisation to continue to grow and develop and at the same time will continue to do what it can to support our clients during the COVID-19 outbreak. I am proud to have joined such an organisation and to have the opportunity, along with the executive team, to lead the Company through this challenging time.

The full impact of COVID-19 on revenue growth for the rest of the year is as yet unknown. The situation is unfolding and difficult to forecast at present. However, to date, the Company has experienced a significant reduction in both NightHawk and Routine cases being outsourced by our NHS clients.

The Company has a strong balance sheet and is well-placed to continue to deliver its high-quality service to support the NHS during this time of unprecedented pressure on healthcare resources. Furthermore, the business model of the Company is such that approximately two-thirds of the cost base is variable as reporters are not paid unless there are images available to report.

Medica has activated its contingency plans and has been able to demonstrate that the Company can continue to provide its operational service remotely from home and maintain service levels. Medica's entire business model is focused around reporters 'working from home' and, as a result, our reporters are well-placed to continue to deliver the service despite the challenges.

Importantly, Medica has reacted quickly to the situation and is working closely with its NHS clients to invoke contingency planning and offer a pro bono 'pass through' service to enable their radiologists to report from home. This will allow reporters to report hospital cases using their Medica systems during daytime hours, as well as to continue to fulfil their reporting sessions with Medica.

As the demand for imaging services and the requirement for more complex and sophisticated imaging modalities increases, there is a growing need for our customers to have a partner that delivers a reliable and trusted service within a comprehensive clinical governance framework as there is insufficient internal capacity in UK hospitals to meet this growing demand.

At its heart, Medica is an organisation that focuses on delivery of high quality, reliable and timely reports that enable doctors to make important decisions about the treatment of patients. During my first few months in the Company, I visited our customers and spoke to many of our reporters. It is clear that Medica provides a service which is trusted by doctors and the quality of our reporting is very high and typically forms the basis for the decision to select Medica as a partner. There is increasing competition to provide teleradiology reporting services – particularly during the busy night-time periods – but Medica remains well-positioned as the market leader with an enviable reputation and brand.

During 2019 we have seen an increasing demand for our services and have responded to customer needs by increasing our reporter capacity and by investing in systems and workflow improvements to improve productivity and system reliability. We have also invested in our delivery teams to ensure that we are planning and resourcing appropriately.

INCREASING DEMAND FOR OUR SERVICES

Teleradiology provides an essential service for hospitals and healthcare organisations. It is critical to patients that the service is provided as part of a carefully integrated pathway for medical reporting. This requires excellent clinical governance and working in close partnership with the clinical directors and radiology service managers within the NHS and other healthcare organisations.

The demand for teleradiology remains strong. The Royal College of Radiologists report that only 2% of NHS Trusts in England and Wales can report all radiology cases using internal resource within normal hours, with 96% of Trusts paying overtime to radiologists. This is driving a growing number of Trusts to look to teleradiology to fill the gap.

NHS Improvement has signalled that it intends Trusts to form reporting networks enabled by teleradiology. However, the issue remains that many reporters choose to work outside of the NHS for reasons described below and even if the reporting networks are realised in some areas of the country, the question remains how pooling reporting capacity will solve the problem unless consultants are willing to work more overtime in hospitals to meet the growing demand.

INCREASING REPORTER CAPACITY

Medica contracts with radiologists and radiographers, together "reporters", predominantly on a part-time, but also on a full-time basis. Most reporters work for Medica on a part-time basis dedicating several routine and "Nighthawk" out-of-hours reporting sessions per week. Overall, we estimate that up to 15% of UK radiologists are taking part in external teleradiology reporting which means that as familiarity with teleradiology reporting increases, Medica can expect the number of radiologists looking to develop their careers via teleradiology to also increase. Those who are already working in teleradiology increase the number of sessions that they provide as they become confident with the systems and see the benefits of working in this way. Therefore, capacity can be driven through a combination of increased sessions from our installed base of reporters, as well as the addition of new reporters that meet the required criteria.

Why do reporters choose teleradiology?

- Teleradiology offers the opportunity to build expertise: if a consultant is looking to develop sub-specialisation, for example in muscular skeletal (MSK) reporting, it is possible to supplement MSK case load through teleradiology reporting
- Teleradiology encourages flexibility and greater productivity: reporters can work for Medica when it suits them and the Company offers the flexibility of working from one of its reporting centres or from a specially designed home reporting setting. It allows a reliable and productive workflow to supplement experience, as well as income.
- Teleradiology provides peer review in a safe, familiar reporting environment: Medica encourages a continuous learning environment where reporters can train to audit one another's work and provide feedback and guidance based on best practices. Our systems are familiar to reporters and we offer a reporting environment that is quite similar to the NHS with good access to prior scans and patient history that enables the reporter to give a more confident diagnosis.

Medica has increased the number of dedicated rostered reporting hours by 20% year on year. In future, Medica will use this revised metric rather than report on the number of contracted reporters. This change reflects how the business is run on a day-to-day basis and provides a more accurate and useful reflection of the actual reporting capacity.

PERFORMANCE OF NIGHTHAWK AND ROUTINE REPORTING UNITS

Medica provides urgent out-of-hours reporting services, as well as less time-sensitive routine and backlog reporting services.

Competition for out-of-hours service remains high due to the nature of the business: exclusivity with a Trust for urgent reporting through the night-time is often the first area for partnering with a teleradiology company to prioritise consultants to work during the daytime.

Medica has taken on two full-time reporters in Australia this year to support the service during the night and we shall continue to gradually add to this number. In addition, our growing number of reporters in the UK has enabled us to continue to grow this part of our business. Performance of our NightHawk urgent out-of-hours service remains very high with an average time to report of 23 minutes. The quality and responsiveness of this critical service, as well as the availability of specialist radiologist experts during the night remains of paramount importance to the Group.

Routine reporting activity remains high and Medica has largely grown this year, as in prior years, by providing an increased service to existing customers who require this additional capacity to keep pace with demand, rather than offering net additional capacity to new customers.

CONTINUED INVESTMENT IN SYSTEMS, WORKFLOW AND AI

Further investment has been made in systems during 2019 to bring the data storage capabilities up to a required standard. This investment means that as activity grows in the future, Medica has the flexibility to add more storage capacity. Investments have also been made in internally developed tools that assist in the allocation and prioritisation of workflow, which both assists our reporters and customers, as well as improving the capacity and speed of reporting. This includes investment in robotic process automation to assist in allocation of cases. In the second half of the year, we also launched a new version of our proprietary NightHawk portal, which includes service improvements based on continuous feedback from our reporters.

However, further focused investment will be required going forward to ensure that the platform can not only continue to support a fast-growing business, but also process images in a less manual, more efficient manner. Radiology reporting technologies are changing rapidly and Medica needs to ensure it can continue to provide fast and efficient systems for its customers, as well as a user-friendly, highly productive system for our 435 plus reporters.

Since September, Medica has been evaluating potential partners in Augmented Intelligence (AI). Medica prefers this term to 'Artificial Intelligence' as the current tools and algorithms available are best deployed in support of a reporter workflow and not to substitute the decision making of a highly trained doctor. Teleradiology has been identified as an obvious route to market for many AI vendors given both the scale of the teleradiology companies and the access to hospitals. Many AI tools are being deployed to triage and prioritise workflow and to act to bring to the attention of the reporter any potential abnormalities. However, the algorithms are not yet comprehensive enough to be deployed across our complex routine caseload in our current reporting setting and therefore Medica's initial focus will be on areas of clinical diagnosis where triage and fast decisions are critical to the outcome of patients such as stroke diagnosis. The other area of focus is the deployment of AI to improve workflow productivity and accuracy of allocation.

Medica is pleased to announce a strategic partnership with Qure.ai, a global leader in artificial intelligence (AI) solutions for radiology, to develop AI tools for prioritisation and improved efficiency of radiology scan workload. Under the terms of the agreement, Medica will partner with Qure.ai in two important areas:

The first is to launch a decision support tool for CT (computed tomography) head scan examinations. This tool will flag potential urgent examinations allowing prioritisation of reporting based on clinical priority as opposed to chronological allocation. The tool will also highlight potentially critical findings to reporters, which can be integrated into their diagnoses. The tool will be trialled and implemented to augment Medica's urgent, out-of-hours NightHawk service.

The second area is to co-develop a bespoke AI-based automated workflow improvement tool that aims to improve the efficiency of study allocation from NHS clients to Medica's network of over 435 reporters.

Medica will continue to work closely with its radiologist colleagues to assess the AI marketplace and ensure we can assist them to enhance their reporting capabilities and deliver excellent reports for patients. We have recently recruited a clinical director to assist in important projects such as these and his support will help to accelerate deployment.

OUTLOOK AND FUTURE STRATEGY DEVELOPMENT

Our focus is to sustain double-digit revenue growth, whilst also delivering new systems and processes that will in time generate operating leverage by scaling more efficiently. In the short term volumes are expected to grow by similar numbers as 2019 which would indicate low double digit revenue growth in 2020. However, given the expected impact of Covid-19 on routine reporting activity and the potential disruption to our ability to report, means that we are cautious in terms of growth forecasts for the rest of the year.

The Company is experiencing a fall of around 50% in out-of-hours reporting activity. We could expect this to fall to between 60-70%. In terms of Routine activity, the Company is experiencing a decline of around 90% in activity with many NHS hospitals having already suspended non-urgent elective procedures. We could expect up to 100% reduction in activity overall as the situation evolves and NHS focus shifts entirely to dealing with COVID19 cases. At this stage, there is no clarity on the expected length of the outbreak and at what point we could expect a resumption of normal business. We will provide a trading update at the appropriate time as and when the situation changes to a material extent.

Our refocused strategy will enable Medica to organically double its revenue within five years. Our plan is to deliver strong organic revenue growth in core business with increased scalability and operating leverage with upside potential from new business lines and selective M&A. This plan does not consider the short-term uncertainty concerning impact of Covid-19 on reporting capacity and activity as this is still unclear and evolving rapidly. However, based on guidance above, the short term outlook will be significantly impacted by decreased activity for a period of time until our clients resume normal operations in their hospitals.

The Company will reinstate guidance once the impact of COVID-19 becomes clearer at a time when we have clarity on the length of impact and the recovery phase of the service. As the NHS returns to normal operations with the resumption of elective procedures and A&E activity increases as the population resumes normal activities, we could expect to see activity returning to pre-pandemic levels.

	2019 (IFRS 16)	**Short term** Outlook **Pre-COVID**	**Medium-long term** Outlook **Pre-COVID**
Revenue	£46.5m	12-14% organic growth. *Excludes Covid-19 impact*	12-14% organic growth
Gross Profit margin	47.8%	Reduce up to 200bp	Ongoing price pressure. Steady state c. 43-45%
Adjusted operating profit	£11.3m 24.3% margin	c. 20% steady-state	c. 20% steady-state. +ve operating leverage post new system implementation
CAPEX	£2.8m (Additional £1.3m IT storage investment)	Revised run rate £2.5m. Up to £2.0m additional (c. £4.5m total)	Further £3-4m additional over 3 years (project total up to £6m)

As well as focusing on the underlying business, the management team has made considerable progress assessing the opportunities for the business in the future. In my view, Medica has untapped potential in its existing platform that supports the core, teleradiology reporting business, as well the opportunity to leverage this platform to expand into new areas of growth and business development. This is an exciting time for Medica, its employees and customers and my challenge is to unlock this potential over the next few years to position the company for continued profitable growth.

To be able to realise this potential, Medica needs to continue to invest not simply to keep pace with growth, but to advance in anticipation of future growth. This applies as much to training and developing our people, as it does to investing in our systems and processes and to the diversification of our services.

DEVELOPING OUR TEAM

Medica has a highly motivated, young and diverse workforce that naturally embraces change and innovation. One of my priorities is to ensure Medica is a great place to work and a place to develop and grow our own talent.

In the fourth quarter of last year, Medica embarked on a programme to develop the future leaders of our Company. Over the course of 2020, this programme will deliver teaching and share insights to help support the next leaders of our Company.

Additionally, we are investing in 'human factors' training to inculcate and reinforce a culture of providing the highest quality service for customers and their patients. In our business, time matters. Even small delays in referring an image for review can have an impact on patient outcomes. Timely and effective communication between NHS radiology departments and the Medica reporting teams is critical and this training underpins this important interface.

Reporters have a choice about where they report. Medica understands that to remain competitive it needs to offer its reporters a combination of regular and reliable case mix via a system that is intuitive, reliable and supports reporters' productivity levels, all within the required quality framework. To this end, Medica has recently recruited a reporter liaison lead who will ensure that new reporters are transitioned from our recruitment team to seamlessly become part of our trusted reporter pool and that their ongoing expectations of working at Medica are met and hopefully exceeded.

DEVELOPING OUR SYSTEMS

Medica has relied on its current systems since before IPO and whilst they remain fit for purpose, technology has evolved and investment is required to upgrade the systems by which images are retrieved, processed and reported.

In 2020 we will embark on a £5-6m investment programme until 2022, with up to £2m to be spent in 2020 to upgrade our systems and also invest in developing proprietary systems to improve the way in which we interface with our customers and reporters to allocate images for reporting and track and report on performance. The decision to invest up to £2m in CapEx in 2020 will not be made until later in the financial year, at which time we would expect more clarity concerning the COVID-19 impact on the Company.

AI will also play an increasing role in the future strategy and having systems where AI can be easily and flexibly deployed will be important to be able to offer a fast, accurate and efficient service. Our recently signed partnership with Qure.ai is an exciting first step to harnessing the benefits of AI on our business model.

DEVELOPING OUR SERVICE OFFERINGS

A core part of Medica's strategy at IPO was to expand the range of services provided to customers both in terms of service delivery and geographically.

Whilst Medica now provides reporting services from other countries, notably other European countries and Australia, the near-term focus remains on growing the pool of reporters to support UK work. Wherever Medica reports from, our reporters must be General Medical Council (GMC) registered and have experience of working at consultant level. This means that reporters are very experienced at working in the UK system and familiar with NHS reporting, but at the same time it limits the available pool of 'overseas' reporters who meet these criteria. Medica is looking at ways to improve this situation and to be able to expand the breadth and depth of its pool of reporters going forward.

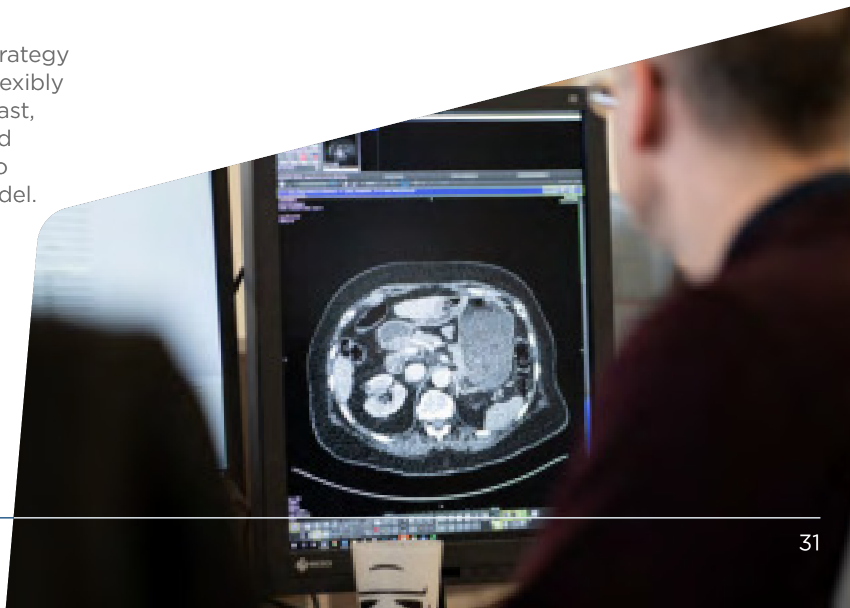
This year Medica launched two important services, prostate MRI and PET-CT, amongst others. Specialist services will remain an important part of the growth story, but as they support development of routine reporting, it has been decided that the "specialist services" revenue will henceforth be reported within the 'routine' business line.

I am confident that Medica's radiology reporting platform can be further leveraged to expand into new areas of business outside of its core market of NHS teleradiology. Medica's brand and reputation for quality should allow the Company to penetrate new markets and to explore new approaches to partnership with existing and new customers.

I look forward to continued growth and progress in 2020 and would like to give my sincere thanks to the entire Medica team for their hard work in 2019 and their commitment to continuing success for the years to come.

DR STUART QUIN,
CHIEF EXECUTIVE OFFICER

6 April 2020



Solid performance whilst laying the foundations for future growth and diversification.

> "Medica's strong performance has continued throughout 2019.

A review of the business during the year, its strategy and business model, future developments, and its position at the year-end is included within the chairman and chief executive's reviews on pages 2 to 5 and 26 to 31. Both these reports form an integral part of the strategic report.

TRADING RESULTS

Medica has enjoyed strong growth since IPO and this continued throughout 2019 with Group revenues growing by 19.4% to £46.5m (2018: £39.0m) and adjusted operating profit growing by 5.9% to £11.3m (2018: £10.7m). Statutory operating profit increased by 4.8% to £9.9m (2018: £9.4m).

Net profit increased by 7.4% from £7.4m to £7.9m and basic earnings per share increased by 7.6% from 6.62 pence to 7.12 pence. Adjusted profit after tax increased by 4.9% from £8.6m to £9.0m and adjusted basic earnings per share increased by 4.9% from 7.75 pence to 8.13 pence. A full reconciliation between statutory and adjusted profit metrics is shown in note 30.

Revenue

Revenue growth has been driven by an increase in the number of NightHawk and routine Cross-Sectional (CS) and Plain Film (PF; x-ray) scans which Medica has reported upon. This has primarily come from expanding existing accounts with our extensive network of NHS Trusts.

- NightHawk revenues increased to £22.1m, a 14.3% increase from 2018 revenue of £19.3m. The increase in volumes and revenue was due to continued growth in existing clients' emergency service requirements as the number of A&E admissions and the proportion of patients requiring a scan both increase and Trusts expand the scope of the services they procure. Revenue has grown more slowly than volume due to pricing adjustments for some NHS contracts
- Routine Cross-Sectional revenues increased to £18.9m, a 26.6% increase from 2018 revenue of £15.0m. Growth has been driven primarily through increasing demand from existing customers and Medica has continued to enhance its partnerships with Trusts and are reporting a greater proportion of their increasing scan volumes
- Plain Film revenues increased to £4.3m, a 9.7% increase from 2018 revenue of £3.9m. This growth has been achievable by continuing to develop the radiographer reporting service which started in 2016.

Our continued ability to increase reporting capacity is a key driver of revenue growth. To this end we invest in recruiting new radiologists and retaining and increasing commitment from our existing radiologists.

Medica added an additional net 73 reporters in 2019 and at 31 December 2019 there were a total of 435 reporters with whom Medica contracted, demonstrating the attractiveness of the Company as part of a portfolio career for reporters. As we look ahead, radiologist numbers are no longer the best method of demonstrating capacity increases as different radiologists contribute different amounts of capacity. Therefore, in the future we have decided to report on the overall percentage increase in the number of rostered reporting hours provided by both our new and existing network of reporters within the period.

Gross margins

Gross profit margin for the year was 47.8% (2018: 49.0%).

In 2019 the gross margins for the main service lines were as follows:

- NightHawk: 48.6% (2018: 49.9%)
- Routine Cross-Sectional: 51.9% (2018: 51.9%)
- Routine Plain Film: 49.3% (2018: 49.4%)

The costs included within cost of sales relate to the costs of paying Medica's radiologists, internal clinical audit costs and framework fees. Internal clinical audit costs which can be significant and framework fees are not included within the individual service line gross profit figures above. Currently these costs are reported separately but going forward they will be attributed to specific service lines when reporting gross margins.

The gross profit margin declined further in 2019 due to the expected reduction in NightHawk gross profit margin, which is as a result of the on-going renewal of contracts at moderately lower prices. There has been downward pressure on prices for some time as volumes increase and this is expected to continue. For this reason, gross margin is expected to continue to decline at approximately the same rate as 2019 for the next few years.

Adjusted EBITDA and operating profit

Since IPO the main profit metric has been adjusted EBITDA which for 2019 was £13.0m (2018: £11.9m). Going forward, the Company will use adjusted operating profit as the main profit metric.

The adjusted operating profit for the period of £11.3m was 5.9% higher than 2018 (£10.7m). The adjusted operating profit margin reduced from 27.4% in 2018 to 24.3% in 2019. This was due to investment during the year in people and processes to ensure the long-term growth of the business. These additional costs were most notably in IT, projects and related areas. The full impact of the additional costs together with further expenditure required to keep pace with future growth will continue through 2020 and this is likely to result in the adjusted net operating profit margin reducing further towards 20%.

FINANCIAL REVIEW

Exceptional costs

Exceptional costs of £0.4m (2018: £0.2m) are in relation to the recruitment process for both the chief executive officer and an additional non-executive director and the notice payments to John Graham. These are considered to be one off costs.

Net finance expense

Finance costs were £0.3m for the year (2018: £0.3m).

Taxation

The Group has incurred a tax charge of £1.7m in the year ended 31 December 2019, compared with £1.8m in the year ended 31 December 2018. The effective rate of tax for 2019 is 19.0%.

Earnings per share

Adjusted earnings per share increased by 4.9% by 8.13p, reflecting the growth in the business. Basic earnings per share increased by 7.6% to 7.12.

Dividends

Following the interim dividend of 0.85 pence for the period to 30 June 2019, the Board had intended to propose a further dividend in line with Company growth. However, in light of the ongoing uncertainty surrounding the impact of COVID-19, the Board has not recommended a dividend for the year and the decision to pay a dividend will be deferred until later in the year once the Board has more clarity.

Cash flow and capital expenditure

The business continued to generate strong cash flow and cash flow from operating activities was £9.7m (2018: £9.6m).

Capital expenditure for the year was £2.8m (2018: £1.2m). In addition to normal expenditure on radiologist and client equipment the business continued to invest in its infrastructure to support volume growth and to improve its efficiency and service offering. The main additional investment in 2019 was £1.3m for a Storage Area Network (SAN) at our primary data centre, which provides a more flexible approach to data storage in such a fast growth business. In addition to facilitating volume growth, this also significantly enhanced the resilience of our core systems.

Property plant and equipment

As at the year end, total value of property, plant and equipment was £3.8m (2018: £1.9m). Property, plant and equipment primarily relates to computer equipment, the majority of which is the servers installed with customers, radiologists' workstations and infrastructure technology. The growth reflects normal investment and the purchase of the SAN.

Intangible assets

As at the year-end, total intangible assets were £23.3m (2018: £24.2m): The Group's main intangible assets are goodwill of £15.9m and other intangible assets from the acquisition by the Company of Medica Reporting Limited in May 2013 of £6.2m (2018: £7.1m). In addition, there is a small proportion, which at the year-end was £1.2m (2018: £1.2m), in relation to purchased software and certain capitalised development software and licences including the PACS.

Net debt

At the time of listing in March 2017 the Group had net debt of approximately £10m. At the end of 2019 Medica achieved net cash of £4.6m being cash of £16.6m and a loan of £12m. These figures do not include a lease liability for our head office under IFRS 16 of £0.4m.

The total facilities available to the Group is up to £13m in aggregate under a £12m term loan facility and a £1m revolving credit facility. Both facilities will mature on 6 March 2022, being the fifth anniversary of entry into the New Facilities. Interest is payable at the rate of LIBOR + 1.75%. As at the balance sheet date, the revolving credit facility was undrawn.

Items required to be disclosed in the strategic report

How the Board considers stakeholders in its decision making is set out in our section 172 report in the directors report on page 58.

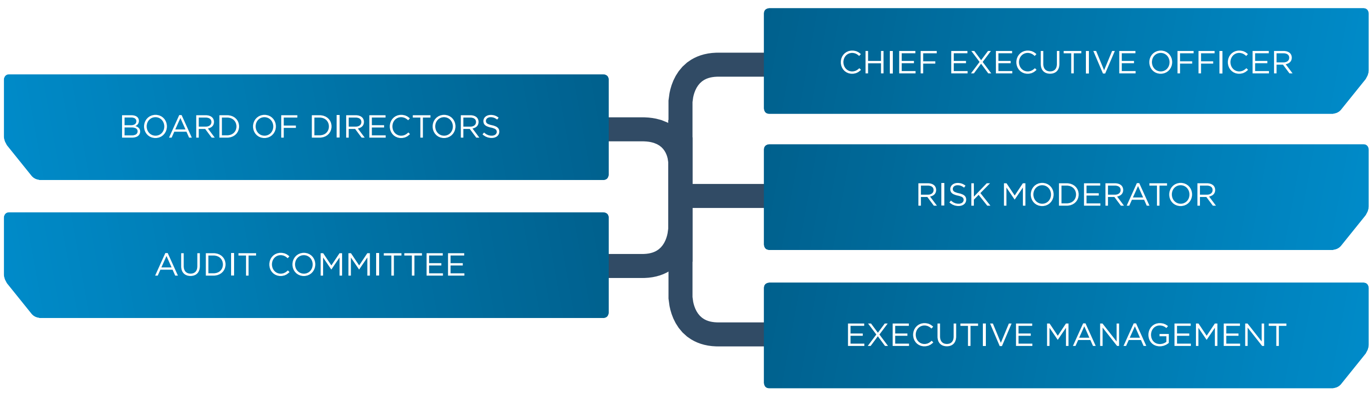
This report was approved by the Board on 6 April 2020 and signed on its behalf.

ANTHONY LEE,
CHIEF FINANCIAL OFFICER

RISKS AND UNCERTAINTIES

Managing risk is integral to the success of our business and is a differentiator in terms of offering a safe and compliant critical clinical service to customers. The Group has recently reviewed its comprehensive risk management framework to ensure that the processes in place support business and strategic decision-making and are clearly defined and quantified across our business. Through the risk management process, significant risks faced by the Group are identified, assessed and managed appropriately.

Although the Board of Directors is ultimately responsible for risk management within the Group, it has delegated responsibility for monitoring the effectiveness of the Group's risk management and internal systems to the Audit Committee. The Board and Audit Committee receive quarterly reports from the executive management on the principle risks and uncertainties and the steps being taken to manage them. This process was reviewed and amended in Q4 2019 to ensure it is fit for purpose and adequately reflects risks in an ever-changing business environment. An overview of the risk management framework is illustrated below:



RISK ASSESSMENT PROCESS

The risk management process is embedded within the Group and underpinned through the use of departmental risk registers. Each register is maintained by the relevant owner within the executive team and overseen by the risk moderator. The identification and evaluation of risks is carried out through collaboration of the senior management and executive teams.

All emerging risks are identified, reviewed and assessed as part of the risk management framework process. There is a process in place to identify emerging risks on an ongoing basis with the operational teams communicating to senior management from interactions with clients and suppliers, as well as providing the executive team with regular updates on technology, compliance and global information. Any potential new risk is considered by the executive team and its impact and likelihood is assessed before inclusion in the main risk register as an emerging risk.

The impact and likelihood of each risk are inherently identified and this generates the inherent risk score. Changes in risk profile are highlighted for additional consideration as an emerging risk. Existing controls are then identified and assessed with a residual risk score calculated.

Medica's main emerging risks tend to be in the technology space and in particular disruptive technologies such as AI (refer to the 'Strategic risk' section below).

The individual registers are gathered, quantified and entered into the corporate risk register that is regularly reviewed by the executive management, Board and Audit Committee. The principle and emerging risks listed below are drawn from the risk registers and are interconnected with the Group's strategic activities. The business regularly assesses progress against project plans and updates the risk register accordingly when risks are assessed to have changed as a result of progress implementing various quality and performance improvement projects.

The Group's risk management process underwent significant enhancement during late 2019 and was approved by the Board and Audit Committee. It will continue to evolve and develop as the level of risk maturity increases within the Group.

BREXIT IMPACT

A detailed risk analysis of the UK withdrawal from the European Union has been carried out by the Group and our current view remains as very low impact. Medica's primary resources and reporters are based in the UK.

CORONAVIRUS (COVID-19) CONTINGENCY PLANNING

The full impact of COVID-19 on revenue growth for the rest of the year is as yet unknown. The situation is unfolding and difficult to forecast at present. However, to date, the Company has experienced a significant reduction in both NightHawk and Routine cases being outsourced by our NHS clients.

In the case of NightHawk the Company is experiencing a fall of around 50% in out-of-hours reporting activity. We could expect this to fall to between 60-70%. The main factor driving the decline is the reduction of typical A&E admissions as the public are isolating at home. Any further fall from current levels may be offset by an increase in COVID-19 related imaging as the pandemic continues. In the last two weeks we have tailored our NightHawk service to ensure we are able to support our NHS clients with dedicated COVID-19 care pathways.

In terms of Routine activity, the Company is experiencing a decline of around 85% in activity with many NHS hospitals having already suspended non-urgent elective procedures. We could expect between 90-100% reduction in activity overall as the situation evolves and NHS focus shifts entirely to dealing with COVID19 cases. In terms of mitigation, we expect deferred elective cases to accumulate in the health system and this will lead to increased pressure to report routine cases later in the year.

The company has a strong balance sheet and is well-placed to continue to deliver its high-quality service to support the NHS during this time of unprecedented pressure on healthcare resources.

Furthermore, the business model of the Company is such that approximately two-thirds of the cost base is variable as reporters are not paid unless there are images available to report.

Medica has activated its contingency plans and has been able to demonstrate that the Company can continue to provide its operational service remotely from home and maintain service levels. Medica's entire business model is focused around reporters 'working from home' and, as a result, our reporters are well-placed to continue to deliver the service despite the challenges.

Importantly, Medica has reacted quickly to the situation and is working closely with its NHS clients to invoke contingency planning and offer a pro bono 'pass through' service to enable their radiologists to report from home. This will allow reporters to report hospital cases using their Medica systems during daytime hours, as well as to continue to fulfil their reporting sessions with Medica.

Further details of the likely impact of COVID-19 are included in the chief executive report on pages 26 to 31.

Operational Risk

Description	Change	Commentary for 2020
Clinical quality The Group's radiology reporting forms an integral and essential part of clinical management for patients. Inaccurate reporting could lead to patient harm and reputational damage to the Company. This risk will always remain very high, due to the inherent nature of the industry.		Medica maintains robust clinical governance, quality assurance and continuous improvement processes including its Medical Advisory Board. Our reporters also hold personal indemnity insurance and this transfers some of the risk in this regard.
Reporter availability and capacity The longer term performance of the Group depends on its ability to grow reporting capacity in line with client demand. Failure to do so may result in reduced ability to provide timely reports, in particular for the critical NightHawk service line. Failure to deliver a timely service could result in loss of client(s). In addition, if reporters are not positively engaged and supported, The Group could see a decrease in the retention of reporters.		Demand for reporting remains very high. The Group has robust reporter recruitment processes driven by its dedicated in-house recruitment team. The longer term usage of overseas reporters will reduce reliance upon UK resource. Additional capacity will help to mitigate this risk. The Group continues to maintain its strong UK recruitment pipeline and has dedicated resource to manage, support and engage its suite of reporting clinicians.
Technology The Group's service offerings are founded on technology-driven driven workflow solutions. A major failure or disruption would result in reduced service levels and loss of revenue. Enhancements in reporting systems and workflows offers opportunity to further develop the Group's services and reduce risk of failure and disruption.		The Group has significantly invested in both its technology and technical staff during 2019. This has driven improvements in system resilience and laid the foundations to support the Company's continued and forecasted growth in 2020 and beyond. The Group continues to maintain robust continuity plans and has outlined a detailed plan of work to further reduce technology risk going forward.
Cyber threats The Group's business could be significantly disrupted and security compromised if a cyber incident results in the loss of the confidentiality, integrity or availability of the information it processes. A successful cyber-attack could expose the Group to litigation, commercial, financial and reputational damage.		The Group has a dedicated information security team which maintains an ISO 27001 certified management system. The Group also holds the Government approved Cyber Essentials certification. Regular continuity testing is carried out on its data processing systems, continued investment in security technology and a human focused security awareness programme is delivered to its staff.

RISKS AND UNCERTAINTIES

Operational Risk		
Description	**Change**	**Commentary for 2020**
People The Group's executive and senior management team is critical to its continued performance. Loss of key personnel or lack of people investment may lead to failure of the Company's strategic objectives.		The Group is committed to the ongoing support and development of its staff and leadership team. Led by the chief executive officer, the Company ensures its strategic objectives are cascaded down to the wider business. The Group ensures that staff receive appropriate incentives and have employment packages in line with market conditions. In light of this, Group incentive schemes have been reviewed and amended in 2020 by the Remuneration Committee that should improve the retention risk. The Group is also investing in a tailored leadership programme for its senior management team, which demonstrates that the Company is investing to develop the next generation of leaders.

Strategic Risk		
Description	**Change**	**Commentary for 2020**
Disruptive technologies New technologies such as AI have come to the market. In time there is a risk that AI could improve the ability for customers to screen workload and prioritise the images to outsource for reporting. However, AI could also have a positive impact on clinical quality and workflow. If the Group does not engage such that it is well placed to leverage the power of AI, it could result in reduced ability to compete effectively in the market place.		The Group has actively monitored the development of AI within the healthcare industry in 2019 and more specifically, the positive impact on radiology. The Group is actively engaging with AI technology companies and has plans for investment in active pilots during 2020. Medica views AI as a net positive to both improve the quality and throughput of reporting within its network.

Compliance Risk		
Description	**Change**	**Commentary for 2020**
Compliance and regulation The Group and its clients operate in a highly regulated landscape. This includes operating and complying to the standards and regulations set by CQC, NHS and ICO. Failure to comply could lead to reputational and financial loss.		The Group maintains internal processes, management systems, certifications and accreditations to ensure it operates in a compliant way. This includes QSI accredited status, a registered manager for CQC purposes, a certified ISO 9001 quality management system and appropriate internal data protection policy and process. The Group monitors changes in regulation on an ongoing basis.

Financial Risk		
Description	**Change**	**Commentary for 2020**
Ongoing impact of the outbreak of COVID-19 in UK During February and March 2020, the COVID-19 pandemic arose in the UK and introduced significant uncertainty in the UK economy. The full impact of COVID-19 on revenue growth for the rest of the year is as yet unknown. The situation is unfolding and difficult to forecast at present.		To date, the Company has experienced a significant reduction in both NightHawk and Routine cases being outsourced by our NHS clients. The Company's contingency plans for remote working have been implemented and the focus is on supporting the NHS. The Board monitors activity data and other information and engages withy clients and reporters.
Shift in conditions The Group continues to derive substantial revenue from its NHS clients. The loss of significant contracts or radical change in procurement practices due to a step-change in NHS policy towards outsourcing could adversely affect the Group's financial position.		The NHS continues to have increasing pressure on radiologist resources. This means continued demand for the Group's teleradiology services. The Group continues to maintain a strong operating cash flow position and is evaluating longer term diversified revenue streams.
Government tax changes (IR35) The clinician reporters that Medica work with are predominantly employed on a contractor basis. The introduction of IR35 by the government transfers the risk of assessment of employed status to the Company.		The Group has engaged with specialist legal advisors in the area of taxation who have systematically reviewed the status of Medica's reporters and this has been assessed to be low risk in that Medica has taken adequate steps to satisfy itself in relation to reporting status. Reporter contracts are considered as being outside of IR35 regulation. Reporters considered to be employees for IR35 purposes already have employment contracts in place.
Loss of key contracts As an attractive sector, the growth and new appearance of competition who are prepared to undercut pricing on key service lines could adversely impact the Group's business, financials and future growth prospects. A technology shift such as AI could also see other companies enter the sector with different business models.		Existing competition continue to challenge pricing on key service lines such as NightHawk. The Group continues to employ pricing strategies that focus on its key strengths in quality, service offering and value. The Company creates and maintains good communication with clients through its business development function. Medica remains the market leader and continues to innovate and invest in factors that differentiate its service offering going forward.
Insurance The Group could become subject to litigation during the course of its business activities. This could lead to costs relating to defence and/or prosecution and damages.		The Group reviews and maintains insurance to mitigate the possibility of a major loss. The adequacy of its insurance cover is reviewed each year with insurance brokers

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Medica provides significant ancillary benefits to the NHS as part of its core business:

There are many ancillary benefits to the NHS of teleradiology other than reporting capacity. The fact is that radiologists want a more flexible portfolio career that allows specialisation and teleradiology is a great way to do this.

Radiologists can augment their expertise in a specialism by focusing on particular types of reporting which benefits the NHS - almost 'on the job' training. Medica also provides a breadth of case load to develop experience in new areas and to keep up to speed reporting in fields where perhaps there are fewer cases during a consultant's day job in the NHS. Medica's clinical audit process is quite different from the NHS and is valued by our radiologists. They receive a different kind of feedback on their own reporting and we also share the best learning points from our data output. This helps develop their NHS practice and is an important benefit of working for Medica.

Medica working in partnership:

Medica's core business model relies on us 'doing well by doing good'. Only by offering the highest quality service to doctors and thereby their patients will we continue to grow.

Therefore, Medica has sought a partnership where we can provide more than just financial support and can leverage our network of reporters and expertise in our management team.

We live in a country where radiologists escaping conflict are driving us around London in the back of their cabs. Medica is in an early stage partnership with RefuAid; a UK-based charity that provides a scalable and sustainable solution to requalification for people in the UK who have fled war and persecution. This partnership will support refugee workers seeking a better life in the United Kingdom. Over the next 12 months, Medica and RefuAid will cement this partnership to help to support radiologists and radiographers who are refugees in the UK and are seeking financial support and advice on how to qualify and re-train to be able to work in the NHS system.

REFUAID CO-FOUNDER, TAMSYN BREWSTER, COMMENTED:

"We are excited about working with Medica as they can really help us to unlock the potential of these highly skilled medical experts who have experienced conducting their profession in very difficult environments including during conflict. Medica is providing funding, but also a sounding board for us to help navigate the pathways to getting these doctors back into the system which is beneficial for everyone"

MEDICA CEO, DR. STUART QUIN COMMENTED:

"RefuAid is an obvious partner for Medica. Every year, highly trained radiologists and radiographers arrive in Britain often from war-torn countries such as Syria. These are medical experts with huge experience of working in difficult conditions. The only barrier they have to gaining employment is often their language skills and the funds to take a conversion course to be registered to work in the NHS. Our support will help to do this, but also will allow these experts access to our network and in time, hopefully even employment opportunities to report with Medica"

About RefuAid:
(source: www.refuaid.org)

EMPLOYMENT: RefuAid provide access to employment opportunities in the UK. The Access Loan scheme provides people who have claimed asylum in the UK an opportunity to return to their previous career with an interest-free loan that covers the cost of requalification.

LANGUAGE: Having a class to go to gives people a safe place, structure and something to do. But it's more than that: language is the medium we use to express ourselves and the biggest barrier to integration. RefuAid are providing access to structured language tuition in schools throughout the UK and online.

EDUCATION: RefuAid support access to higher education in the UK. For so many who are forced to flee their homes access to education is one of the first things to be denied. We are restoring that for young people and supporting access to higher education.

OUR PEOPLE

Diversity

Our people are our most valued asset, they are vital to Medica's success and growth and we are proud of the mixture of talent and experience they bring. We strive to make Medica a great place to work and this enables us to attract and retain the best talent and provide the best service for both our clients and radiologists.

Medica has a firm commitment to equality of opportunity in all our employment policies, practices and procedures. Our recruitment and selection processes are geared to selecting the best candidate regardless of their age, gender, sexuality, full or part-time status, disability and marital status. We recognise that a diverse workforce will provide a wide range of perspectives that promotes innovation and business success. The Group has a formal equal opportunities policy to ensure no employee or applicant is discriminated against.

In 2019, we added 10 full-time employees to the team. At 31 December 2019, the Group had 106 full-time employees (including outgoing CEO) and 16 part-time staff of which 72 were male and 50 were female. Of the senior members of management, 5 are male and 1 is female.

Training and development

Training and development is an area of increased focus as we look ahead to 2020. Last year Medica brought together a wider leadership group that meet regularly and are taking increasing levels of responsibility for the development of the core business. In late 2019, Medica embarked on a bespoke senior management development programme which will continue into the current financial year. This underlines Medica's commitment to develop its own future leaders of the business. Medica has a good track record in this area as a number of current senior members of staff have successfully grown and developed in the business over many years.

In addition to leadership training, the Company is embarking on critical communications training for our service delivery teams and in time, this will be extended to our reporter community. The aim of this is to ensure that urgent cases continue to be dealt with as expeditiously as possible and to ensure that communication between the reporting team and our highly qualified radiologist and radiographer team focuses on delivering the right information at the right time. This training will not only develop the skills of Medica's internal team, but will also provide additional training that will hopefully be utilised by our reporters in their respective NHS hospitals.

More broadly there is a focus on individual development, including training and personal educational support. We are developing a skills framework for the full team to enable the sharing of skills to promote learning and development.

Employee engagement and culture

The performance culture at Medica has recently changed so that objectives are more clearly defined and SMART (Specific, Measurable, Attainable, Relevant, and Time-Bound). Coupled with this, we have reviewed the incentives scheme for all employees to align to annual objectives in a more transparent way. This process has increased employee engagement and is changing the culture to focus on performance of both financial and functional targets. This aims to balance the need to grow the business sustainably and profitably, with the need to ensure we deliver a consistently better service to customers and their patients. Additionally, accountability for performance is being shared more widely with the wider leadership group which is welcomed and builds greater engagement and drives a culture of performance in the business.

We ensure there are strong lines of communication through the wider leadership team and all members of the team are able to discuss matters with directors. We have two company newsletters; one for all staff and one specifically aimed at topics of interest for our reporters. We also ensure there is consultation on key policy changes. In addition, Non-Executive Director Jo Easton has met with groups of staff and one-on-one throughout the year to assess the level of employee engagement and culture.

We hold regular events for staff to thank them for their hard work and commitment and encourage support of national, as well as local charities in and around the Hastings area.

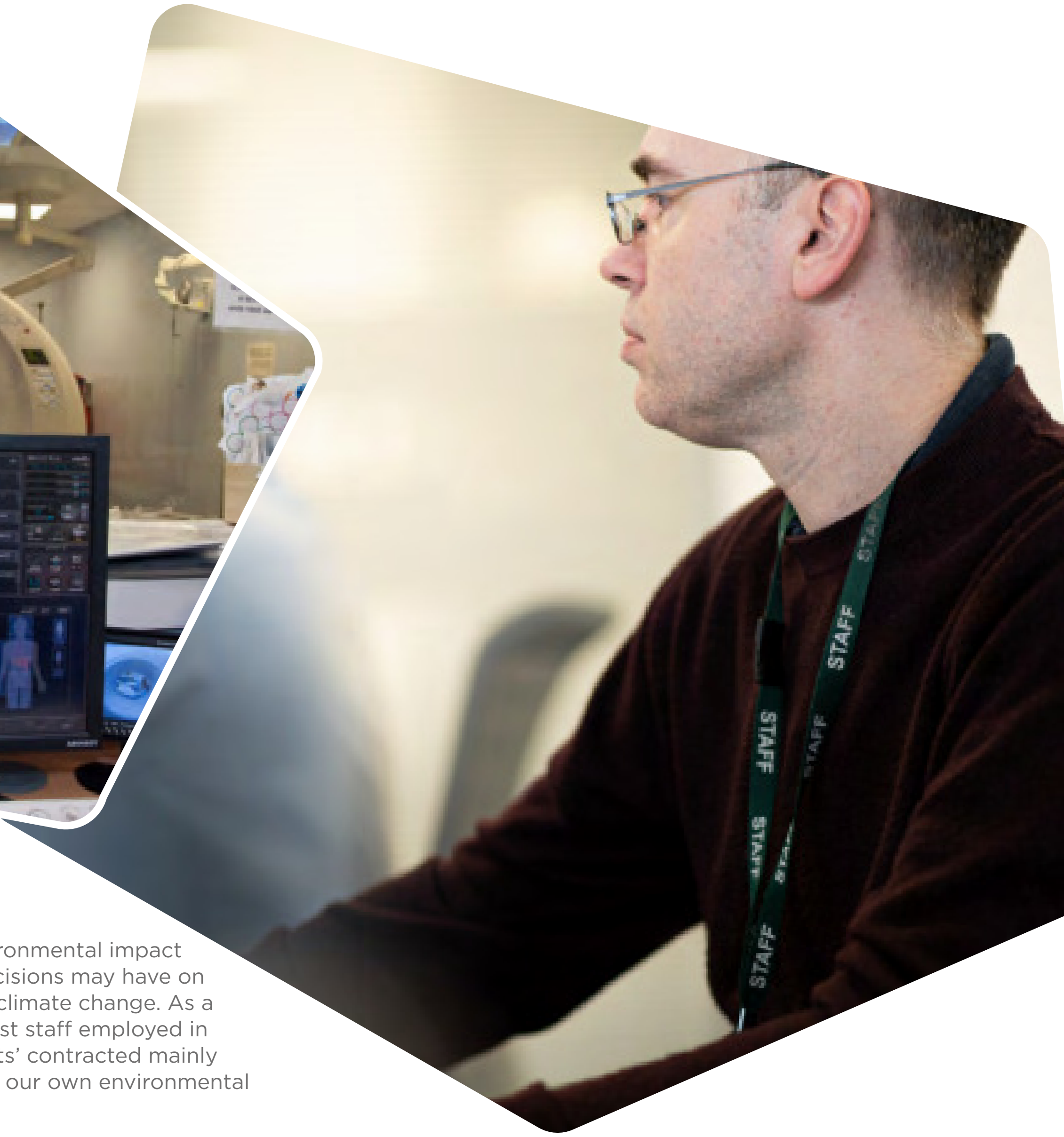
Recruitment and retention of radiologists

Our dedicated Recruitment team helps radiologists through the process whilst ensuring Medica contracts with the highest calibre of applicants. The recruitment process focuses on the needs of both stakeholders to ensure quality and work satisfaction which leads to a long-term relationship.

We have developed a retention strategy that covers all aspects of a radiologist's interaction with Medica. As well as a team that looks after radiologist training needs we have a Reporter Liaison team that deals with day-to-day queries and requirements and offer all radiologists 24/7 support. Overall radiologist management is overseen by our Clinical Governance team.

We have ongoing investment in a workflow programme to improve standardisation, efficiency and quality of service to all stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



Climate change

Medica actively considers its environmental impact and considers the impact that decisions may have on the environment and particularly climate change. As a technology-based Group with most staff employed in one office location and radiologists' contracted mainly from their own homes, we believe our own environmental footprint is small.

Medica moved to new premises this year that offer an increased amount of space per employee. This qualitative measure has been positively received by employees and underlines Medica's commitment to invest in its workplace environment to support the overall growth of the business

Greenhouse gas emissions

The Group has measured greenhouse gas emissions and has reviewed and applied the scope of the greenhouse gas protocol in accordance with the Companies Act 2006.

Scope 1: Direct emissions that result from activities within the Group's control in connection with the combustion of fuel.

Scope 2: Indirect emissions from any electricity, heat or steam the Group purchases and uses.

Scope 3: Any other indirect emissions from sources outside the Group's direct control.

The Group does not purchase or combust fuel directly so the Scope 1 emission for the year is zero. Scope 2 emissions are limited to the Group's head office building and the calculations are derived from electricity meter readings. The Scope 2 GHG emissions for 2019 are 6.0 tonnes (2018: restated 3.8 tonnes) of carbon dioxide equivalent. The Group has chosen this year not to make the voluntary disclosure for Scope 3 emissions.

Our greenhouse gas emissions have been calculated on a per full-time equivalent employee ratio. This intensity metric is the best measure available to the Group given the nature of the business, and the absence of a similar business to benchmark against.

The emissions per employee for 2019 are 0.05 tonnes (2018: restated 0.03 tonnes) of carbon dioxide equivalent.

Medica has an ambition to become carbon neutral and will develop concrete plans to make this a reality going forward. Although we measure scope 2, we are looking at ways to reduce our wider carbon footprint. An example of this is to reduce the number of servers we have at client premises by virtualising in our main data centre. As well as being more efficient and resilient this also reduces emissions.

A further example is that Medica has improved the efficiency of deployment of reporter workstations such that we can leverage existing delivery networks rather than deliver workstations ourselves. This will enable a more responsive service and at the same time will reduce Medica's carbon footprint by reducing duplicated logistics routes.

Improving clinical quality

Improving clinical quality is a key aim for the Company and the excellence of our clinical offering is consistently stated as a key reason for why our clients select Medica.

We do this through our clinical governance structure which comprises our full-time medical director and clinical advisers, the Medical Advisory Board and the Clinical Governance Committee. We operate a meticulous system of internal clinical audit, have developed an educational case programme for radiologists and have a number of radiographers in non-clinical senior management positions.

In late 2019, Medica affirmed its commitment to continually invest in quality by deciding to recruit a clinical director to support ongoing clinical quality improvements in the group. This individual has recently been recruited.

Improving patient outcomes

The whole team is proud to work for a company that makes a real difference to improving patient welfare and contributes to saving lives. Our core Nighthawk and routine services do this by providing high quality complex reports back to hospitals quickly to direct the care of the patient.

We are always looking to innovate and improve the quality of our services and recent examples of this are the investment in developing the stroke pathway and the major trauma pathway. Training mentioned above to improve critical communication is directly aimed to improve patient outcomes particularly in time-sensitive conditions such as stroke. Other examples are the development of the radiographer reporting service and the emphasis on new specialist services which widen the range of services provided to customers.

Human Rights

We operate in accordance with the Universal Declaration of Human Rights and take account of other internationally accepted human rights standards. We also promote human rights through our employment policies and practices, through our supply chain and through our services. Medica recognises its responsibilities to comply with all relevant legislation including the UK Modern Slavery Act 2015.

Anti-bribery and anti-corruption

We maintain and implement policies to ensure adherence to regulations on anti-bribery and anti-corruption and anti-money laundering.

IN FOCUS: DR. STUART QUIN, CEO

Q What were your main reasons for deciding to take the role of CEO at Medica Group?

A I saw and still do see Medica as a platform for diversified growth. I was impressed by the culture and proactive attitude of the team and the belief that Medica can achieve more in the future.

Medica is a people business at its heart, supported and enabled by fast-changing technology. Having spent most of my career in private equity I understand what can be achieved if you have a clear vision for a business and a committed and aligned management team that can deliver that vision. Medica has many of these components already and I see my role as taking these ingredients, adding others and being able to create an exciting business that generates strong, predictable returns and is an attractive place to work for both our reporters and service delivery teams.

Q What is your background in healthcare?

A During my career I have been fortunate to work across the spectrum of healthcare from a bench research scientist to the boards of large healthcare organisations. I have also worked internationally being based in the US, France and Germany, as well as directly managing companies across central and eastern Europe, the Middle East and West Africa. My career started researching malaria and then moved to strategy consulting advising the pharmaceutical and biotech industry. Following my MBA at INSEAD, I moved into venture capital and private equity investing in companies from medical devices to healthcare services. In 2010, I co-led the launch of a UK business focused on laboratory diagnostic testing in partnership with the NHS. I later left private equity to become CEO of this business and grew it by winning new NHS tenders and through a series of acquisitions, diversified the range of service offerings. My last role was regional CEO at SYNLAB, Europe's largest diagnostic labs company based in Munich.

This range of perspectives has really helped me to define what success looks like across healthcare and I hope to bring some of this experience to bear at Medica.

Q What were your experiences of working with the NHS prior to joining Medica and what did you learn from these experiences?

A I think that there are three core elements to a successful partnership with healthcare providers:

The first is never to compromise on quality. The service you provide must be at least as good, if not better than that which is provided in house. Only by delivering on quality will you build trust and only by building trust will you be successful.

Secondly, I don't believe in outsourcing for clinical services. Outsourcing to me is hands off and siloed. To be successful, providers must be integrated and act in partnership with clear, transparent and open communication.

Thirdly, the service needs to be cost effective. It is rather an understatement to say that the NHS is not in a steady state. Demands for ever more complex, costly, increasingly personalised services is driving cost upwards, but hopefully also driving more successful outcomes for patients. Partners bear a responsibility to innovate to make services more affordable, as well as increasing the quality of their output.

As CEO of SYNLAB in the UK and Ireland, I built a business that supported the NHS to make transformational change in the way in which it delivered pathology/laboratory testing services. I learnt that change is hard in highly matrixed organisations delivering patient care such as hospitals. Transformational change is even more difficult. Our model was to take multiple NHS laboratories and combine into a new state-of-the-art, high quality laboratory that SYNLAB built off site. To do this meant close collaboration and communication with a diverse range of stakeholders, including hospital executives, doctors, clinical commissioning groups, regulators and patient groups. Whilst challenging, the benefits of transformational change can be, well, transformational and in all cases we were able to demonstrate that the change was worth the investment in time and energy both financially for customers, as well as offering career opportunities for employees.

Q How do you find the difference between running a publicly listed and a private company?

A The underlying challenges and opportunities are broadly the same. The perception is that private companies have longer investment horizons, but I don't think that is necessarily the case. Our Board at Medica focuses on a five-year horizon the same as a private company. The difference is perhaps that there is typically a more diverse range of shareholders in a public company with different investment strategies and horizons, whereas in private equity you typically have good alignment around a single investment strategy and time commitment. Listed companies have ready access to capital, but this is also typically not an issue with private equity, although in the latter years of an investment, it may be harder to access this capital ahead of an exit, whereas listed companies don't have this pressure.

The Board plays an important role in both cases and having a diverse range of expertise that can be brought to bear to guide and support the strategy of the management team is critical.

Q What is your vision for Medica Group?

A I am excited by the future potential of Medica Group. This is a company that has consistently grown year on year since IPO.

As part of my first few months we analysed in detail the underlying core business and refreshed our strategy to ensure that we can continue to support the robust growth and development of the Company.

My vision is to continue the fast growth at Medica and look to build a diversified leader in digital health.

To do this, we must attract the best people to work for us: both in terms of reporters and the service delivery and technical teams based in Hastings.

As the Company grows, it will generate significant resources which can be used to invest further in the core business, as well as to fund investment in new services and diversification including potentially M&A.

Q What are the biggest challenges and opportunities for Medica Group?

A I think the biggest challenges are also our biggest opportunities! There are two in particular that require focus and attention:

1) Fast evolving systems and technologies: we need to keep ahead of the market to continue to offer fast and efficient allocation of studies to our reporters in an environment that they want to report in. We need to adopt Augmented Intelligence solutions in a careful and considered way that does not compromise quality and with the support of patients and doctors.

2) Sustaining our pace of growth in existing and new areas: Medica has an exciting opportunity to grow and develop in new markets, but this requires investment, the right people and perseverance. I have no doubt that Medica will achieve this and am excited about these new opportunities.

IN FOCUS – CLINICAL GOVERNANCE AND REPORTER MANAGEMENT

We spoke with Julie West, Head of Governance and Compliance at Medica about Clinical Governance and radiologist management.

Q Tell us about yourself Julie.

A I am a diagnostic radiographer by profession, and I joined Medica in January 2013 having worked in the NHS for 13 years. I manage the Clinical Governance and Compliance teams who are responsible for the management of discrepancies, audit facilitate the independent whole practice and designated body appraisal processes and manage our client queries.

The team's mission is to ensure a high standard of clinical reporting.

Q What has changed during your time at Medica?

A Wow! I have been here for almost seven years and in that time a lot has changed, as you would expect in an organisation that is continually looking to improve their service. The role has becoming increasingly challenging, mainly due to the increase in the number of reporters we now manage. I think when I joined there were about 80 reporters and we now have over 450 to actively manage! Due to this seismic shift in numbers we have made changes to the clinical structure in order to manage this. The Clinical Governance team increased from two to eight staff in that period and we added a Clinical Appraisal team and developed a Clinical Leadership structure.

We have made significant changes to operational processes in this time, including the development of a full audit review process which includes the production of guidelines for reporting and auditing, and an effective method of quality assuring our auditors. We worked closely with internal teams to set up credentialing of sub specialist reporters to ensure that we always have the right reporter assigned to the right exam, first time.

We have also scaled up our offices, moving twice during my time here to accommodate our huge growth in this period.

Medica became a Designated Body under the Responsible Officer Regulation in 2012. This provided a clear framework for the clinical governance structure that operates in Medica today. The outcome is that the Company Board and external stakeholders can gain confidence that the clinical governance is sound. Medica aims to support its reporters through this process and provide a safe effective environment in which their practice can flourish.

Q Who is responsible for the quality of service delivered by Medica?

A Everybody. Seriously, everybody has their part to play. Accountability really sits with our medical director and the Clinical Governance team, but it is true to say that every single person in the business has their part to play in maintaining the quality of service that we deliver.

Q How does Medica ensure it is delivering and maintaining a high level of quality?

A This process starts before a reporter has even joined Medica through our strict selection criteria and recruitment process ensuring that the reporters are fit to practice, fit for purpose and that their workload will be appropriate and manageable.

Once a reporter has been approved and gone through our recruitment process, they will then be subject to a clinical reporting audit programme including a 100% entry audit and an ongoing audit of at least 2% of all their work.

Then we arguably go further than would be considered best practice, by providing a supportive environment for our reporters with learning feedback loops through monthly educational case reviews, and regular client feedback to facilitate learning and development for our reporters.

Although we have to quality assure reports, we all have a level of responsibility to support our reporters so that they are working within their level of expertise and safely. We want to manage our reporters but do it in a responsible way by supporting them.

Q In your view what are the greats strengths of the clinical set up at Medica?

A I think that it is the breadth of knowledge and experience that we have developed across our Clinical Leadership team. This proves invaluable across the business, from the set up of the service through to the management of reporters and is something that I don't think can be matched in our market.

Q Is this model of clinical management unique in the market?

A We hear feedback from our reporters all the time that our clinical management is superior to what they are used to. I personally think that it is our level of ongoing background audit, the standard to which we audit our own auditors, and the positive learning feedback culture that we promote which makes us unique in the UK market.

Q How different is the way Medica manages its reporters compared to the NHS?

A With Medica, reporters are audited continuously and results are shared with reporters on a monthly basis. This is probably not something that NHS reporters will be used to, mainly due to a lack of resource to dedicate to this. The other thing that makes us different is the learning culture that is now inherent at Medica, where reporters learn from discrepancies shared through educational case reviews. Medica then uses key learning points from clinical events to develop 'Best Practice' guidelines which are shared with every Medica reporter.

Medica also provide an Independent Sector Whole Practice Appraisal document for NHS reporters to take to their appraisal, which will supplement their NHS appraisal and support and quality assure a reporter's portfolio career.

Q Do Medica reporters find it easy to adapt to this difference in management?

A I think that due to the thorough nature of our management they certainly do notice a difference; however, most of the feedback from our reporters suggests that they will not have acquired audit data from their NHS trust and that it is good to know how they are performing and where they can improve their practice. Some reporters have commented that, due to discrepancy feedback, they are reporting to a higher standard than previously which has improved not only their Medica practice but their day-to-day reporting in the NHS too.

Q What do the hospital trusts say about the way we manage our reporters or is it a bit of an 'unseen' benefit?

A Our reporter management process is commented on positively by the hospitals that we provide service to. It gives them comfort that we are a well governed organisation and that they are happy for their patients to receive reports from Medica reporters.

GOVERNANCE

BOARD OF DIRECTORS

ROY DAVIS

Independent Chairman

Roy is the Company's Chairman. Roy served as the chief executive officer of Optos PLC, a leading ophthalmology medical device business, from 2008 until June 2016 when he stepped down following that company's acquisition by Nikon. Before joining Optos, he served from 2007 as chief executive officer of Gyrus Group PLC, a leading medical device company, prior to its acquisition by the Olympus Corporation of Japan in 2008, having previously served as chief operating officer of Gyrus from 2003.

Prior to this, Roy was CEO of NTERA, a nanotechnology company, and spent almost ten years with Arthur D Little, the global management consulting company, where he was vice president and global head of its operations management business. He has also held senior positions with Tricom, Reuters and Molex. Roy holds a mechanical engineering degree from the University of Southampton and an MBA from the London Business School.

DR STUART QUIN

Chief Executive Officer

Stuart joined Medica Group in September 2019 from SYNLAB, the international laboratory diagnostic services provider, where he was regional chief executive of Central and Eastern Europe, Middle East and Africa. Previously, he was SYNLAB's group chief commercial officer and chief executive of its operations in UK and Ireland. Stuart brings a track record of delivering significant growth both in the UK and internationally and has extensive experience of working in partnership with the NHS. During Stuart's tenure in the UK he expanded the business by winning new diagnostic service contracts and through the acquisition of four companies that significantly diversified Synlab's service offering into drug and alcohol, specialist food and veterinary testing.

Prior to joining SYNLAB, Stuart worked in private equity as a director at August Equity and for seven years at 3i in the UK and Germany where he focused on investing in healthcare. Stuart also spent four years at Accenture in the US and UK as a manager in the health and life sciences strategy consulting practice.

STEVE WHITTERN

Senior Independent Non-Executive Director

Steve currently serves as finance director of Dignity PLC, the only listed provider of funeral-related services. He joined Dignity in 1999 from KPMG and was appointed finance director at the beginning of 2009, having spent the previous two years as financial controller, being responsible for the Group's finance function. During his time with Dignity, Steve has led various leveraged refinancings and returns of capital as well as managing the debt and equity funding for a £58m acquisition in 2013. He is a FCA and holds a mathematics degree from Warwick University.

JO EASTON

Independent Non-Executive Director

Jo joined De La Rue PLC in 2013 and was appointed to her current role, group director of HR, in 2014. De La Rue provides products and services in the supply of Cash, Citizen Identity and Product Authentication & Traceability and works with governments and commercial organisations across the world. Prior to joining De La Rue, Jo spent six years at Associated British Foods PLC working in the Twinings business in an international HR role with responsibilities across the UK, Asia and Europe. Previous experience includes HR roles involving major change and business transformation with Aviva and Zurich Insurance and in telecommunications at BT PLC where Jo started her career.

PROFESSOR MIKE BEWICK

Independent Non-Executive Director

Having started his career in hospital medicine (specialising in oncology), Mike became a general practitioner in 1989 and was a partner in a local GP practice in Cumbria for 20 years until 2009. Alongside his general practice, he developed an interest in education and assessment and became a senior examiner and chair of assessment at the Royal College of General Practitioners. In 2008, he was recruited to be the medical director for the Cumbria Primary Care Trust, subsequently serving as regional managing director for NHS England, and in 2013 became the national deputy medical director for NHS England, reporting to Sir Bruce Keogh. Mike took early retirement from the NHS in 2015. He undertook his pre-clinical and clinical studies at St Mary's Hospital Medical School, London.

DR STEPHEN DAVIES MA, FRCP, FRCR

Medical Director and Responsible Officer

Stephen joined Medica in May 2013 as medical director. He has responsibility for clinical governance and oversight of the Clinical Strategy, and is the Group's Responsible Officer under the GMC Designated Body Scheme. Stephen was a NHS consultant radiologist at Cwm Taf University Health Board from 1991 until 2016. Stephen is a non-executive trustee of the College of Radiographers, a position which is non-remunerated and which he has held since 2017.

Stephen undertook pre-clinical studies at Cambridge and his clinical studies at The Royal London Hospital. He is a past president of both the British Institute of Radiology and the UK Radiology Congress. In October 2015, he was awarded the Distinguished Service Medal by The British Institute of Radiology. He has had educational leadership positions as associate dean in the University of Wales and educational engagement with the Royal College of Radiologists.

ANTHONY LEE

Chief Financial Officer

Tony is a Chartered Accountant with over a decade of experience in the independent medical sector. Having joined Medica in 2009 he played a key role in supporting the transition of ownership from Nuffield Health to private equity ownership.

Appointed as finance director and company secretary as part of the 2013 MBO Tony strengthened the finance and back end administration functions to support sustained and rapid year on year growth. After a period of successful private ownership, Tony played a pivotal role in transitioning the business from private equity ownership to listed status in March 2017. Since 2017 Tony has served as a member of the PLC Board in his role as chief financial officer.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The following sections explain how the Company applies the main provisions set out in the UK Corporate Governance Code 2018 (the Code) issued by the Financial Reporting Council (FRC), as required by the Listing Rules of the Financial Reporting Council (FRC) and meets the relevant information provisions of the Disclosure and Transparency rules of the FCA.

The corporate governance report covers:

- The Group's governance principles and structure
- The composition and role of the Board and its committees
- Relations with the Group's shareholders
- The reports of the Audit and Nomination Committees
- The Remuneration Committee report and policy.

The Group's principal and emerging risks and uncertainties are described on pages 36 to 39. The directors' report on pages 58 to 61 also contains information required to be included in the statement of corporate governance.

STATEMENT OF COMPLIANCE

This report details how the Group has applied the principles of the Code. The Group has complied with the principles and provisions of the Code for the year ended 31 December 2019.

GOVERNANCE PRINCIPLES

Good governance is important at all levels in the organisation and the Board is committed to maintaining the highest standards for the Group. All shareholders and other stakeholders should have confidence in the governance of the Group and the Board has adopted the core Governance principles as set out in the Code.

Leadership and purpose – The Board is collectively responsible for the promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board sets the Company's purpose, values and strategy, ensures necessary resources are in place and monitors performance. The Board ensures effective engagement with shareholders and other stakeholders, including the company's workforce.

Division of responsibilities – the Board operates according to the principles of sound governance with an appropriate combination of executives and non-executives and a clear division of responsibilities.

Composition, succession and evaluation – The Board is committed to be strong, open and effective and will maintain the appropriate balance of skills, experience, independence and knowledge of the Company. The Board is committed to diversity and ensures all appointments are subject to a formal, rigorous procedure. The Board is subject to an annual evaluation.

Audit, risk and internal control – The Board will present a fair, balanced and understandable assessment of the Group's position and prospects and will ensure the implementation and measurement of effective controls and risk management. The Board reviews the independence and effectiveness of the Company's external auditors and satisfies itself on the integrity of the financial statements.

Remuneration – The Board will ensure executive remuneration is designed to promote the long-term success of the Group and that a formal and transparent procedure for developing policy on executive remuneration is adhered to.

THE ROLE OF THE BOARD

The Board are collectively responsible to shareholders for the overall direction of the Group. The Board's primary aim is to promote the long-term success of the Group whilst ensuring the highest standards of corporate governance.

The Board are responsible for:

- Overall leadership of the Group;
- Setting and reviewing strategic aims and objectives of the Group;
- Oversight of the Group's operations including management, planning and operating systems;
- Monitoring and management of key business risks and internal controls;
- Approving annual budgets and reviewing performance against aims and objectives;
- Approval of significant financial expenditure, including mergers and acquisitions;
- Approval of structural changes to the Group;
- Approval of Board membership and other senior management appointments or management structural changes;
- Proposing and making dividend payments to shareholders.

The Chairman

The chairman is responsible for chairing the Board meetings and setting the agenda to ensure that all important matters are discussed. The chairman ensures the Board functions effectively in all aspects of its role, upholding and maintaining the highest levels of integrity, probity and corporate governance. The chairman facilitates the contribution of non-executive directors and ensures there is effective communication with stakeholders.

The Chief Executive and other Executive Directors

The chief executive and other executive directors are responsible for the operational management and control of the Group. The executive team formulate and propose strategy to the Board and implement the strategy once it is adopted by the Board.

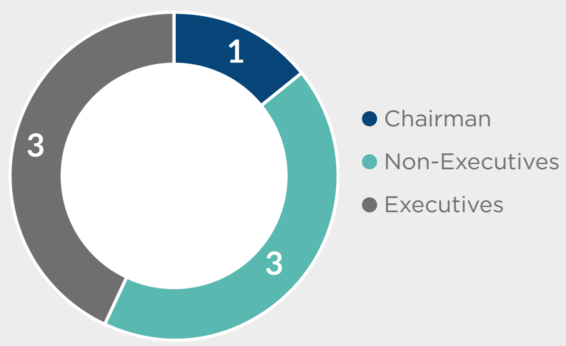
Non-Executive Directors

The non-executive directors are responsible for scrutinising, measuring and reviewing the performance of the executive team. Non-executive directors assist in the development and review of the performance, strategy, financial management and risk management systems for the Group. There are four non-executive directors.

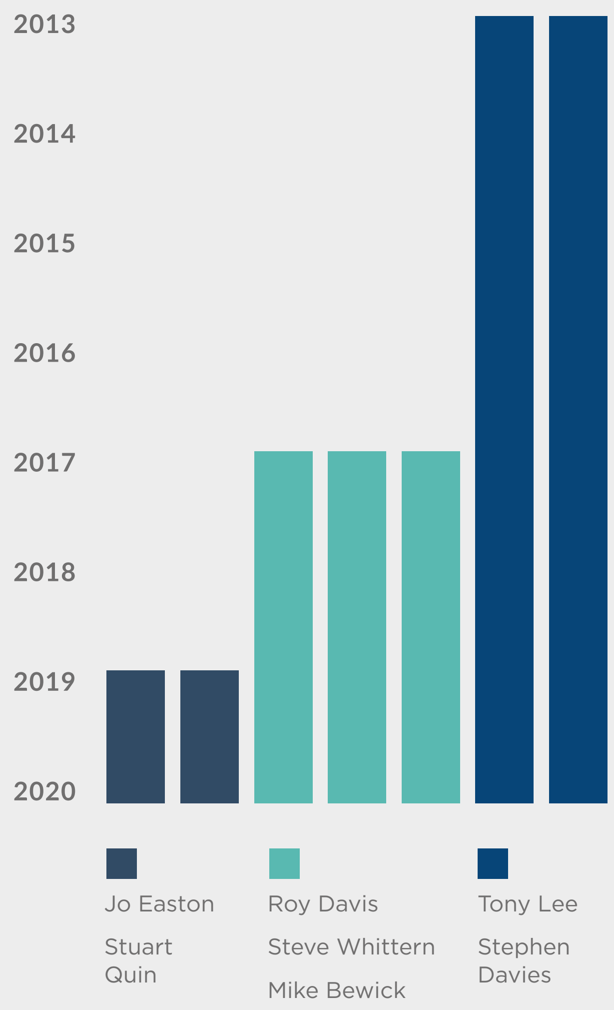
Senior Independent Director

The senior independent non-executive provides a sounding board for the chairman and acts as an intermediary for other directors if needed.

BOARD COMPOSITION



BOARD TENURE



CORPORATE GOVERNANCE REPORT

KEY BOARD ACTIVITIES DURING THE YEAR

Strategy and direction

- Held series of workshops with executive team and senior management to determine the future strategy of the business
- Developed refreshed strategy to support development of the core business and future diversification
- Held a strategy day with the Company Board to review and endorse the revised strategy
- Reviewed and approved 2020 budget and long-term plan.

Stakeholder engagement

- Appointed Jo Easton as non-executive director responsible for workforce engagement
- Received investor feedback from the executive directors throughout the year, particularly following results announcements and investor roadshows
- Received monthly reports on shareholder composition and analysis of significant changes to the shareholder register during the year
- The chairman met with a number of the Group's larger shareholders during the year.

Governance and risk

- Revised process for managing risk
- The Board kept key risk areas under constant review and upon approval of the Group's interim and full year results
- During the year regular updates were received by the Board on specific areas of clinical risk and clinical litigation as well as on cyber security.

Performance monitoring

- Reviewed monthly updates on the business performance in relation to analyst forecasts and business plan
- Reviewed monthly updates on the market and commercial opportunities as well as recruitment activities and other key performance indicators.

There are three standing Committees of the Board: the Audit Committee; the Remuneration Committee; and the Nominations Committee. The terms of reference for the Committees are available on the Medica Group website and their reports are set out on pages 62 to 73.

Board key responsibilities

- Overall leadership of the Group;
- Setting and reviewing strategic aims and objectives of the Group.

The Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, risk management and internal control, ensuring compliance with UK reporting standards.

Remuneration Committee

The Remuneration Committee is responsible for the development and implementation of the Group's remuneration framework and policies for directors and to ensure that these support the strategic aims of the business while also complying with the requirements of regulation.

Nomination Committee

The Nomination Committee is responsible for the structure of the Board, providing advice on Board and senior management appointments and succession planning and monitoring the composition of the board and its Committees.

BOARD COMPOSITION AND INDEPENDENCE

At the date of this report the Board comprises three executive directors and four non-executive directors. The profiles of all directors are detailed on pages 50 to 51 and the Board considers that the directors and senior management team have the appropriate skills and experience.

The Company regards Roy Davis, Steve Whittern and Professor Mike Bewick, each of whom were recruited at the time of the Company's initial public offering, and Jo Easton who joined the Board in 2019, and have had no prior association with the Group, as "independent non-executive directors" within the meaning of the UK Corporate Governance Code, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The senior independent director has an important role on the Board in leading on corporate governance issues and being available to shareholders if they have concerns which contact through the normal channels of the chairman, chief executive officer or other executive directors has failed to resolve, or for which such contact is inappropriate. Steve Whittern has been appointed as the Company's senior independent director.

The Board is satisfied that all directors are able to allocate an appropriate amount of time to meet their obligations as directors.

It is the Company's current intention that each of the directors will stand for re-election each year. All of the directors retired and were re-elected at the 2019 Annual General Meeting.

BOARD OPERATION

There were ten scheduled Board meetings in 2019, including one meeting dedicated to the consideration of the Group's strategy. Additional meetings can be arranged at short notice at the request of any director. In addition to scheduled Board meetings, there is a regular informal dialogue between all directors.

Directors receive Board papers in advance of meetings to allow sufficient time for review and consideration so that they can make informed decisions at Board meetings. Directors receive monthly management and financial reports on the operational and financial performance of the business, setting out actual and forecast financial performance against approved budgets and other key performance indicators.

The Board regularly receives updates on clinical and regulatory matters from the medical director. The Board complies with its obligations to NHS England as a Designated Body with the medical director also the Group's responsible officer.

The Board also receives copies of broker reports and press information relating to the Group.

When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Such views can be included in the minutes of the meeting if necessary.

The minutes of Board meetings are taken by the company secretary and are approved at the next meeting.

All directors have received training on their duties and responsibilities as directors of a public company. All directors are able to request access to additional training as appropriate and all directors are able to take independent professional advice relating to their duties if necessary, at the Company's expense.

BOARD AND COMMITTEE ATTENDANCE

The attendance of board members at meetings are shown below. The attendance of executive directors at committee meetings was by invitation. The company secretary is also secretary to each of the committees.

	Board	Audit	Rem	Nom
Total meetings	**10**	**3**	**4**	**5**
Roy Davis	10	3	4	5
Steve Whittern	9	3	4	5
Mike Bewick	10	2	4	5
Jo Easton	7	1	2	1
John Graham	6	1	2	5
Stuart Quin	3	2	2	0
Stephen Davies	8	n/a	0	3
Tony Lee	10	3	4	5

Stuart Quin and Jo Easton attended all possible meetings following their appointment as directors.

ACTIVITIES OF THE BOARD

The Board has focused on its core areas of responsibility and the key activities for the year are set out below.

Strategy and direction

During 2019 the Board reviewed and monitored the Group's performance against the core strategy outlined in detail in the Group's prospectus prior to admission and subsequent Annual Reports.

On 1 September 2019 Dr. Stuart Quin replaced John Graham as the CEO of Medica Group and with the executive team undertook a review of the Group's capabilities, performance and strategy. Whilst the strategy of continuing to grow the core business through established methods remains, the review did present opportunities for improvement and development.

In November the Board, together with members of the senior management team, held a meeting to review and assess the business strategy and the wider opportunities and risks for the business. The Board reviewed and approved the budget for 2020 and the longer term business plan.

Performance monitoring

The Board reviewed monthly updates on the business performance in relation to analyst forecasts and business plan. The Board reviews monthly updates on the market and commercial opportunities as well as recruitment activities and other key performance indicators.

Stakeholder engagement

The Board received investor feedback from the executive directors throughout the year, particularly following results announcements and investor roadshows. The Board received monthly reports on shareholder composition and analysis of significant changes to the shareholder register. During the year the chairman met with a number of the Group's larger shareholders.

The Board continued the process of engagement with other stakeholders and appointed Jo Easton as the non-executive responsible for workforce engagement.

Governance and risk

The Board keeps key risk areas under constant review, with a detailed review performed upon approval of the Group's interim and full year results. During the year, the risk management framework was developed and improved. Regular updates were received by the Board on specific areas of clinical risk and clinical litigation, as well as on cyber security. The principal risks and uncertainties are included in the financial review on pages 36 to 39.

BOARD EVALUATION

After the year end, the Nominations Committee coordinated an internal self-assessment board evaluation. Directors were invited to provide feedback, via the company secretary on board and committee performance and answer key questions relating to the Board's strengths, improvements during the year and areas for additional focus.

The evaluation concluded that the Board and its committees continue to operate effectively with strong individual contributions from executive directors, open constructive debate and a good balance of support and challenge from non-executives.

In 2020 the Board is engaging with an external consultant to provide a Board evaluation as required under the Corporate Governance Code.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining a sound system of internal controls, including financial, operational and compliance controls and risk management, and reviews the effectiveness of the system at least annually in order to safeguard shareholders' investment and the Company's assets. The system is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and that this process is regularly reviewed by the Board. The Board has reviewed the effectiveness of the system of internal control and the process for identifying and evaluating the significant risks affecting the business, and the policies and procedures by which these risks are managed. Management are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls.

The Audit Committee reviews the scope of audits, the half yearly and annual financial statements (including compliance with legal and regulatory requirements) and reports to the Board on financial issues raised by the audit reports. Financial control is exercised through an organisational structure which has clear management responsibilities with segregation of duties, authorisation procedures and appropriate information systems. The system of annual budgeting with monthly reporting and comparisons to budget is a key control over the business and in the preparation of consolidated accounts.

The principal risks and uncertainties are included on pages 36 to 39.

RELATIONSHIP WITH SHAREHOLDERS

The Group recognises the importance of clear communication with shareholders. Regular contact with institutional investors, fund managers and analysts is maintained by the chief executive and the chief financial officer to discuss information made public by the Group. The Board receives reports of these meetings and any significant issues raised are discussed by the Board. Where appropriate, or if requested, such meetings could include either or both of the chairman or senior independent director.

The chairman is also available to discuss governance and strategy matters with the major shareholders and has met with a number of them during the course of the year.

The AGM provides an opportunity to discuss matters with the Board and this year the intention is to hold the AGM remotely. All shareholders are free to put questions to any director and, in particular, the chairman of each of the Board committees at the AGM on 20 May 2020. At least 20 days' notice will be given ahead of that meeting. The Annual Report and Accounts are made available to all shareholders at least 20 days before the AGM.

The Board may, subject to the UK Companies Act 2006 and the passing of the appropriate resolutions at a General Meeting, issue shares within the limits prescribed within the resolutions. At the 2019 AGM held on 22 May 2019, the directors were authorised to issue new ordinary shares, (i) up to a maximum of £148,148.16 nominal value (which at the time represented approximately two thirds of the Company's issued ordinary share capital) in connection with a rights issue and (ii) in any other case, up to a maximum of £74,074.08 nominal value (which at the time represented approximately one third of the Company's issued ordinary share capital) and to disapply pre-emption rights up to approximately 5% of the Company's issued ordinary share capital, and an additional 5% authority only in connection with an acquisition or specified capital investment.

In addition, at the Company's 2019 AGM, the Board was authorised to make market purchases of its ordinary shares, up to a maximum of 11,111,111 ordinary shares representing approximately 10% of the Company's issued ordinary share capital, and within the limits prescribed in the resolution until the earlier of the conclusion of the Company's 2019 AGM and 27 September 2019. These authorities are renewed annually and authority will be sought at the Company's 2020 AGM.

Substantial shareholdings of three percent or more that have been notified to the Group are disclosed in the directors' report on pages 58 to 61.

SUMMARY

The directors consider that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model, risks and strategy. In order to assess whether the Annual Report and Accounts were fair, balanced and understandable, the Board received an early draft to enable time for review and comment. The Audit Committee then met to consider the criteria for a fair, balanced and understandable Annual Report and to review the process underpinning the compilation and assurance of the report, in relation to financial and non-financial management information. At the meeting they considered the Annual Report and Accounts as a whole and discussed the tone, balance and language of the document, being mindful of the UK reporting requirements and consistency between narrative sections and financial statements. As part of the process the Board considered the Group's reporting governance framework and the views of the external auditor as reported to the Audit Committee.

By order of the Board

ANTHONY LEE,
COMPANY SECRETARY

6 April March 2020

DIRECTORS' REPORT

The directors are pleased to present their report to shareholders and the audited financial statements for Medica Group PLC and its subsidiaries for the year ended 31 December 2019. The company registration number of Medica Group PLC is 08497963. The principal activity is that of teleradiology and the business model is set out on pages 6 to 11.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent financial statements for each financial year.

Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 101 "Reduced Disclosure Framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs and UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Parent Company financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Board of Directors of Medica Group PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172 (a-f) of the Act) in the decisions taken during the year ended 31 December 2019 and the Company's strategic plan.

There has been no change to the business model or core relationships with stakeholders during the year and no decisions to do so have been made. The key decision during the year was the appointment of a new CEO and for the team to conduct a review of the business strategy.

The key outcome of this has been to continue to invest in the core business to improve the service to clients and their patients and to improve workflow which will be beneficial to our reporters. All staff have been encouraged to engage with the review and provide feedback and there has been good communication throughout the business.

- Our plan is designed to have a long term beneficial impact on the Company and to contribute to its success, by improving and enhancing our teleradiology services to the benefit of our clients and their patients. The business will continue to be managed within budgetary controls but with an emphasis in growth and innovation
- Our employees are fundamental to the delivery of our strategy. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is one of our primary considerations in the way we do business
- We are regulated by the Care Quality Commission and aim to provide the best possible clinical service to our client's patients. Our strategy is informed by close communication and interaction with our clients and our services are ultimately for the benefit of patients. In addition, our strategy has been developed with input from our reporters and a key element of our strategy is to enhance our capacity through close relationships with our reporters
- Ultimately our service has a social benefit of improving healthcare provision to patients and we also consider wider social and environmental implications of our business
- As the Board of Directors, our intention is to behave responsibly and ensure that the business operates in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours (see pages 52 to 57)
- As the Board of Directors, our intention is to behave responsibly towards our shareholders and treat them fairly and equally so they may benefit from the successful delivery of our strategy.

ENGAGEMENT WITH SUPPLIERS AND CUSTOMERS

The directors have considered the need to continue to foster business relationships with suppliers and customers throughout the year. There have been no significant decisions that have changed the relationships with suppliers or customers, and the strategic plan has had input from our reporters as we engage with them to improve workflow, and from clients as we engage with them to continue to focus on turnaround times and quality. Medica's operational teams are in contact with clients and reporters every day. In addition, we have a dedicated account management team that discuss performance with clients and hold regular review meetings. Our service delivery team include a dedicated reporter team that adopt a similar approach with our reporters. Our other key suppliers are technology, and this is managed through regular dialogue with our technical team. Information relevant to our strategy on engagement with suppliers and customers are detailed in the CEO report in the strategic report on pages 26 to 31.

PRINCIPAL AND EMERGING RISKS AND UNCERTAINTIES

The principal and emerging risks and uncertainties are set out on pages 36 to 39.

RESULTS AND DIVIDENDS

The results for 2019 are set out in the financial statements on pages 82 to 111.

An interim dividend of 0.85 pence (2018; 0.75 pence) per Ordinary Share was paid to shareholders on 25 October 2019. In light of the uncertainty surrounding the impact of COVID-19 the Board has not proposed a dividend for the year and the decision to pay a dividend will be deferred until later in the year once the Board has more clarity.

REVIEW OF THE PERIOD

A comprehensive analysis of the Group's progress and development is set out in the strategic report on pages 1 to 47 which includes the chairman's statement, chief executive's review and financial review. This analysis includes comments on the position of the Group at the end of the financial period.

SIGNIFICANT EVENTS AFTER THE YEAR-END

There have been no significant events after year end.

CAPITAL STRUCTURE

The Company's share capital is divided into 111,111,114 ordinary shares of £0.002 each with voting rights.

SUBSIDIARIES AND BRANCHES

The Group has one overseas subsidiary, Medica Australia Pty Limited which was incorporated on 6 March 2019. It is a wholly owned subsidiary of Medica Reporting Limited.

SIGNIFICANT SHAREHOLDINGS

As at 31 December 2019 and 31 March 2020, the directors were aware of the following interests in 3% or more of the voting rights of the issued Ordinary Share capital. These shareholdings are as notified to the Company through a TR-1 as per the listing rules.

	As at 31 December 2019		As at 31 March 2020	
	Number of Ordinary Shares in issue held	Percentage of Ordinary Shares in issue	Number of Ordinary Shares in issue held	Percentage of Ordinary Shares in issue
Liontrust Investment Partners LLP	12,960,650	11.67%	13,346,093	12.01%
M&G Plc	10,805,037	9.72%	10,805,037	9.72%
Strategic Equity Capital Plc	6,728,538	6.05%	6,728,538	6.05%
GVQ Investment Management Limited	6,255,038	5.63%	6,255,038	5.63%
Artemis Investment Management LLP	5,568,394	5.01%	5,568,394	5.01%
River and Mercantile LLP	5,698,475	5.13%	5,517,030	4.97%
Standard Life Aberdeen plc	5,029,392	4.53%	5,029,392	4.53%
BGF Investment management Ltd	-	0.00%	4,561,000	4.11%
Hargreave Hale Limited	4,316,965	3.89%	4,316,965	3.89%
The Independent Investment Trust plc	4,000,000	3.60%	4,000,000	3.60%
CBPE Nominees Limited	7,270,551	6.50%	n/a	n/a

RELATED PARTY TRANSACTIONS

Details of all related party transactions are set out in note 27 to the financial statements.

CO_2 EMISSIONS

The Group's CO_2 emissions are disclosed on pages 40 to 43 of the corporate social responsibility report within the strategic report.

DIRECTORS' INSURANCE

The Group maintains appropriate insurance cover in respect of any legal action against its directors including in respect of the prospectus issued for the initial public offering.

CORPORATE GOVERNANCE

The directors' statement on corporate governance is set out on pages 52 to 57 and forms part of this report.

GOING CONCERN ASSESSMENT

The consolidated financial statements have been prepared on the going concern basis on the assumption that the Group continues in existence for the foreseeable future. The directors of Medica Group PLC have assessed the current financial position of the Group, along with future cash flow requirements, to determine if the Group has the financial resources to continue as a going concern for a period of at least 12 months from the approval of the accounts. The directors have concluded that the Group will be able to continue in operation and meet its liabilities as they fall due for the foreseeable future and are satisfied that it is appropriate to adopt the going concern basis of preparation in the financial statements.

The directors have considered the risks in respect of COVID-19 in making this assessment and have reviewed severe but plausible scenarios that could impact the Group's finances. Whilst there may be disruptions, the directors believe the Group's services will continue to be needed to support the NHS.

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the directors have assessed the viability of the Company over an 18-month period to 30 June 2021. Previously, the viability had been assessed on a three-year period and the directors had intended to extend this to five years, as the strategic review considered by the Board encompassed this period. However, in light of the uncertainty surrounding the impact of COVID-19 the directors have reduced the period of assessment to 18 months. In making their assessment, the directors have considered the Group's current financial position and performance, cash flow projections, including future capital expenditure, in relation to the availability of finance and funding facilities and have considered these factors in relation to the principal risks and uncertainties which are included in the directors' report.

During the year to 31 December 2019, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The directors believe that the Group is well placed to manage its business risks successfully, having taken into account the Group's principal risks and uncertainties. Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 30 June 2021.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

FUTURE OUTLOOK

The strategy of the business is set out in the chief executive's review on pages 26 to 31.

ANNUAL GENERAL MEETING

Medica's Annual General Meeting is scheduled to take place on 20 May 2020.

DIRECTORS

The directors who served during the year were as follows:

Roy Davis	
Steve Whittern	
Professor Michael Bewick	
Jo Easton	**Appointed 22 April 2019**
Dr Stephen Davies	
John Graham	**Resigned 30 August 2019**
Anthony Lee	
Stuart Quin	**Appointed 1 September 2019**

Seven of the above directors are male, one is female.

AUDITORS

The auditors Grant Thornton UK LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 6 April 2020 and signed on its behalf.

ANTHONY LEE,
CHIEF FINANCIAL OFFICER

REPORT OF THE AUDIT COMMITTEE

Key achievements

- Approval of financial statements in 2018 Annual Report
- Review of 2019 audit plan
- Approval of 2019 interims
- Review of forecasts and going concern
- Review of independence and effectiveness of auditors
- Review of risk management structure and process

Areas of focus in 2020

- Review of 2020 financial statements and interims
- Review of 2020 audit plan
- Review of Company forecasts, going concern and viability statement
- Review of independence and effectiveness of auditors

INTRODUCTION

The Audit Committee assists the Board in discharging its responsibilities in relation to financial reporting, risk management and external and internal controls. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board. The Audit Committee gives due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules.

The Committee works with the full Board to fulfil its oversight responsibilities. Its primary functions are to:

- Monitor the integrity of the financial statements and other information provided to shareholders to ensure they represent a clear and accurate assessment of the Group's position, performance, strategy and prospects;
- Consider the financial statements and recommend to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced, understandable and provides information necessary for shareholders to assess the performance, business model and strategy of the Group;
- Review significant financial reporting issues and judgements contained in the financial statements;
- Review the systems of accounting, internal control and risk management;
- Monitor and review the significant risks identified by the Group as well as the management and mitigation of those risks;
- Make recommendations in relation to the appointment of the external auditors, including their remuneration and the provision by them of any non-audit services;
- Oversee and maintain an appropriate relationship with the Group's external auditors and review the effectiveness, independence and objectivity of the external audit process;
- Monitor and review the arrangements by which employees can, in confidence, raise concerns about any possible improprieties in financial and other matters (such as compliance with the Bribery Act).

MEMBERSHIP AND MEETINGS

The Audit Committee is chaired by Steve Whittern, and its other members are Roy Davis, Mike Bewick and Jo Easton, all of whom are considered independent. The directors consider that Steve Whittern has recent and relevant financial experience. The Audit Committee meets up to four times per year in the ordinary course at times driven by the Company's reporting cycle and otherwise as circumstances require.

The Committee met three times in 2019. The chief financial officer and the chief executive attended meetings by invitation.

PRINCIPAL ACTIVITIES FOR THE YEAR

During 2019 the primary activities of the Committee were in relation to the Group's reporting cycle.

- It reviewed the financial statements in the 2018 Annual Report and Accounts and the 2019 Interim Report. As part of this review the Committee received reports from the external auditors on their audit of that Annual Report and their review of the interim results. It also reviewed the Preliminary and Interim Announcements made to the London Stock Exchange
- It formally reviewed the going concern assumptions adopted in the preparation of the 2019 financial statements
- The Committee discussed the annual external audit plan for 2019 in advance of the year end with the external auditors, which addressed the planned audit approach to key accounting areas
- The Committee discussed the auditor's views on key judgement areas and audit findings relating to key accounting matters at the conclusion of the audit.

The Committee considered the main audit risk raised by Grant Thornton in audit of the 2019 financial statements as revenue recognition and discussed with them how this was to be addressed. The Committee noted the transactional nature of the business. They also noted that revenue recognition was not an area that relied on significant judgement. The Committee supported Grant Thornton's approach and detailed transactional testing. The Committee also considered the impact of IFRS 16 which was required to be adopted in 2019.

NON-AUDIT SERVICES PROVIDED BY THE EXTERNAL AUDITOR

Non-audit services provided by the Company's auditor are kept under review by the Committee. These will generally be compliance services and there were no activities in 2019. The Committee ensures that the auditor's objectivity and independence are safeguarded by means of the use of separate teams of staff and by ensuring that the level of fees is not material to either the Company or the auditors.

The report from Grant Thornton UK LLP confirming their independence and objectivity was reviewed by the chairman of the Audit Committee and the finance director. The level of fees paid to Grant Thornton UK LLP for non-audit services is not regarded to conflict with auditor independence.

Fees payable to the auditors are set out in note 6.

EFFECTIVENESS AND INDEPENDENCE OF EXTERNAL AUDITOR

Grant Thornton UK LLP has been external auditor to Medica Group PLC since 2013. As part of this year's decision to recommend the reappointment of the auditor, the Committee has taken into account the tenure of the auditor and the need to consider at least every ten years whether there should be a full tender process. There are no contractual obligations that restrict the Audit Committee's choice of external auditor.

In accordance with the auditor independence requirements of the Financial Reporting Council's Ethical Standard, Grant Thornton UK LLP's appointment as auditor cannot be extended beyond the year ending 31 December 2027 without an open tender process taking place. Subject to reappointment as part of such an open tender process, Grant Thornton UK LLP could serve as auditor for a further ten years subsequent to the audit for the year ending 31 December 2027.

The Committee is also responsible for advising the Board on the appointment of the auditor, assessing their independence and formulating policy on the award of non-audit work. Non-audit work is only awarded to the auditors after due consideration of matters of objectivity, independence, costs, quality of service and efficiency. As a consequence of its satisfaction with the results of its review of the activities outlined above, the Committee has recommended to the Board that the external auditors are reappointed by shareholders at the Annual General Meeting.

At the conclusion of each year's audit, the performance of the external auditor is reviewed by the Committee with the executive directors covering such areas as quality of audit team, business understanding, audit approach and process management. Where appropriate, actions are agreed against the points raised and subsequently monitored for progress.

The chair of the Committee meets with the external auditors without management present at least twice a year.

On 14 March 2019, the Committee received a report from the Financial Reporting Council (FRC), setting out the findings from their review of Grant Thornton UK LLP's audit of the Group's financial statements for the year ended 31 December 2017. The Committee considered the findings of the FRC's review and discussed the matters arising with external auditor and executive management at the March 2019 Committee meeting. Based on these discussions, the Committee is satisfied that the approach to the audit of the financial statements for the year ended 31 December 2018 and 2019 were appropriate in responding to the points raised by the FRC.

INTERNAL AUDIT FUNCTION

The Committee concluded in 2019 that there was no requirement for the Group to have an internal audit function, due to its size and complexity. The Committee will consider the need for an internal audit function on an annual basis.

STEVE WHITTERN,
CHAIRMAN OF THE AUDIT COMMITTEE

6 April 2020

REPORT OF THE NOMINATIONS COMMITTEE

Key achievements

- Recruitment of Stuart Quin as Chief Executive Officer
- Recruitment of Jo Easton as Non-Executive Director

Areas of focus in 2020

- Further review of succession planning and Board diversity
- Recruitment of new chief financial officer to replace Tony Lee

INTRODUCTION

The Nomination Committee's role is to regularly review the structure, size and composition of the Board to ensure the skills knowledge and experience matches the requirements of the business.

The primary functions of the Committee are:

- To review and make recommendations on any changes on the size, structure and composition of the Board;
- To provide a formal, rigorous and transparent procedure for the identifying and nominating new directors to the Board;
- To review the succession planning for the Group as a whole and for key Board positions in particular;
- To review and evaluate the performance of the Board.

MEMBERSHIP AND MEETINGS

Roy Davis is the chair of the Committee and the other members are Steve Whittern and Mike Bewick. The Nomination Committee meets once a year in the ordinary course and more frequently as circumstances require. During 2019 the committee met five times and all members attended.

BOARD INDUCTION

All Board members undertook induction training on their responsibilities and duties as directors prior to the Initial public Offering. Additional training is available for individuals and updated as required.

ACTIVITIES IN 2019

The Committee reviewed the composition of the Board and the processes surrounding succession planning. The committee concluded that the current Board size and structure was suitable for the business as it continues to develop.

The Committee's main task was to recruit a successor for John Graham who advised the Board that he intended to step down as the Group's chief executive officer. This process was successfully completed with the appointment of Dr. Stuart Quin as CEO on 1 September 2019.

The Board also completed the recruitment process for a new non-executive director to replace Anand Jain who stepped down at the end of 2018. We were delighted to welcome Jo Easton to the Board in April of 2019. Jo brings with her a wealth of Human Resources management experience, along with her role as an executive on the Board of a PLC.

ACTIVITIES IN 2020

On 11 March 2020, the Board announced that Finance Director, Tony Lee, had mutually agreed with the Board that he will be leaving the Company to pursue other business opportunities. During his 10-year tenure at Medica, Tony made many significant contributions to the Company. In particular, he was instrumental in navigating the successful IPO in 2017 and strengthening Medica's position as a market leader in the provision of teleradiology services. I would like to thank him on behalf of the Board for his commitment and hard work during a time of significant change at Medica. The Board and I wish him well for the future.

On 30 March 2020, we announced the appointment of Richard Jones as chief financial officer (CFO) and an executive director of the Board. Following a transition period, Richard will join the Company later in the year at a date to be announced in due course. Richard brings with him 20 years' extensive experience working with and in fast-growing healthcare businesses, nine of which as a proven CFO of two listed healthcare UK companies. Richard is currently CFO at Mereo BioPharma Group Plc and was previously CFO at Shield Therapeutics Plc. He is also currently a non-executive director and chair of the Audit Committee at Alliance Pharma Plc.

ROY DAVIS,
CHAIRMAN OF NOMINATIONS COMMITTEE

6 April 2020

REPORT OF THE REMUNERATION COMMITTEE

Key achievements

- Agreement of remuneration for new CEO
- Agreement of exit conditions for former CEO
- Restructure of annual bonus conditions

CHAIRMAN'S STATEMENT

I am pleased to present Medica Group's remuneration report for the year ended 31 December 2019. The remuneration report provides details of how our policy was implemented during the financial year ended 31 December 2019 and during the year ending 31 December 2020.

The business performed well during the last financial year, achieving revenue of £46.5m and adjusted EBITDA of £13.0m. Executive annual bonuses for 2019 were based on EBITDA performance with an on-target pay-out of 30%. The financial performance for 2019 has given rise to annual bonus payments for 2019 of 10% of base salary. This compares to 5% in 2018.

For 2020, we propose a revised annual bonus calculation, with a wider suite of financial metrics; these are revenue, operating profit and free cash based, together with functional targets aligned to the Group's strategy. We feel this better reflects the key drivers of the business, and such targets are more aligned to the long term interests of shareholders. The annual bonus has been benchmarked at 50% pay out for on target performance.

In light of the unprecedented pandemic caused by the COVID-19 outbreak, Medica's Remuneration Committee has reiterated its policy on executive remuneration, long term incentives and bonuses. The Committee will monitor the evolving situation closely and retains the discretion within the financial year to adjust outcomes equitably according to market conditions.

During the year John Graham resigned as chief executive. In line with the Remuneration Committee's policy a one year notice payment had been agreed, whilst all bonus payments and share incentive schemes have been forfeited. Stuart Quin has subsequently joined the business as chief executive from 1 September 2019. Details of John's exit arrangements and Stuart's remuneration package are shown below.

COMMITTEE MEMBERSHIP IN 2019

The Committee is currently composed of four non-executive directors, including the non-executive chairman:

Mike Bewick – Committee Chairman (independent)

Roy Davis – Non-Executive Chairman (independent)

Steve Whittern – Senior Independent Non-Executive Director

Jo Easton (appointed April 2019) – Independent Non-Executive Director

The Committee met formally four times during the year to 31 December 2019. All of the Committee members attended the meetings.

The Committee is responsible for assisting the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on Medica's policy on executive remuneration (including setting the over-arching principles, parameters and governance framework of Medica's remuneration policy) and determining the individual remuneration and benefits packages of each of the executive directors, the company secretary and the senior management team.

The Board has appointed a non-executive director responsible for workforce engagement supported by the chief executive. Terms of reference have been established for this role, which includes using existing communications channels to gather the views of the workforce at all levels. A number of employee forums have taken place during the year and included topics such as working at Medica, strategy development, culture and values, training, communications and engagement and pay and benefits. The output and feedback was captured in a report and reviewed by the Board in December 2019.

The Committee also reviews the pay of the senior executive team and has oversight of the Company's pay policies. The Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration wherever possible and is considering making appropriate changes at the next remuneration policy review which will be subject to shareholder approval.

ADVISERS

Mercer Limited supported Medica on remuneration-related matters in the build up to the Listing. The Committee formally appointed Mercer Limited as its independent adviser. Mercer Limited reports to the Committee chairman. Mercer Limited is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK (www.remunerationconsultantsgroup.com). Mercer Limited does not have any other connection with Medica and is considered to be independent by the Committee. Fees paid to Mercer Limited are determined on a time and materials basis and totalled £10,950 (excluding expenses and VAT) for the year to 31 December 2019 in their capacity as advisers to the Committee.

Eversheds Sutherland (International) LLP provided legal advice to Medica in relation to incentive arrangements prior to and since Listing. Eversheds Sutherland provides legal advice to Medica generally.

The Committee has also received assistance from the chief executive. The company secretary acted as secretary to the Committee. Neither the company chairman nor management took part in any discussions relating directly to their own remuneration

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING

Medica will be proposing resolutions to shareholders in respect of its Annual Report on Remuneration at the Annual General Meeting to be held on 20 May 2020. The percentage of votes cast for and against and the number of votes withheld will be reported in the next Remuneration Report.

The votes of the Annual General Meeting of 22 May 2019 were as follows:

	Votes For	Votes Against
Approval of directors' remuneration report:	86,955,796 (94.62%)	4,944,110 (5.38%)

The current directors' remuneration policy was approved by shareholders at the Annual General Meeting held on 23 May 2018. A copy of the directors' remuneration policy is available under the Investors section of the website. The voting was as follows:

	Votes For	Votes Against
Approval of directors' remuneration policy:	89,681,853 (99.25%)	677,489 (0.75%)

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each executive director for the financial years ending 2018 and 2019. The values of each element of remuneration are based on the actual value delivered, where known.

2019 director's remuneration

	Base salary[1]	Taxable Benefits[2]	Annual bonus	PSP[3]	Pension benefit	Other	Total
John Graham	£133,333	£nil	£nil	£nil	£9,333	£nil	£142,666
Stuart Quin	£121,333	£2,504	£11,333	£nil	£3,333	£nil	£138,503
Anthony Lee	£140,000	£nil	£14,000	£nil	£8,400	£nil	£162,400
Stephen Davies	£212,000	£nil	£20,000	£nil	£nil	£nil	£232,000

2018 director's remuneration

	Base salary[1]	Taxable Benefits[2]	Annual bonus	PSP[3]	Pension benefit	Other	Total
John Graham	£200,000	£nil	£10,000	£nil	£14,000	£nil	£224,000
Anthony Lee	£140,000	£nil	£7,000	£nil	£8,400	£nil	£155,400
Stephen Davies	£212,000	£nil	£10,000	£nil	£nil[4]	£nil	£222,000

1. There has been no increase in salaries since Listing. John Graham salary shown until departure date of 31 August 2019 Stuart Quin salary shown from commencement date of 1 September 2019

2. Medica provides death in service benefits to its executive directors. Stuart Quin receives private medical insurance.

3. PSP Awards granted in 2017, 2018 and 2019 will be shown in the Single total figure of remuneration table for the 2020, 2021 and 2022 financial year (to the extent vested)

4. Stephen Davies elects to receive increased salary in lieu of pension contributions.

INCENTIVE OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2019 (AUDITED)

Annual bonus in respect of performance in the 2019 financial year

	Maximum opportunity	Bonus outcome (% of max)	Salary earned for the financial year to 31 December 2019	Bonus for the financial year to 31 December 2019
John Graham	100% of salary	0%	£133,333	£nil
Stuart Quin	100% of salary	10%	£113,333	£11,333
Anthony Lee	100% of salary	10%	£140,000	£14,000
Stephen Davies[1]	100% of salary	10%	£200,000	£20,000

1. Basic salary used to calculate bonus not including pension benefits taken as cash.

Details of disclosure of targets

It is the Committee's intention going forward to disclose annual bonus targets retrospectively, at the same time as the performance outcome is disclosed in the remuneration report after the end of each financial year.

The executive directors' bonuses for the year ended 31 December 2019 provided for a payment of up to 100% of salary with a 0% pay out at threshold, 30% at target and 100% at stretch performance with a straight line between each of these points:

Financial measure	Threshold – 0%	Target – 30%	Stretch 100%	Actual performance	Bonus received
Pre-bonus EBITDA	£12.8m	£13.7m	£15.8m	£13.1m	10%

In accordance with the directors' remuneration policy approved in 2018, 25% of the bonus paid will be deferred in Medica shares under the Deferred Bonus Plan (DBP). Awards under the DBP are not subject to further performance conditions and vest after two years, subject to continued employment. Dividend equivalents will be awarded in respect of the DBP awards on vesting.

SHARE INCENTIVE AWARDS AWARDED IN 2019 (AUDITED)

Performance Share Plan (PSP)

On 25 April 2019, executive directors (other than John Graham) and other key executives were granted awards under the PSP, comprising a grant of options to acquire shares at nil cost. Awards granted to executive directors under the PSP were granted in respect of shares with a market value equal to 150% of base salary, determined using the average closing price of Medica's shares for the three dealing days immediately preceding 25 April 2019 (155.25p). The Committee regarded this level of award as necessary to incentivise executive directors while base salaries remained below market levels.

On 16 September 2019, Stuart Quin was granted an award under the PSP, comprising a grant of options to acquire shares at nil cost. The award granted under the PSP were granted in respect of shares with a market value equal to 200% of base salary, determined using the average closing price of Medica's shares for the three dealing days immediately preceding 16 September 2019 (127.42p). This award was agreed as part of the arrangements for recruiting Dr Quin to align his variable pay with interests of shareholders' via a link between a material level of reward and the performance of the Company's shares over the medium term.

These awards will vest after a three year period, broadly subject to continued employment and the achievement of performance measures, and will also be subject to a further two year holding period after the end of the normal vesting period. They will vest 50% depending on EPS growth and 50% on absolute TSR over the performance period.

If the minimum EPS growth target is met, 12.5% of the PSP Award will vest. If the minimum TSR growth target is met, 12.5% of the PSP Award will vest.

None of the executive directors participated in the SAYE plan in 2019.

Director	Date of grant	Vehicle	Number awarded	Exercise price[1]	Face value[2]	Vesting date[3]	Expiry date
Stuart Quin	16 September 2019	PSP – nil cost share options	533,682	Nil	£680,000	16 September 2022	16 September 2029
Anthony Lee	25 April 2019	PSP – nil cost share options	135,265	Nil	£210,000	25 April 2022	25 April 2029
Dr Stephen Davies	25 April 2019	PSP – nil cost share options	193,236	Nil	£300,000	25 April 2022	25 April 2029

1. The awards are performance share awards, for which no exercise price is payable.

2. The face value of the awards has been calculating using the share price at the date of grant, being the average closing share price for a Share as derived from the Official List for the three consecutive Dealing Days immediately preceding 25 April (155.25p) and 16 September (127.42p). This assumes that the performance targets are met in full. Actual value at vesting will depend on the extent to which the awards vest, the share price at the date of vesting, and any dividend equivalents payable on vested shares.

3. There will be a two year holding period following the normal vesting period for PSP awards granted in 2019

A summary of the performance conditions for LTIP awards in 2017, 2018 and 2019 is shown in the table below:

Measure	Weighting	Targets	Performance measurement period
Absolute TSR (share price plus rolled up dividends)	50%	0% vesting below 8% growth per annum 12.5% vesting for 8% growth per annum 50% vesting for 16% growth per annum Straight-line vesting between these points	Three-month average at the end of the three year performance period
Growth in Adjusted Earnings per Share	50%	0% vesting below 10% growth per annum 12.5% vesting for 10% growth per annum 35% vesting for 20% growth per annum 50% vesting for 30% growth per annum or greater Straight-line vesting between these points	Cumulative three years
		Vesting of awards is subject to overall Committee discretion to reduce or eliminate the awards if deemed necessary	

DEFERRED BONUS PLAN (DBP)

25% the 2018 annual bonus for executive directors was deferred into the Deferred Share Plan (DSP) in accordance with the Company's Remuneration Policy.

	Date of grant	Vehicle	Number awarded	Exercise price[1]	Face value[2]	Vesting date	Expiry date
John Graham	25 April 2019	DBP – nil cost share options	1,610	Nil	£2,500	24 April 2021	25 April 2029
Anthony Lee	25 April 2019	DBP – nil cost share options	1,127	Nil	£1,750	24 April 2021	25 April 2029
Dr Stephen Davies	25 April 2019	DBP – nil cost share options	1,610	Nil	£2,500	24 April 2021	25 April 2029

1. The awards are structured as nil cost options, for which no exercise price is payable.

2. The face value of the awards has been calculating using the share price at the date of grant, being the average closing share price for a Share as derived from the Official List for the three consecutive Dealing Days immediately preceding 25 April (155.25p).

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each non-executive director for the financial years ended 31 December 2018 and 31 December 2019.

2019 Non-executive directors' remuneration

Director	Fees[1]	Total
Gordon Roy Davis	£100,000	£100,000
Stephen Lee Whittern	£60,000	£60,000
Dr Mike Bewick	£50,000	£50,000
Jo Easton[1]	£34,679	£34,679

2018 Non-executive directors' remuneration

Director	Fees[1]	Total
Gordon Roy Davis	£100,000	£100,000
Stephen Lee Whittern	£60,000	£60,000
Dr Mike Bewick	£50,000	50,000
Anand Jain[2]	£42,000	£42,000

1. Jo Easton appointed in April.

2. The fees of Anand Jain together with expenses were paid to CBPE in respect of Mr Jain's services.

PERCENTAGE CHANGE IN CEO REMUNERATION

The table below shows the percentage change in remuneration for the role of chief executive between 2018 and 2019 (note – a new chief executive was appointed in September 2019 and the table encompasses part year figures for the departing and new chief executive) compared to the average for all employees of Medica Group PLC:

% change from 2018 to 2019	Chief Executive Officer	Average of other Medica employees
Salary	27%	8%
Benefits	8%	25%
Annual Bonus	13%	12%

The CEO's salary increased by 27% from 2018 to 2019. This is due to the recruitment of a new CEO during the year.

CEO PAY RATIO

The table below sets out the ratio between the pay of the chief executive and that of the Company's employees.

Year	Method	25th percentile ratio	Median ratio	75th percentile ratio
2019[1]	Option A[2]	7:6:1	12:4:1	16:4:1

1. The total remuneration figure for the chief executive is based on the total pay (as disclosed in the single total figure table) for John Graham and Stuart Quin for 2019.

2. Option A was used (ranking employees by their year end annual pay, benefits and annual bonus) because it is the most transparent method available

The salary and total pay for employee ranked at the 25th, median and 75th percentile used to calculated the above ratios were:

	Salary	Total pay
25th percentile	£37,080	£41,316
Median	£22,660	£25,011
75th percentile	£17,112	£18,758

RELATIVE IMPORTANCE OF SPEND ON PAY

There were no dividends paid or share buybacks implemented or other significant distributions, payments or other uses of profit or cashflow in the 2019 financial year which the directors consider relevant in assisting an understanding of the relative importance of spend on pay. Total staff costs – disclosed in the notes to the financial statements – were £5,177,000 for the same period.

	Distributions to shareholders (£000)	Total employee pay (£000)
FY19	2,612	5,177
FY18	2,056	4,245
% change	27%	22%

LEAVING ARRANGEMENTS FOR JOHN GRAHAM (AUDITED)

The Company announced on 9 May 2019 that John Graham would remain as the Company's chief executive officer and on its Board of Directors until Dr Stuart Quin joined the Company (on 1 September 2019), ensuring a smooth transition.

All payments made to John Graham were in line with the Company's shareholder approved remuneration policy and the terms of his service agreement.

His leaving arrangements included the following:

- A payment of 12 months' salary and the value of benefits in lieu notice in accordance with John Graham's contractual terms in the sum of £219,000. Four instalments of this payment totalling £73,000 were paid monthly to John Graham between 1 September and 31 December 2019 and two further monthly instalments totalling £36,500 were paid to John Graham between 1 January and 29 February 2020. These payments were subject to deduction for other remunerated income during this period, however John Graham did not earn any other income so no deduction was required to be made. The balance of £109,500 will be paid in month instalments up to 31 August 2020 (subject to any deduction for any other remunerated income earned in this period)
- There was no eligibility for bonus for 2019
- The following awards granted under the Company's share incentive plans forfeited on 31 August 2019:
  - i. 2017 PSP award (222,222 shares)
  - ii. 2018 PSP award (211,864 shares)
  - iii. 2018 DBP award (1,610 shares)

APPOINTMENT OF STUART QUIN

Following the indication from John Graham that he wished to step down from the role of chief executive at the end of the year, the Nomination Committee embarked on a search exercise to identify a suitable successor to build on the successful IPO and subsequent development of the Company. In recruiting a new CEO, the objective was to identify a candidate who could develop and grow the business to the next stage. After an extensive search exercise a shortlist of candidates were identified and the appointment was made based on experience, expertise and relevant skillset to develop and deliver a growth strategy for the business.

In reviewing the potential remuneration for the new CEO the Committee were mindful that the existing management team had been remunerated based on the pre-IPO private equity ownership. The components of their total pay was heavily weighted towards the historic equity incentive element of the package which produced very significant gains based on the growth achieved at IPO. Consequently, salary levels were below market levels which in turn affected the levels of short and long term incentives, both of which are calibrated by reference to salary.

The new chief executive was recruited on terms that were mid-range in the context of the recruitment process. He was recruited on:

- A salary of £340,000 per annum of which a part was paid from 1 September 2019 to 31 December 2019 as set out in the table above;
- A performance linked bonus of up to 100% of salary - with a corresponding proportion paid out subject to performance for 2019. 25% of any bonus earned is deferred into shares under the Company's deferred bonus plan;
- An award of 200% of salary on joining under the same terms as the existing directors and subject to performance targets as described above. It is anticipated that a further 200% will be awarded to Stuart Quin in 2020. In both cases, the awards are intended to be exceptional (as provided for in the Company's Remuneration Policy) on the recruitment of a new chief executive and reflect the Remuneration Committee's commitment to linking a significant element of remuneration to performance of the Company as reflected in the creation of value for shareholders;
- A contribution of 10% of salary to the chief executive for pension arrangements.

Payments for loss of office (audited)

No payments for loss of office were made to directors during the year other than shown above in respect of John Graham's leaving arrangements.

Payments to past directors (audited)

No payments were made to past directors in the year other than shown above in respect of John Graham's leaving arrangements.

EXTERNAL APPOINTMENTS

No executive director currently holds any external appointments.

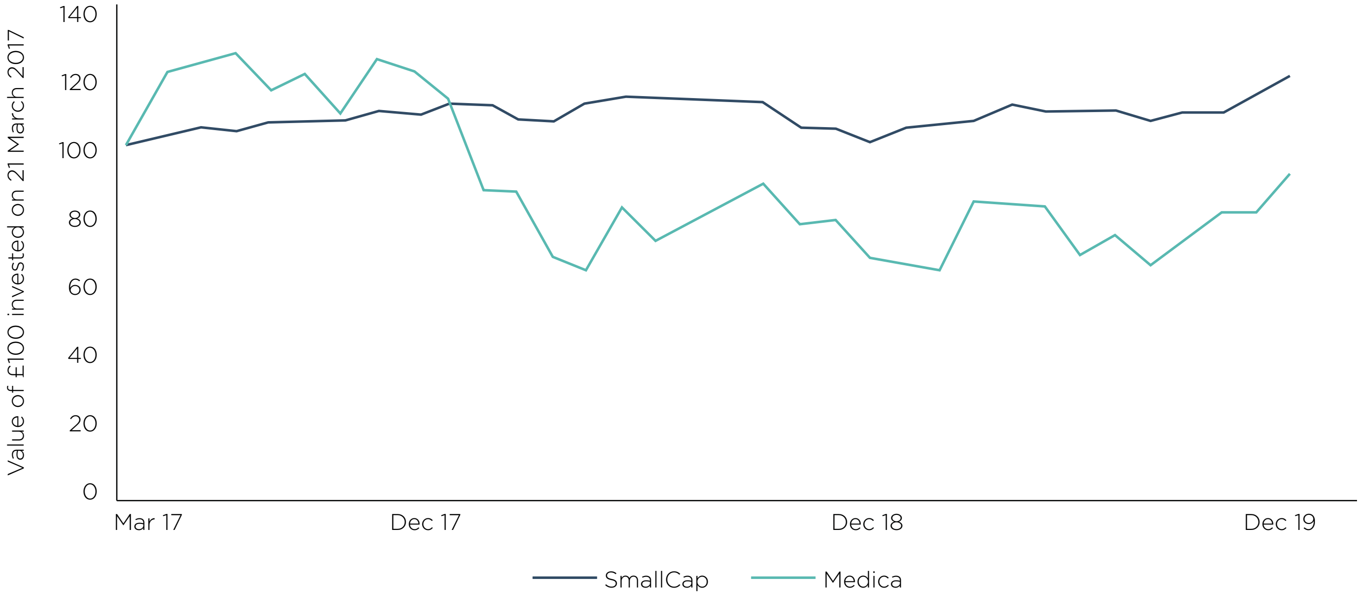
REVIEW OF PAST PERFORMANCE

This graph shows Medica's Total Shareholder Return (TSR) compared to the FTSE Small Cap index. The comparison is made between the date of Listing (21 March 2017) and 31 December 2019. The FTSE Small Cap index was chosen as the comparator because Medica is part of this group and is the most comparable group of peer companies'.

TSR CHART FOR 2019 DRR

The chart below shows the total shareholder return of Medica since IPO, compared to the performance of the FTSE Small Cap Index (a broad equity market index of which the company is a constituent).

HISTORICAL TSR PERFORMANCE
Growth in the value of a hypothetical £100 holding since listing 21 March 2017 to 31 December 2019



The table below details the CEO's single total figure of remuneration and incentive outcomes over the same period:

	2017	2018	2019	2019
CEO	John Graham	John Graham	John Graham	Stuart Quin
CEO single total figure of remuneration ('000)	£204,637	£224,000	£142,666	£138,503
Annual bonus (% max)	0%[1]	5%	n/a	10%
PSP vesting (% max)	n/a	n/a	n/a	n/a

1. The payments under the annual bonus for 2017 were waived by the directors

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2020

Base salary

Base salaries for directors other than Stuart Quin, were set on Listing taking into account each individual's professional experience and level of responsibility in their role. The current salaries of the executive directors are set out below:

Director	Base salary
Stuart Quin	£340,000
Anthony Lee	£140,000
Stephen Davies	£200,000

Executive director salary levels will remain at these levels for 2020 but may be increased in future years.

Pension

Stuart Quin receives pension contributions of 10% of his salary. Anthony Lee receives pension contributions of 6% of his salary. Dr Stephen Davies receives a cash allowance equal to 6% of his salary in lieu of pension contributions. The executives' pensions are low compared to market comparators and the level of contributions for the latter two directors reflect the historic lower fixed pay model from the previous private equity ownership.

Annual bonus

For 2020, the executive directors will have a maximum bonus opportunity of 100% of salary. No more than 75% of any annual bonus will be payable in cash and the balance will be made in the form of a Deferred Bonus Plan ('DBP') award over Shares, which will then vest after a period of not less than two years, broadly subject to continued employment. Cash bonuses will be subject to clawback provisions as will DBP awards, as set out in the rules of the annual bonus plan and DBP. The level of deferral and period for deferral may change in relation to future financial years.

The annual bonus for 2020 will be based 75% on achievement of Company financial targets and 25% on achievement of functional targets.

The financial targets are attributed in equal part to revenue, adjusted operating profit and free cash. 0% of the maximum bonus will become payable for achieving a threshold level of performance, rising incrementally so that 25% of the maximum will be payable for achieving a target level of performance, with 75% for significant over-achievement of target.

The functional targets are directly aligned to the Company's strategy and KPIs and represent 25% of the maximum annual bonus.

There will be Committee discretion to adjust the formula driven outturn to ensure that the bonus payments also reflect performance more broadly and the experience of other stakeholders in the business. The financial target range is deemed to be commercially sensitive and have not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report.

The Committee will disclose the annual bonus targets retrospectively in next year's Annual Report on Remuneration. Targets have been disclosed for the 2017, 2018 and 2019 awards.

Performance Share Plan ("PSP")

In 2020, the executive directors will receive nil cost options under the Medica Group PSP, with face values of 100% of salary other than Stuart Quin whose award details are set out below.

The 2020 PSP awards will vest after three years, subject to the following performance measures and will be subject to a further two year holding period following the end of the normal vesting period:

Performance measures	Weighting
3 year EPS growth	50%
3 year absolute TSR growth	50%

Absolute TSR growth has been selected by the Committee to closely align executive interests with those of shareholders. Medica's TSR performance will be measured over the three-year period commencing on the date of award.

EPS growth has been selected by the Committee because it closely aligns with, and incentivises delivery of Medica's strategy. The EPS growth will be measured over the three-year period commencing 1 January 2020.

The performance target ranges have been set at stretching levels taking into account both internal and external forecasts. The maximum vesting level is the same as previous awards and is represents very stretching performance.

In line with our Policy, PSP awards will also be subject to Medica's malus and clawback provisions.

It is intended that Stuart Quin will receive an award of a nil cost option under the Medica Group PSP with a face value of 200% of salary (calculated at the time of grant) in 2020. The Remuneration Committee agreed with Dr Quin as part of his offer to accept the role of CEO of Medica to award him the maximum level of PSP awards possible under the PSP in both 2019 and 2020. The Remuneration Committee determined that such level of awards was necessary in order to secure his appointment as CEO. As was the case with the 2019 PSP award granted to Dr Quin, the 2020 PSP award will otherwise be on the same terms, including performance conditions and holding period, as the PSP awards made to other executive directors.

In addition, the Remuneration Committee agreed as part of Dr Quin's offer to accept the role of CEO of Medica that, if Dr Quin's incentive arrangements with his former employer are forfeited as a result of him having ceased employment with his former employer, the Company will seek approval of its shareholders for an additional special one-off award to be granted under the PSP with a face value of 200% of salary (calculated at the time of grant). Any such award will again be on the same terms as the other PSP awards to be granted in 2020, but will not be granted unless it is approved in advance by the shareholders.

IMPLEMENTATION OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2020

Non-executive director fees were set on Listing taking into account competitive practice for similar roles. The current fees payable to the non-executive directors are set out below:

Role	Fee
Chairman	£100,000
Senior independent non-executive director	£60,000
Independent non-executive director	£50,000

Non-executive director fees will remain at these levels for 2020.

DIRECTORS' SHAREHOLDINGS (AUDITED)

The table below sets out details of the current shareholdings of each director (and any relevant connected persons) as at 31 December 2019 and, for executive directors, compares this to their shareholding guideline as set out below. The executive directors are subject to shareholding guidelines of 100% of salary. Anthony Lee and Stephen Davies' shareholding exceed this minimum requirement. Stuart Quin's interest in shares reflects his recent appointment to the role.

	Shares				Options			
	Beneficial ownership 2019 -Owned outright or vested	Beneficial ownership 2018 -Owned outright or vested	Unvested deferred bonus awards not subject to performance	Unvested PSP awards subject to performance	Vested PSP awards but not exercised	Unvested PSP awards subject to performance	Current shareholding (% salary)[1]	Shareholding guideline (% salary)
John Graham[2]	n/a	2,258,248	nil	nil	nil	nil	n/a	n/a
Stuart Quin	nil	n/a	nil	nil	nil	533,682	0%	100%
Anthony Lee	515,464	515,464	1,127	nil	nil	439,125	598%	100%
Stephen Davies	1,546,392	1,546,392	1,610	nil	nil	627,322	1,256%	100%
Gordon Roy Davis	37,037	37,037	–	–	–	–	–	–
Stephen Whittern	37,037	37,037	–	–	–	–	–	–
Michael Bewick	11,111	11,111	–	–	–	–	–	–
Jo Easton	nil	nil	–	–	–	–	–	–

1. Current holding measured by reference to the middle market quotation of Medica's share price on 31 December 2019 (162.5p) and as a percentage of base salary at 31 December 2019.

2. John Graham held 1,158,248 shares as at his departure date of 31 August 2019.

No further shares were acquired by the directors between 31 December 2019 and 31 March 2019, being the latest practicable date prior to publication of this Annual Report.

Directors' share dealings must be conducted in accordance with the Company's Share Dealing Policy.

The directors' remuneration report has been approved by the Board and signed on its behalf by:

MIKE BEWICK,
CHAIRMAN OF THE REMUNERATION COMMITTEE

6 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDICA GROUP PLC

OPINION

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Medica Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements
is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

THE IMPACT OF MACRO-ECONOMIC UNCERTAINTIES ON OUR AUDIT

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 36 to 39 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Brexit and COVID-19);
- the directors' confirmation, set out on page 61 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the group (including the impact of Brexit and COVID-19), including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 60 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statements relating to going concern and the prospects of the group required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 60 of the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Grant Thornton

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £480,000, which represents 5% of the Group's profit before tax
- Parent company materiality: £342,000, which represents 1.2% of the parent company's total assets
- The key audit matter was identified as improper revenue recognition, particularly the risk around the occurrence of revenue
- We performed full scope audit procedures over the Group's significant components, comprising Medica Reporting Ltd, the Group's trading subsidiary, as well as the parent company. We performed analytical procedures over the Group's other remaining components, including Medica Australia Pty Ltd, the Group's newly incorporated Australian subsidiary, which is not material to the Group financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDICA GROUP PLC

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Improper revenue recognition Revenue is recognised throughout the group at the point at which the radiology report is submitted to the hospital's Radiology Information System (RIS) and, as such, revenue is recognised once the service has been provided and delivered to the customer. As part of our audit risk assessment we distinguished between revenue transactions that had been settled in cash by the reporting date and those that had not been settled by the reporting date. Unsettled revenue transactions have not been reconciled and approved by the customers, and as such present a higher risk that the revenue transaction has not occurred. We therefore identified the improper revenue recognition in respect of revenue transactions that have not been settled in cash by the reporting date, as a significant risk. This was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • gaining an understanding of the processes and controls implemented by the Group to identify, measure and recognise revenue, and assessing the design effectiveness of those processes and controls, particularly in relation to the accurate extraction of billing data from the Picture Archiving and Communications System ('PACS'), which records details of radiology reports submitted to customers, as relevant to the recognition of revenue; • considering the appropriateness of the group's revenue recognition policy in accordance with International Financial reporting Standard 15: 'Revenue from Contracts with Customers'; • performing substantive analytical procedures, including regression analysis and trend analysis, by developing a statistical prediction of revenue for the year based on PACS volumes comparing this prediction against recorded amounts, investigating variances against our expectations and corroborating management's explanations for those variances; • testing the validity of the data extracted from the PACS, including: (i) for a sample of the extracted data, confirming directly with the third party radiologists that they have submitted the underlying radiology reports to the relevant hospital's RIS, performing alternative verification procedures where responses to those confirmation requests were not received by agreeing the receipt of cash from the customer in respect of those reports; and (ii) for a sample of the extracted data, verifying through examination of customer contracts and other correspondence that the pricing rates applied were in accordance with the customer agreements; • testing a sample of revenue items recognised during the year to determine the occurrence of that revenue by agreeing each item to an underlying customer contract or relationship, agreeing those items to PACS data, and considering the amount of cash received in remittance of those items subsequent to the reporting date; and • analysing the journal entries and credit notes within the revenue accounting process for significant reversals of revenue during the year or subsequent to the reporting date The Group's accounting policy on revenue recognition is shown in note 3 to the financial statements and related disclosures are included in note 5 The Audit Committee identified revenue recognition as a significant matter in its report on page 65 where the Audit Committee also described the consideration that it has taken to address this matter. KEY OBSERVATIONS Our testing did not identify any material misstatements in relation to the occurrence of revenue for unsettled revenue transactions.

No key audit matters were identified in respect of the parent company financial statements.

OUR APPLICATION OF MATERIALITY

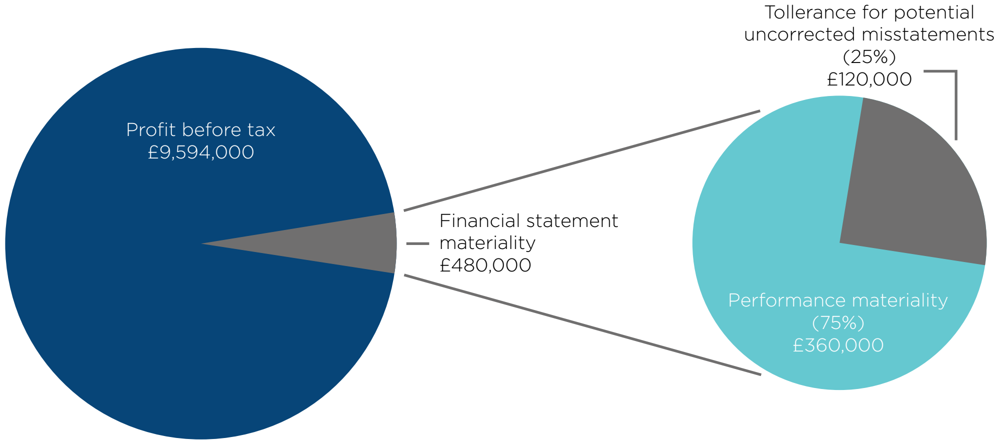
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	**Group**	**Parent company**
Financial statements as a whole	£480,000 which is 5% of profit before tax. This benchmark is considered the most appropriate because this is the key performance measure used by the Board of Directors to report to investors on the financial performance of the Group. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018, which was determined on the basis of 4.5% of the group's adjusted EBITDA. The change in benchmark to profit before tax reflects a more conservative basis for determining materiality.	£342,000 which is 1.2% of the Parent Company's total assets. Total assets is considered the most appropriate benchmark because the Parent Company is primarily an investment holding entity. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect the reduction in the Company's total assets in the year ended 31 December 2019, owing primarily to dividends paid during the year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£24,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£17,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

OVERALL MATERIALITY – GROUP



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDICA GROUP PLC

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

All Group operations are based in the UK. The consolidated Group, including the Parent Company and Medica Reporting Ltd, the Group's only trading subsidiary, were subject to statutory audit under a comprehensive audit approach. Having assessed the significance of the Group's components by reference to the percentage of Group revenue, profit before tax, total assets and other relevant benchmarks represented by the individual components, none of the Group's other components, Medica Reporting Services Ltd, Medica Reporting Finance Ltd, and Medica Australia Pty Ltd, were assessed as being significant to the Group as a whole. Our audit approach was based on a thorough understanding of the Group's business and was risk-based, and in particular included:

- performing an evaluation of the design effectiveness of controls over key financial statement risks identified as part of our risk assessment process;
- gaining an understanding of the financial reporting and accounts production process;
- undertaking substantive testing on significant classes of transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks;
- performing substantive procedures over 100% of Group's revenue, 95% of Group's profit before tax and 99% of Group's total assets; and
- performing analytical reviews over the non-significant components of the Group: Medica Reporting Services Limited, Medica Reporting Finance Limited and Medica Australia Pty Ltd.

The scope of the current year audit has remained consistent with that of the prior year, with the exception that Medica Australia Pty Ltd was incorporated during 2019 and was not in existence in the prior year.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the sector in which it operates. We determined that the following laws and regulations were most significant: IFRS as adopted by the European Union, FRS 101 'Reduced Disclosure Framework' (UK GAAP), the Companies Act 2006, the UK Corporate governance code, and relevant UK taxation laws.
- We understood how the Group is complying with those legal and regulatory frameworks by making inquiries to the management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of Board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - i. identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - ii. understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - iii. assessing matters reported through the Group's whistleblowing programme and the results of management's investigation of such matters;
  - iv. challenging assumptions and judgments made by management in its significant accounting estimates;
  - v. identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
  - vi. assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 115 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 61 – the statement given by the directors that they consider 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 Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 62 to 63 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 52 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OUR OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 ARE UNMODIFIED

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDICA GROUP PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 58 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed by the Board of Directors on 6 August 2013 to audit the Financial Statements for the period ending 31 December 2013 and subsequent financial periods.

The period of total uninterrupted engagement is seven years, covering the periods ending 31 December 2013 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CHRISTOPHER SMITH BA(HONS) ACA
SENIOR STATUTORY AUDITOR

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

6 April 2020

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Revenue		**46,542**	38,969
Cost of sales		**(24,292)**	(19,883)
Gross profit		**22,250**	19,086
Administration expenses		**(12,027)**	(9,424)
Operating profit before exceptional items	6	**10,223**	9,662
Other expenses – exceptional items	7	**(362)**	(245)
Operating profit		**9,861**	9,417
Finance income	8	**93**	68
Finance costs	9	**(360)**	(329)
Profit before tax	6	**9,594**	9,156
Analysed as			
Adjusted EBITDA		**13,030**	11,938
Share based payments charge	26	**(204)**	(135)
Exceptional items	7	**(362)**	(245)
Finance costs	9	**(360)**	(329)
Finance income	8	**93**	68
Depreciation	15	**(1,249)**	(853)
Amortisation	14	**(1,354)**	(1,288)
Profit before tax		**9,594**	9,156
Income tax charge	10	**(1,687)**	(1,794)
Profit attributable to equity holders of the parent		**7,907**	7,362
Statement of Comprehensive Income			
Profit for the year		**7,907**	7,362
Other comprehensive income		**–**	–
Total comprehensive profit for the year attributable to owners of the parent		**7,907**	7,362
Profit per share (basic and diluted)			
Basic profit per ordinary share (pence)	11	**7.12p**	6.62p
Diluted profit per ordinary share (pence)	11	**7.09p**	6.58p

The notes and accounting policies on pages 88 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company Registration 08497963

As at 31 December 2019	Note	31 December 2019 £000	31 December 2018 £000
Non-current assets			
Goodwill	13	**15,948**	15,948
Other intangible assets	14	**7,384**	8,243
Property, plant and equipment	15	**3,783**	1,938
		27,115	26,129
Current assets			
Trade and other receivables	17	**10,168**	8,634
Cash and cash equivalents	18	**16,576**	12,588
		26,744	21,222
Current liabilities			
Trade and other payables	19	**(4,803)**	(3,970)
		(4,803)	(3,970)
Non-current liabilities			
Borrowings and other financial liabilities	20	**(12,334)**	(11,912)
Deferred tax	21	**(880)**	(1,128)
		(13,214)	(13,040)
Net assets		**35,842**	30,341
Equity			
Share capital	22	**222**	222
Share premium	22	**14,721**	14,721
Retained profit	22	**20,897**	15,398
Foreign exchange equity		**2**	–
Total equity		**35,842**	30,341

The notes and accounting policies on pages 88 to 109 form an integral part of these financial statements.

The financial statements on pages 84 to 109 were authorised for issue by the Board of Directors on 6 April 2020 and were signed on its behalf by:

STUART QUIN
DIRECTOR

ANTHONY LEE
DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	12 months ended 31 December 2019 £000	12 months ended 31 December 2018 £000
Operating activities		
Profit for the year	**7,907**	7,362
Add taxation	**1,687**	1,794
Profit before tax	**9,594**	9,156
Adjustments for:		
Depreciation	**1,249**	853
Amortisation	**1,354**	1,288
Share based payments	**204**	135
Finance income	**(93)**	(68)
Finance costs	**360**	329
Changes in:		
(Increase) in trade and other receivables	**(1,534)**	(424)
Decrease in trade and other payables	**753**	536
Tax paid	**(2,180)**	(2,172)
Cash inflow from operating activities	**9,707**	9,633
Investing activities		
Purchase of property, plant and equipment	**(2,360)**	(920)
Purchase of software intangibles	**(467)**	(725)
Interest received	**93**	54
Cash outflow from investing activities	**(2,734)**	(1,591)
Cash flows from financing activities		
Repayment of lease liability	**(50)**	–
Dividends paid to ordinary shareholders	**(2,612)**	(2,056)
Interest paid	**(323)**	(305)
Net cash outflow from financing activities	**(2,985)**	(2,361)
Net change in cash and cash equivalents	**3,988**	5,681
Movement in net cash		
Cash and cash equivalents, beginning of period	**12,588**	6,907
Increase in cash and cash equivalents	**3,988**	5,681
Cash and cash equivalents, end of period	**16,576**	12,588

The notes and accounting policies on pages 88 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital £000	Share premium £000	Retained earnings £000	Foreign exchange equity £000	Total equity £000
At 1 January 2018	222	14,721	9,957	–	24,900
Dividends paid to ordinary shareholders	–	–	(2,056)	–	(2,056)
Equity settled share based payments	–	–	135	–	135
Transactions with owner	–	–	(1,921)	–	(1,921)
Profit and total comprehensive income for the period	–	–	7,362	–	7,362
At 1 January 2019	**222**	**14,721**	**15,398**	**–**	**30,341**
Dividends paid to ordinary shareholders	–	–	(2,612)	–	(2,612)
Equity settled share based payments	–	–	204	–	204
Foreign exchange equity	–	–	–	2	2
Transactions with owner	–	–	(2,408)	2	(2,406)
Profit and total comprehensive income for the period	–	–	7,907		7,907
At 31 December 2019	222	14,721	20,897	2	35,842

The notes and accounting policies on pages 88 to 109 form an integral part of these financial statements.

1 MEDICA GROUP PLC

Medica Group PLC ("the Company") was incorporated in England and Wales on 22 April 2013 under the Companies Act 2006 (registration number 08497963) and is domiciled in the United Kingdom. Its registered office and principal place of business is One Priory Square, Priory Street, Hastings, East Sussex, TN34 1EA.

The consolidated financial statements of the Group for the year ended 31 December 2019 (including comparatives) comprise the Company and its subsidiaries (together referred to as "the Group"). The Group's principal activity is the provision of teleradiology reporting and is the leading independent provider in the UK. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's and chief executive's reports on pages 2 to 5, and 26 to 31. In addition, Note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

2 BASIS OF PREPARATION

2.1. Basis of preparation

The Consolidated financial statements of Medica Group PLC and its subsidiary undertakings (together "the Group") for the 12 months ended 31 December 2019 have been prepared by the directors of Medica Group PLC.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the financial statements.

The consolidated financial statements are presented in £ (Sterling), the presentational and functional currency of the Company, rounded to the nearest £'000.

2.2. Going concern

The directors of Medica Group PLC have assessed the current financial position of the Group, along with future cash flow requirements to determine if the Group has the financial resources to continue as a going concern for a period of at least 12 months from the approval of the accounts. As a result of this review the directors of Medica Group PLC have concluded that it is appropriate that Medica Group PLC be considered a going concern. For this reason, they have adopted the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result in the going concern basis of preparation being inappropriate. The directors have considered the risks in respect of Covid-19 in making this assessment and have reviewed severe but plausible scenarios that could impact the Group's finances. Whilst there may be disruptions the directors believe the Group's services will continue to be needed to support the NHS.

2.3. Adoption of new and revised standards

During the year the Group adopted IFRS 16 'Leases', which came into effect on 1 January 2019. The adoption of this new Standard has resulted in the Group recognising a right of use asset and related lease liability in connection with former operating leases except those identified as low value or having a remaining lease term of less than 12 months from the date of initial application.

The Group has applied the modified retrospective approach in transitioning to IFRS 16, recognising the cumulative effect of transition as at 1 January 2019. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets, the Group has applied the optional exemptions to not recognise right of use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There was no transitional impact on the Group's previously reported financial position as at 1 January 2019.

The Group does not have any lease agreements in which it is a lessor and the only substantial lease agreement in which the Group is a lessee in the lease of property for the Group's offices in Hastings. During 2019, the Group moved from Havelock Place, Hastings to One Priory Square, Hastings. The former property lease terminated in September 2019 and therefore the only substantial lease is for One Priory Square, Hastings. Further details with regards to the lease are contained in accounting policy Note 3.5 (Leases) and the notes to the financial statements for Property, Plant & Equipment (Note 15) and Borrowings due after more than one year (Note 20).

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

3 SUMMARY OF ACCOUNTING POLICIES

These accounting policies have been used throughout all periods presented in the financial statements, except where the Group has applied certain accounting policies and exemptions upon transition to IFRS.

3.1. Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiary undertakings drawn up to 31 December 2019. All subsidiaries have the same reporting date and use accounting policies consistent with those of the Parent Company. Medica Group PLC ("the Group") controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Unrealised gains and losses on transactions between Group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Business combinations are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3.2. Revenue

The Group's revenue recognition policy is as follows:

The Group recognises revenue in accordance with the requirement of IFRS 15 and in the five-step model set out within the standard.

STEP 1 IDENTIFYING THE CONTRACT WITH THE CUSTOMER

The Group accounts for contracts with customers within the scope of IFRS 15 only when all of the following criteria are met:

a. The Group and the customer have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
b. The Group can identify each party's rights regarding the services to be transferred;
c. The Group can identify the payment terms for services to be transferred;
d. The contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
e. It is probable that the Group will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

STEP 2 IDENTIFYING THE PERFORMANCE OBLIGATIONS

At contract inception, the Group assesses the services promised within the contract and identifies as a performance obligation each promise to transfer to the customer either:

a. A good service (or a bundle of services) that is distinct; or
b. A series of distinct services that are substantially the same and that have the same pattern of transfer to the customer

The only identifiable performance obligation is the delivery of a radiology report which diagnoses a patient using images provided by the client into the client's Radiology Information System (RIS) by a suitable radiologist in an agreed timescale. This is a teleradiology service.

The contracts provide structure around the IT set up and transition methodology to be used. The contracts also detail the required clinical competences of the radiologists the Group uses. Both of these points describe the method and standard of the service but are not distinct to the service provided.

The contracts also provide agreement on certain other matters such as the quality assurance standards that the Group adheres to such as those on information governance, confidentiality, maintenance of indemnity insurance and clinical audit procedures. None of these are distinct performance obligations providing services to the client but form part of the criteria that demonstrates that the Group is a suitable provider of a teleradiology service.

STEP 3 DETERMINING THE TRANSACTION PRICE

Each contract has a detailed schedule of prices for each different type of radiology report. The pricing is based on the type of images diagnosed, the complexity of the report and the nature of the report (for example whether it is emergency or routine).

STEP 4 ALLOCATING THE TRANSACTION PRICE TO THE SEPARATE PERFORMANCE OBLIGATIONS

There is only one performance obligation and accordingly the transaction price is allocated to the delivery of the individual report.

STEP 5 RECOGNISING REVENUE WHEN PERFORMANCE OBLIGATIONS ARE SATISFIED

Revenue is recognised when the performance obligation is satisfied, which is when the report is delivered to the client's Radiology Information System (RIS). Each transaction is recognised as a separate chargeable event. Control passes to the customer once the report is submitted, at which point Group becomes entitled to consideration for the services provided. The client is charged for services provided at the end of the month and typically debtors are recovered 69 days later.

All revenue recognised in the income statement is from contracts with customers and no other revenue has been recognised. No provision for expected credit losses have been recognised on any receivables or contract assets arising from a contract with a customer.

All revenue arose within the UK. A disaggregation of revenue is shown in Note 5 as part of the segmental analysis. There are no other relevant categories of revenue other than reporting modalities which are monitored by the directors.

Due to the nature of the Group's contractual relationship with customers and the nature of the services provided, there are no timing differences between revenue recognised in the income statement and trade receivables being recognised in the statement of financial position.

As at 31 December 2019 there were no remaining performance obligations for revenue recognised in the year. All obligations pertaining to revenue recognised have been met. No revenue was recognised relating to obligations not yet performed. No revenue has been recognised in the period relating to obligations met in the preceding period.

There have been no significant judgements regarding the timing of transactions or price.

Transaction price is set out in individual contractual agreements and there is a range of prices based on the types of service offered. There are no variable pricing considerations.

No assets were recognised from costs to obtain or fulfil a contract with any customer.

3.3. Interest income/Interest expense

Interest income and expenses are reported on an accrual basis using the effective interest method.

3.4. Segment reporting

IFRS 8 requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group chief executive (chief operating decision maker – CODM).

The Board has reviewed the Group and all revenues are functional activities of teleradiology reporting and these activities take place on an integrated basis. The senior executive team reviews the financial information on an integrated basis for the Group as a whole.

3.5. Leasing

For the year ended 31 December 2018 management applied the following accounting policy in respect its leasing obligations in accordance with IAS 17:

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

Following the adoption of IFRS 16 in the current year, as of 1 January 2019 and onwards the Group applied the following accounting policies in respect of its leasing obligations:

LEASE ACCOUNTING (IFRS 16)

IFRS 16 impacts the measurement and disclosure of lease liabilities, the assets and liabilities shown on the Group's balance sheet. The Group has applied the modified retrospective approach in transitioning to IFRS 16, recognising the cumulative effect of transition as at 1 January 2019 and taking full advantage of the practical expedients and transitional reliefs available. The Group does not have any lease agreements in which it is a lessor and the only substantial lease agreement in which the Group is a lessee is the lease of property for the Group's offices in Hastings.

The right of use asset is initially measured at the amount of the lease liability plus any lease payments made at or before the commencement date (less any lease incentives received), plus any initial direct costs incurred in agreeing the lease, plus an estimate of future dismantling, removal and restoration costs. Subsequent to the initial measurement the right of use asset is accounted for using the cost model set out in IAS 16 Property, Plant and Equipment, which is based on depreciating the asset over the estimated useful economic life. In connection with the Group's right of use assets as at 31 December 2019 there were no lease payments that had been made prior to the commencement of the lease, nor any lease incentives, nor has the Group made any structural or other changes to any right of use assets that would require material costs in respect of dismantling, removal or restoration.

The initial recognition of the lease liability has been based on a discounting the cashflows associated with the lease using the Group's incremental borrowing rate, which the directors consider to be similar to the Group's bank borrowing rate, currently 2.6%. After initial measurement the Group charges the lease liability with the interest cost to unwind the discount factor and reduces the liability by the amount of contractual payments made annually.

In reviewing the leases, the directors took into consideration those which were long term leases, those which were short term leases, the underlying asset value and the lease and non-lease components.

Leases of low value assets and short-term leases with a term of twelve months or less, have continued to be recognised as an operating expense and it was determined that all of these short term leases (mostly for reporting centres) had termination clauses of three months or less and therefore could be readily terminated if required.

The directors have set a guideline of £5,000 or less lease value as the threshold for determining the value of a potential lease asset. All the short-term leases are therefore also considered low value assets and have been excluded from right of use assets. Further details on these leases are contained in Note 16.

LOW VALUE AND SHORT-TERM LEASES

Where the Group is a lessee, payments on low value and short-term operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Benefits received and receivable as an incentive to enter an operating lease are also spread on a straight-line basis over the lease term.

3.6. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives less estimated residual values, using the straight-line method. The rates generally applicable are:

Computer equipment	– 25% per annum
Leasehold improvements	– Over the life of the lease term

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The assets' residual value and useful lives are reviewed, and adjusted if required, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

3.7. Impairment of property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8. Goodwill and other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets acquired as part of a business combination, are shown at fair value at the date of the acquisition less accumulated amortisation. Amortisation is charged on a straight-line basis through the profit or loss. The rates applicable, which represent the directors' best estimate of the useful economic life, are:

- Customer relationships – 15 years
- Software and technology – 10 years for assets purchased as part of the acquisition of Medica Reporting Limited in 2013, software licences purchased since then are amortised over their term
- Brands – 20 years.

INTERNAL DEVELOPMENT COSTS

Expenditure on the research phase of projects to develop new projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

3.9. Impairment of intangible assets

GOODWILL

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment. Impairment losses in respect of goodwill cannot be subsequently reversed.

At each balance sheet date, the Group performs an annual impairment review of goodwill and any intangible assets with an indefinite useful economic life. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

OTHER INTANGIBLE ASSETS

Other intangible assets are not tested for impairment annually, only when there is an objective indicator of impairment. Where an impairment indicator is identified, an impairment test is carried out by comparing the carrying of the assets with its recoverable amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3.10. Taxation

Tax expenses recognised in profit or loss comprise the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

DEFERRED TAX

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.11. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand less corporate commercial cards all denoted in Sterling.

3.12. Financial instruments

RECOGNITION, INITIAL MEASUREMENT AND DERECOGNITION

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original liability and the recognition of a financial liability. A substantial modification of terms occurs when the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original facility.

The only types of financial assets held by the Group are loans, receivables and derivative financial instruments.

FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. The expected loss rates are based on the payment profile of sales over 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses expected in this period. The Group also considers future expected credit losses due to circumstances in addition to historical loss rates.

On that basis no loss allowance was identified as at 31 December 2019 or 1 January 2019.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2018 the Group utilised interest rate swaps. Derivative financial instruments were recognised at fair value at the end of the prior year with changes in fair value recognised in the income statement.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

The Group's financial liabilities include borrowings, trade and other payables and lease liabilities. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives. The only derivatives held by the Group were interest rate swaps in 2018. Financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. Please see Note 24 for the fair value hierarchy.

3.13. Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits or losses.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

3.14. Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the directors consider should be disclosed separately to enable a full understanding of the Group's results.

3.15. Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

3.16. Share based payments

The Group has applied the requirements of IFRS 2 share based payments.

The Group issues share based payments to certain employees. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate valuation model. A Binomial option pricing model has been used to value the performance share plan.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

4.1. Key judgements and sources of estimation uncertainty

The following are the judgements and estimates made by management in applying the accounting policies of the Group. The directors do not believe that any of these judgements are significant or of material value.

THE USEFUL LIFE OF ACQUIRED INTANGIBLE ASSETS

The Group recognises the intangible assets acquired as part of business combinations at fair value at the date of acquisition. These fair values were determined by experts engaged by management and based upon management's and the directors' judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate discount rate. Furthermore, management have estimated the expected useful lives of intangible assets and charged amortisation on these assets accordingly. At the reporting date no impairments to other intangible assets were recognised in the period.

The directors considered the estimates of the useful economic life of intangible assets acquired in May 2013 as part of the purchase of Medica Reporting Limited.

BRAND

The directors considered the strength of the Medica brand in the teleradiology and wider healthcare sector and noted that the transaction was limited to a change of equity ownership. In their judgement, the directors consider that the brand is expected to continue to be used for the foreseeable future and have therefore estimated a useful life of 20 years.

CUSTOMER RELATIONSHIPS

In assessing the useful economic life of customer relationships, the directors considered the importance of long term relationships. In their judgement the directors consider that given the limited number of NHS Trusts and the fact that the majority of revenue came from long standing, government funded clients that the useful economic life for customer relationships is estimated at 15 years.

SOFTWARE AND TECHNOLOGY

In assessing the useful economic life of the technology purchased the directors judgement was that the technology was core to the business and whilst requiring ongoing investment was not expected to fundamentally change for a considerable period. Therefore, the directors have estimated the useful economic life as 10 years for software and technology.

The table below sets out the carrying amounts of the separately identifiable intangible assets acquired in May 2013, together with the estimated useful lives assessed by the directors and the resultant amortisation charges recognised in the year:

Intangible asset	Directors' estimate of useful economic life (years)	Carrying amount as at 31 December 2019 £000	Amortisation charge for the year ended 31 December 2019 £000
Customer relationships	15	3,587	431
Software and technology*	10	1,081	324
Brand	20	1,546	115
		6,214	870

*excludes software and technology assets that do not relate to the 2013 acquisition

The Group's reported profit is sensitive to changes in the estimated useful economic lives of the acquisition intangibles, owing to the amortisation charges for the year which are calculated by reference to the estimated useful lives. The table below demonstrates the impact on reported profits before tax of applying different values to the estimated useful lives:

Intangible asset	Directors' estimate of useful economic life (years)	-50% change in estimate (years)	Decrease in reported profit for the year ended 31 December 2019 £000	+50% change in estimate (years)	Increase in reported profit for the year ended 31 December 2019 £000
Customer relationships	15	7.5	(431)	22.5	144
Software and technology*	10	5	(324)	15	108
Brand	20	10	(115)	30	38
			(870)		290

*excludes software and technology assets that do not relate to the 2013 acquisition

5 SEGMENT REPORTING

Management prepare and monitor financial information for the Group's three primary service lines (Routine Cross-Sectional, Routine Plain Film and NightHawk) on a regular basis. This financial information is reviewed and used by the chief operational decision maker (considered to be the chief executive officer) in managing the operating activities of the Group. IFRS 8 sets out certain thresholds in determining whether reportable operating segments exist, and all of the three primary service lines exceed these thresholds. However, IFRS 8 permits the aggregation of operating segments where these services lines are similar in nature, service delivery processes, types or classes of customers, and regulatory factors. Management consider it is most appropriate to aggregate the three service lines into one Teleradiology operating segment due to the similarities in respect of these factors. As a result, all teleradiology activities are presented as one operating segment.

Medica Group PLC generates revenue from only one geographic area, the UK. The Group incorporated a new subsidiary, Medica Australia Pty Limited during the year, however this subsidiary does not yet generate any revenue and does not meet the criteria set out in IFRS 8 for disclosure as a reportable operating segment. Its purpose is to service contracts with customers of the Group UK trading subsidiary. These contracts related wholly to UK customers and all turnover is therefore generated in the United Kingdom. No customer accounted for more than 10% of the Group's revenues.

The Group identified four revenue streams, NightHawk, Routine Cross-Sectional, Routine Plain Film and Independent and Specialist. The analysis of revenue by each stream is detailed below.

	2019 £000	2018 £000
NightHawk	**22,072**	19,312
Routine Cross-Sectional	**18,944**	14,963
Routine Plain Film	**4,308**	3,927
Independent and specialist	**1,218**	767
	46,542	38,969

6 OPERATING PROFIT AND PROFIT BEFORE TAXATION

The operating profit and the profit before taxation are stated after:

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**50**	48
The audit of the Company's subsidiaries pursuant to legislation	**9**	3
Total audit fees	**59**	51
Audit related services:		
Interim review	**13**	13
Total audit related services	**13**	13
Other assurance services:		
Covenant compliance services	**3**	3
Total non-audit fees	**16**	16
Total fees paid to Company's auditor	**75**	67
Operating lease rentals – land and buildings	**130**	177
Depreciation: property, plant and equipment	**1,249**	853
Amortisation of intangible fixed assets on acquisition	**870**	870
Amortisation of intangible fixed assets on other assets	**484**	418

Operating leases include rent for Havelock Place and for the reporting centres all of which are short term leases and therefore not included in Right of Use Assets (Note 16) or Lease Liabilities (Note 20).

7 EXCEPTIONAL ITEMS

	2019 £000	2018 £000
Costs incurred in respect of Board succession and review	**362**	245

The costs for 2018 and 2019 are in relation to the international search and selection process for both the chief executive officer and the non-executive director. These are considered to be one off costs. In 2019 there is also additional costs in relation to a professional Board assessment review.

8 FINANCE INCOME

	2019 £000	2018 £000
Interest on cash and cash equivalents	**93**	54
Fair value movement on derivative financial instruments	**–**	14
	93	68

9 FINANCE COSTS

	2019 £000	2018 £000
Loan interest	**325**	305
Amortisation of loan arrangement fees	**24**	24
Finance costs on lease liability	**11**	–
	360	329

10 TAX EXPENSE

Major components of tax expense:	2019 £000	2018 £000
Current tax:		
UK current tax expense	**1,927**	1,971
Prior year adjustment	**(6)**	124
Medica Reporting Finance Ltd tax expense on FRS102 hedging gain	**6**	–
Australian current tax expense	**8**	–
Total current tax	**1,935**	2,095
Deferred tax:		
Originations and reversal of temporary differences	**(260)**	(214)
Effect of rate change	**12**	(87)
Total deferred tax	**(248)**	(301)
Tax expense on ordinary activities	**1,687**	1,794

Reconciliation of tax expense:

UK corporation tax is assessed on the profit on ordinary activities for the year and is the same as (2018: same as) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

The charge for the year can be reconciled to the loss per the income statement as follows:

Reconciliation of effective tax rate:	2019 £000	2018 £000
Profit on ordinary activities before tax	**9,594**	9,156
Income tax using the Company's domestic tax rate 19% (2018: 19.00%)	**1,823**	1,740
Effect of:		
Expenses not deductible for tax purposes	**(156)**	17
Prior year adjustment – current tax	**(6)**	124
Effect of tax rate change – deferred tax	**12**	(87)
Medica Reporting Finance Ltd tax expense on FRS102 hedging gain	**6**	–
Australian current tax expense	**8**	–
Total tax charge for period	**1,687**	1,794

11 EARNINGS PER SHARE

Both the basic and diluted profit per share have been calculated using the profit after tax attributable to shareholders of Medica Group PLC as the numerator. The calculation of the basic profit per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	2019 £000	2018 £000
Profit for the year attributable to ordinary shareholders	**7,907**	7,362
Effects of exceptional items	**293**	245
Profit for the year before exceptional items attributable to ordinary shareholders	**8,200**	7,607
Effects of share based payments charge	**132**	135
Effects of amortisation of acquired intangibles	**702**	870
Adjusted profit for the period attributable to ordinary shareholders	**9,034**	8,612
Weighted average number of ordinary shares	**111,111,114**	111,111,114
Dilutive effect of share options	**407,702**	681,954
Weighted average number of ordinary shares	**111,518,816**	111,749,191
Basic profit per ordinary share (pence)	**7.12p**	6.62p
Diluted profit per ordinary share (pence)	**7.09p**	6.58p
Adjusted basic profit per ordinary share (pence)	**8.13p**	7.75p
Adjusted diluted profit per ordinary share (pence)	**8.10p**	7.70p

As at 31 December 2019 the directors assessed the potentially dilutive effect of contingently issuable shares, which comprise share options awarded as part of the Performance Share Plan. As at the end of the year there were 1,385,877 options outstanding of which 407,702 were considered dilutive. The calculation of diluted earnings per share above takes into consideration the Group's performance against the targets within the Performance Share Plan to date. There were no further instruments that had a potentially dilutive effect.

For 2019 adjustments for share based payments and amortisation of acquired intangibles have been reduced by the amount of the deferred tax credit on each item. The charge is not material for 2018 so the comparatives have not been restated.

12 DIRECTORS AND EMPLOYEES

The average number of persons (including directors) employed by the Group during the years were:

	2019 Number	2018 Number
Clinical governance	**10**	8
Business development & recruitment	**12**	10
Service delivery & NightHawk	**59**	53
IT, deployment and development	**23**	22
Finance	**9**	7
Executive team	**6**	5
Non-executive directors	**4**	3
	123	108

The aggregate cost of these employees was:

	2019 £000	2018 £000
Wages and salaries	**4,168**	3,503
Social security costs	**433**	363
Pension contributions	**367**	244
Share based payments charge	**204**	135
	5,172	4,245

Directors' emoluments paid during the period and included in the above figures were:

	2019 £000	2018 £000
Emoluments	**966**	854

The highest paid director received emoluments totalling £219,500 (2018: £200,000). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2018: £14,000).

During the year retirement benefits accrued to three directors (2018: three) in respect of defined contribution pension schemes.

Key management of the Group are the three executive members of Medica Group PLC's Board of Directors and three senior managers (2018: two senior managers). Key management personnel remuneration includes the following expenses:

	2019 £000	2018 £000
Salaries including bonuses	**1,052**	797
Social security costs	**138**	100
Pensions	**95**	36
Share based payments charge	**204**	135
Key management personnel compensation	**1,489**	1,068

13 GOODWILL

	Goodwill £000	Total £000
Cost		
At 31 December 2017 and December 2018	15,948	15,948
Additions	–	–
At 31 December 2018 and December 2019	**15,948**	**15,948**

Goodwill is not amortised but tested annually for impairment. The directors have assessed goodwill for impairment by reference to fair value as indicated by the market value of the Company's equity at the balance sheet date after allowing for an estimation of selling costs. There is only one cash-generating unit and the goodwill relates entirely to the acquisition of Medica Reporting Limited (MRL) in 2013, and MRL accounts for all of the Group's revenue and operating activity (other than finance charges relating to the bank loans and loan notes which are recorded in intermediate parent entities). The fair value of the Group as indicated by the market value of its equity at the balance sheet date is in excess of £170m, providing substantial headroom over the carrying amount of goodwill and estimated selling costs.

14 INTANGIBLE ASSETS

	Customer relationships £000	Software and technology £000	Brand £000	Total £000
Cost				
At 31 December 2017	6,461	5,393	2,317	14,171
Additions	–	305	–	305
Reclassification from tangibles	–	27	–	27
At 31 December 2018	6,461	5,725	2,317	14,503
Additions	–	495	–	495
At 31 December 2019	**6,461**	**6,220**	**2,317**	**14,998**
Amortisation				
At 31 December 2017	2,012	2,400	541	4,953
Charge for the year	431	742	115	1,288
Reclassification from tangibles	–	19	–	19
At 31 December 2018	2,443	3,161	656	6,260
Charge for the year	431	808	115	1,354
At 31 December 2019	**2,874**	**3,969**	**771**	**7,614**
Net book value				
At 31 December 2019	**3,587**	**2,251**	**1,546**	**7,384**
At 31 December 2018	4,018	2,564	1,661	8,243
At 31 December 2017	4,449	2,993	1,776	9,218

Amortisation has been included in administrative expenses in the consolidated statement of comprehensive income and the estimated remaining useful life of each class of asset at 31 December 2019 was as follows:

Customer relationships	9 years
Software and technology (acquired in 2013)	4 years
Software and technology (licences since 2013)	Over licence period
Brand	14 years

At the year ended 31 December 2019, £104,000 (2018: £102,000) of development costs have been capitalised as internally generated software and technology intangibles. These have not been shown separately as they are not deemed to be material to the financial statements.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold property – right of use Asset £000	Leasehold improvements £000	Computer equipment £000	Total £000
Cost				
At 31 December 2017	–	97	4,847	4,944
Additions	–	–	919	919
Disposals	–	–	(21)	(21)
Reclassification to intangibles	–	–	(27)	(27)
At 31 December 2018	–	97	5,718	5,815
Additions	719	–	2,375	3,094
Disposals	–	(97)	(73)	(170)
At 31 December 2019	**719**	**–**	**8,020**	**8,739**
Depreciation and impairment				
At 31 December 2017	–	72	2,992	3,064
Charge for the year	–	19	834	853
Disposals	–	–	(21)	(21)
Reclassification to intangibles	–	–	(19)	(19)
At 31 December 2018	–	91	3,786	3,877
Charge for the year	107	6	1,136	1,249
Disposals	–	(97)	(73)	(170)
At 31 December 2019	**107**	**–**	**4,849**	**4,956**
Net book value				
At 31 December 2019	**612**	**–**	**3,171**	**3,783**
At 31 December 2018	–	6	1,932	1,938
At 31 December 2017	–	25	1,885	1,880

All depreciation charges are included within administrative expenses in the consolidated statement of comprehensive income.

As referred to in Note 20, all assets have been pledged as security for the Group's borrowings and are subject to a fixed and floating charge.

16 RIGHT OF USE ASSETS

Under IFRS 16 Leases the Group has undertaken an assessment of all its property leases. All but one leasehold property are short term leases which the underlying asset is of low value and therefore these have not been included in the right of use assets or associated lease liabilities in Note 20. The Group relocated offices during 2019 and the lease for Havelock Place terminated in September 2019 and therefore is also not included.

The only property lease regarded by the directors as a right of use asset is that of One Priory Square, Hastings. This property lease was entered into in March 2019 for a period of ten years with a break clause after five years.

IFRS 16 defines the lease term as "the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods when the entity is reasonably certain to exercise an option to extend (or not to terminate) the lease".

As at 31 December 2019 the directors have determined that the applicable period for the lease liability is to the five year break clause based on current strategic business plans. The directors will continue to review this annually and if at any time they are reasonably certain that the extension of the lease will be required the lease liability and right of use asset will be revalued.

To calculate the present value of the lease the directors have undertaken a discounted cashflow using the Group's estimated incremental borrowing rate based on the bank borrowings which carry a rate of 2.6%. The present value of the lease gives rise to a right of use asset (see also Note 15, Property, plant and equipment) and a lease liability (see also Note 20, Borrowings due after more than one year). The various elements are recognised in the financial statements as follows:

Property: One Priory Square, Hastings	Note	**2019 £000**
Statement of Financial Position		
Additions to right of use assets:		
Lease liability element	20	**546**
Initial direct costs of obtaining lease		**173**
Total additions	15	**719**
Depreciation charge for the year		**(107)**
Carrying value at 31 December 2019		**612**

	Note	**2019 £000**
Reconciliation of initial lease liability measurement to total lease cost		
Lease liability at initial recognition (present value)	20	**546**
Interest expenses on lease liability for the year	9	**11**
Future interest expense on lease liability (2020-2024)		**36**
Total lease liability cost		**593**

	Note	**2019 £000**
Income Statement		
Charges for the year		
Depreciation charge for the year	15	**107**
Interest expense on lease liability for the year	9	**11**
Short term leases expensed during the year		
– Havelock Place		**41**
– Reporting Centres		**89**

	Note	**2019 £000**
Statement of Cash Flows		
Total cash outflow for the year ended 31 December 2019		**50**
Future cash outflows 2020 – 2024		**543**
Total lease liability cost		**593**

17 TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Trade receivables	**9,577**	8,171
Prepayments	**591**	463
	10,168	8,634

All trade receivable amounts are short term. All of the Group's trade and other receivables have been reviewed for indicators of impairment. The carrying value is considered a fair approximation of their fair value. Due to the fact that the Group's revenue is derived primarily from NHS Trusts, the Group's management considers that all the above financial assets are of good credit quality and no changes in credit quality have been experienced since initial recognition.

The Group applies an expected credit loss model in estimating a provision for future credit losses. As at 31 December 2019 and 31 December 2018 the Group determined that any such provision was not material to the Group based on historical analysis of credit losses over a two year period.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	2019 £000	2018 £000
Cash at bank in hand:		
Commercial current account	**16,595**	12,603
Corporate credit cards	**(19)**	(15)
	16,576	12,588

19 TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Trade payables	**2,602**	2,158
Corporation tax	**890**	1,135
Other taxation and social security	**157**	115
Accruals	**1,017**	562
Other short-term payables	**28**	–
Lease liability – short term portion	**109**	–
	4,803	3,970

All amounts are short term and the directors consider that the carrying value of trade and other payables are a reasonable approximation of fair value. The contractual maturity of all amounts above are within one year of the balance sheet date.

The average credit period taken for trade purchases was 39 days (2018 – 37 days).

20 BORROWINGS DUE IN MORE THAN ONE YEAR

20.1. Borrowings due in more than one year

	2019 £000	2018 £000
Bank loans	**11,936**	11,912
Lease liability	**398**	–
	12,334	11,912

Long term borrowings carry a market rate of interest being LIBOR plus a margin as determined by the lender. On this basis the carrying amount equates to the present value of future cashflows discounted at a market rate of interest and therefore, the directors consider that the carrying amount of bank loans to be a reasonable approximation of fair value.

The bank loan requires interest and leverage covenants to be met under the terms of the Group's loan agreement, and these requirements have been met as at the current and all priory covenant testing dates.

20.2. Maturity of the Group's non-derivative financial liabilities (including interest payments where applicable)

	Trade payables and accruals £000	Lease liability £000	Bank loan £000
Maturity:			
Due within one year	3,646	109	316
Due between 2-5 years	–	398	12,391

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date. The maturity analysis above assumes that interest rates remain as they were at 31 December 2019.

The bank loan is secured by way of a fixed and floating charge over all of the assets of the Group up to £12m. There are both interest and leverage banking covenants in force. The Group is well within the compliance requirements of these covenants for both 31 December 2019 and 31 December 2018.

The Group had available to it a revolving credit facility of £1 million that as at 31 December 2019 and 31 December 2018 was undrawn.

20.3 Reconciliation of liabilities arising from financing activities

	Long term bank borrowings £000	Lease liability £000	Total £000
At 1 January 2019	11,912	–	11,912
Adoption of IFRS 16	–	546	546
Cash flows:			
– Interest	(323)	–	(323)
– Repayments	–	(50)	(50)
Reclassification to current liabilities	–	(109)	(109)
	(323)	(159)	(482)
Non-cash:			
– Interest	323	11	334
– Amortisation of arrangement fees	24	–	24
	347	11	358
At 31 December 2019	**11,936**	**398**	**12,334**

	Long term bank borrowings £000	Lease liability £000	Total £000
At 1 January 2018	11,888	–	11,888
Cash flows:			
Interest	(305)	–	(305)
	(305)	–	(305)
Non-cash:			
– Interest	305	–	305
– Amortisation of arrangement fees	24	–	24
	329	–	329
At 31 December 2019	**11,912**	**–**	**11,912**

21 DEFERRED TAXATION ASSETS AND LIABILITIES

Deferred tax included in the statement of financial position is as follows:

	2019 £000	2018 £000
Deferred tax liabilities		
Depreciation in excess of capital allowances	**(62)**	(53)
Deferred tax on share based payments	**(119)**	(46)
Deferred tax on intangible assets	**1,061**	1,227
	880	1,128

Reconciliation of movement in deferred tax

	Depreciation in excess of capital allowances £000	Share based payments £000	Intangible assets £000	Total £000
As at 1 January 2018	**74**	**(38)**	**1,393**	**1,429**
Recognised in the income statement	(127)	(8)	(166)	(301)
As at 31 December 2018	**(53)**	**(46)**	**1,227**	**1,128**
Recognised in the income statement	(9)	(73)	(166)	(248)
As at 31 December 2019	**(62)**	**(119)**	**1,061**	**880**

22 EQUITY

Ordinary share capital issued and fully paid

	At 31 December 2019 £000	At 31 December 2018 £000
111,111,114 ordinary shares of £0.002	**222**	222
Total ordinary share capital of the Company	**222**	222

Rights attributable to issued shares

Any profits which the Company determines to distribute in any financial year shall be paid on the ordinary shares. Every holder of an ordinary share and ordinary share is entitled to one vote and has one vote for every share for which they are a holder.

On a return of capital on liquidation, capital reduction or otherwise, the surplus assets of the Company remaining after the payment of its liabilities shall be applied in distributing the balance of such assets amongst the holders of the ordinary shares.

Voting rights

The holders of ordinary shares are entitled to receive notice of and attend and vote at any general meeting of the Company.

Share premium

No proceeds were received in addition to the nominal value of the shares issued during the year.

Retained profit

Retained earnings include current and prior period retained profit and losses.

23 UNDERTAKINGS INCLUDED IN THE FINANCIAL STATEMENTS

The consolidated financial statements include:

	Class of share held	Country of incorporation	Proportion held	Nature of business
Medica Reporting Services Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Finance Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Limited	Ordinary	England & Wales	100%	Teleradiology reporting
Medica Australia Pty Limited	Ordinary	Australia	100%	Teleradiology reporting

All UK subsidiaries hold the same registered address as the Group being, 6th Floor One Priory Square, Priory Street, Hastings, TN34 1EA.

The Australian subsidiary registered address is c/o KPMG, Level 38, Tower 3, 300 Barangaroo Avenue, Sydney NSW 2000, Australia.

Subsidiary audit exemption under parent guarantee:

For the year ended 31 December 2019, Medica Reporting Finance Limited (Registered number 08497950) and Medica Reporting Services Limited (Registered number 08497952) are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006.

24 FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December 2019 £000	At 31 December 2018 £000
Financial assets at amortised cost		
Trade receivables	**9,577**	8,171
Cash and bank balances	**16,576**	12,588
	26,153	20,759
Financial liabilities at amortised cost		
Trade and other payables (trade payables and accruals)	**(3,618)**	(2,719)
Borrowings	**(11,936)**	(11,912)
	(15,554)	(14,631)

A description of the Group's financial instrument risks, including risk management objectives and policies, is given in Note 25.

24.1. Fair value measurement of financial instruments

The methods used to measure financial assets and liabilities reported at fair value are described below.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of interest rate swaps from 2018 were categorised within level 2 of the fair value hierarchy. The Group's interest rate swaps were not traded in active markets. These were fair valued using observable interest rates corresponding to the maturity of the contract. There were no outstanding derivatives at the reporting date.

25 FINANCIAL INSTRUMENTS RISK

25.1. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 24. The Group's financial instruments comprise cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The principal financial risks faced by the Group are liquidity, credit and interest rate risks. The Group has an immaterial exposure to transactional currency risk with its Australian entity and the payment of some fees in Euros. All reporting remains for UK based clients only.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

CREDIT RISK

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Group has no significant credit risk. The maximum exposure to credit risk is that shown within the balance sheet. All amounts are short term and management consider the amounts to be of good credit quality. For a summary of financial assets past due, but not impaired, please see Note 17.

LIQUIDITY/FUNDING RISK

The Group's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group. Operating subsidiaries are financed by retained profits. The Group manages liquidity risk by maintaining adequate reserves and agreed committed banking facilities. For a summary of non-derivative financial liabilities that have contractual maturities (including interest payment where applicable) please see Note 20.2.

INTEREST RATE RISK

The Group holds the majority of its cash and cash equivalents in corporate current accounts. These accounts offer a competitive interest rate with the advantage of quick access to the funds. At the end of the year all of the Group's bank loans bore a variable rate of interest of LIBOR plus 1.75%.

CAPITAL RISK MANAGEMENT

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

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes loans, other borrowings in Notes 20; cash and cash equivalents as disclosed in the statement of financial position and Note 18; and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The gearing ratios at the end of the reporting periods were as follows:

	2019 **£000**	2018 £000
Debt due within one year	**–**	–
Debt due in more than one year	**12,334**	11,912
Cash and bank balances	**(16,576)**	(12,588)
Net (cash) / debt	**(4,242)**	(676)
Total equity	**35,844**	30,255
Total capital	**31,602**	29,579
Net debt to total capital	**–13%**	–2%

Debt is defined as long and short-term borrowings. Equity includes all capital and reserves of the Group that are managed as capital.

SENSITIVITY ANALYSIS

The £12m in bank loans is at a variable interest rate of LIBOR plus 1.75% and therefore represents a potential risk that the fair value of the Group's future cash flows may fluctuate because of changes in market interest rates.

At 31 December 2019, if LIBOR had been 100 basis points higher, with all other variables held constant, post-tax profit for the year and total equity would have been reduced by £97,000 (2018: £120,000), arising as a result of higher interest expense on variable borrowings.

26 SHARE BASED PAYMENTS

Under the Group's share based incentive scheme the following expense was charged.

	2019 £000
Performance share plan	**204**
Share save scheme	**–**
Total charge	**204**

All share based payment schemes related to equity settled awards only.

Performance share plan

The performance share plan is a "free" share award with an effective exercise price of £nil. For scheme participants, half the award is based on Earnings per share (EPS) and half is based on Total Shareholder Return (TSR). The performance period is three years and there is an additional holding period of two years. Accordingly the vesting period is deemed to be five years. Further information is set out in the report of the Remuneration Committee on pages 65 to 73.

	Weighted average Number
Outstanding at beginning of period	1,696,357
Granted during period	1,547,301
Dividend equivalent in period	26,586
Exercised during period	–
Forfeited during period	(434,086)
Outstanding at the end of period	2,836,158
Exercisable at end of period	–

The remaining weighted average contractual life is 3.37 years. The options that were forfeited during the year were due to the departure of a scheme participant from the Company prior to vesting of the options issued to the participant.

The Group engaged external consultants to calculate the fair value of the awards at the date of grant. The valuation model used to calculate the fair value of the awards was a binomial model for both the non-market based awards and for the market based awards.

	Weighted average Awards
Share price at date of grant	£1.42
Exercise price	£nil
Expected volatility	38.8%
Expected life	4.8 years
Risk free rate	0.8%
Expected dividend yield	1.4%
Average fair value of award per share	£0.64

Share price volatility was measured as at 23 April 2019, 25 April 2019 and 16 September 2019. As the Group had only a limited share price history at these dates the price volatility of comparable listed companies was also referred to over a four year period to supplement the Company's own share price history.

SAYE scheme

The SAYE scheme is an all-employee HMRC approved tax-advantaged share scheme. The scheme involves employees saving a set amount from their salary for a period of three years. At the end of the three years the employee is offered an opportunity to purchase shares based on the amount saved at an option price set at the start of the period. The exercise price for awards granted in 2017 was £1.86, in 2018 was £1.35 and 2019 was £1.35. By the end of the year employees had saved a total of £95,000 into the schemes. In light of this the directors have concluded that any share based payments charge arising in 2019 are not material.

27 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

On 31 December 2018 Anand Jain resigned as a director and therefore CBPE Nominees Limited is no longer regarded as a related party. Prior to this CBPE Nominees Limited had been considered a related party as they had a controlling interest in the Group prior to 21 March 2017. Included in administrative costs are £nil (2018: £42,546) in respect of fees payable to CBPE Nominees Limited for services of the Investor Director to the Group.

Key management personnel (which the Group defines as the Board of Directors and two senior managers) remuneration is disclosed in Note 12.

All transactions with related parties were on an arm's length basis.

28 CONTROLLING PARTY

There is no overall controlling party of the Group following the admission of the Company's ordinary shares onto the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities on 21 March 2017.

29 POST BALANCE SHEET EVENTS

During February and March 2020, the COVID-19 pandemic arose in the United Kingdom and introduced significant uncertainty in the UK economy as a result of various measures introduced by the UK government to combat the spread of the disease. The directors consider the COVID-19 pandemic to be a material post balance sheet event, as the impact on the UK economy is likely to have a significant impact on the Group's operating activities and financial results for the foreseeable future. However, the circumstances surrounding the pandemic and the subsequent economic impact did not arise until after 31 December 2019, and therefore no adjustment to the Group's financial statements as at 31 December 2019 has been made. The financial effect on the Group's future financial results and financial position cannot be estimated or quantified reliably as at the date of approving the financial statements, due to the level of uncertainty regarding further measures to be introduced by the UK government and the uncertainties surrounding the extent to which NHS trusts and hospitals will be impacted.

30 RECONCILIATION OF NON-IFRS FINANCIAL KPIS

The Group uses a number of key performance indicators to monitor the performance of its business. This note reconciles these key performance indicators to individual lines in the financial statements.

In the directors' view it is important to consider the underlying performance of the business during the year. Therefore, the directors have used certain Alternative Performance Measures (APMs) which are not IFRS-compliant metrics. The APMs are consistent with those established within the IPO prospectus and the prior year annual report. It is the directors' intention to monitor and reassess the appropriateness of the APMs in future years.

	At 31 December 2019 £000	At 31 December 2018 £000
Reconciliation of adjusted operating profit		
Operating profit before exceptional items	**10,223**	9,662
Adjustments for:		
Effects of amortisation of acquired intangibles	**870**	870
Effects of shared based payments	**204**	135
Refinance costs	**–**	–
Adjusted operating profit	**11,297**	10,667
Adjusted operating profit margin	**24.3%**	27.4%
Reconciliation of adjusted profit before tax		
Profit for the year	**7,907**	7,362
Adjustments for:		
Effects of amortisation of acquired intangibles	**702**	870
Effects of exceptional items	**293**	245
Effects of share based payments	**132**	135
Adjusted profit after tax	**9,034**	8,612
Income tax charge	**1,927**	1,794
Adjusted profit before tax	**10,961**	10,406
Reconciliation of net debt		
Cash and equivalents	**16,576**	12,588
Borrowings due within one year	**–**	–
Borrowings due after one year	**(12,334)**	(11,912)
Net cash / (debt)	**4,242**	676

For 2019 adjustments for share based payments and amortisation of acquired intangibles have been reduced by the amount of deferred tax credit on each item. The tax charge also excludes these deferred tax elements. The same tax changes are not material for 2018 so the comparatives have not been restated.

COMPANY STATEMENT OF FINANCIAL POSITION

Company Registration 08497963 As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Fixed asset investments			
Investments in subsidiaries	34	**1,455**	1,455
Current assets			
Debtors	36	**25,843**	28,224
Deferred tax		**119**	47
Creditors: amounts falling due within one year			
Accruals		**(16)**	(10)
Total assets less current liabilities		**25,946**	28,261
Non-current liabilities			
Borrowings	37	**(11,936)**	(11,912)
Net assets		**15,465**	17,804
Capital and reserves			
Called up share capital	35	**222**	222
Share premium account	35	**14,721**	14,721
Profit and loss account		**522**	2,861
Total equity		**15,465**	17,804
Parent company profit for the year		**69**	10

The financial statements on pages 110 to 114 were approved and authorised for issue by the Board of Directors on 6 April 2020 and were signed on its behalf by:

STUART QUIN
DIRECTOR

ANTHONY LEE
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2018	222	14,721	4,772	19,715
Dividends paid to ordinary shareholders	–	–	(2,056)	(2,056)
Equity settled share based payments	–	–	135	135
Transactions with owner	–	–	(1,921)	(1,921)
Profit and total comprehensive income for the period	–	–	10	10
At 1 January 2019	222	14,721	2,861	17,804
Dividends paid to ordinary shareholders	–	–	(2,612)	(2,612)
Equity settled share based payments	–	–	204	204
Transactions with owner	–	–	(2,408)	(2,408)
Profit and total comprehensive income for the period	–	–	69	69
At 31 December 2019	**222**	**14,721**	**522**	**15,465**

31 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 101, 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 101)' and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in Sterling, which is the functional currency of the Company.

Exemptions

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone. In addition, the directors have taken exemption from providing a cash flow statement and financial instruments disclosures as these are provided within the Group accounts.

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these Company financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the group
- The effect of future accounting standards not adopted
- Disclosure of key management personnel compensation
- Disclosure in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- Share based payment disclosures required under IFRS 2

Going concern

The directors of Medica Group PLC have assessed the current financial position of the Group, along with future cash flow requirements to determine if the Group has the financial resources to continue as a going concern for a period of at least 12 months from the approval of the accounts. As a result of this review the directors of Medica Group PLC have concluded that it is appropriate that Medica Group PLC be considered a going concern. For this reason, they have adopted the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result in the going concern basis of preparation being inappropriate.

Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at cost less impairment.

For the year ended 31 December 2019, Medica Reporting Finance Limited (Registered number: 08497950) and Medica Reporting Services Limited (Registered number: 08497952) are exempt from the requirements of the Companies Act 2006 relating to audit of individual accounts by virtue of section 479A of the Companies Act 2006.

Financial instruments

See Note 3.11 of the Group accounts.

Share capital and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits or losses. They also include charges related to share-based employee remuneration.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

Significant judgements and estimates

The directors review annually whether there have been any indicators of impairment of investments. Where an impairment indicator is identified an impairment test is carried out by comparing the carrying of the assets with its recoverable amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

32 DIRECTORS AND EMPLOYEES

The directors and other key management personnel were the only employees of the Company during the year. The disclosures in respect of key management personnel have been provided in Note 12 of the Group financial statements.

33 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments	2019 £000
At 31 December 2018	**1,455**
Additions	**–**
Impairment	**–**
At 31 December 2019	**1,455**

Investments have been assessed for impairment and the Board has reviewed the funds successfully raised through the Initial Public Offering on 21 March 2017 and the fair value of the Group as indicated by the market value of its equity at the balance sheet date both of which valued the Company in excess of £170m. Given the valuation, the Board is comfortable that the investments are not impaired.

At 31 December 2019, the Company had the following subsidiary undertakings.

	Class of share held	Country of incorporation	Proportion held	Nature of business
Medica Reporting Services Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Finance Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Limited	Ordinary	England & Wales	100%	Teleradiology reporting
Medica Australia Pty Limited	Ordinary	Australia	100%	Teleradiology reporting

All UK subsidiaries hold the same registered address as the Group being, 6th Floor One Priory Square, Priory Street, Hastings, TN34 1EA.

The Australian subsidiary registered address is c/o KPMG, Level 38, Tower 3, 300 Barangaroo Avenue, Sydney NSW 2000, Australia.

34 CAPITAL AND RESERVES

Ordinary share capital issued and fully paid

	At 31 December 2019 £000	At 31 December 2018 £000
111,111,114 ordinary shares of £0.002	**222**	222
Total ordinary share capital of the Company	**222**	222

Rights attributable to issued shares

Any profits which the Company determines to distribute in any financial year shall be paid on the ordinary shares. Every holder of an ordinary share and ordinary share is entitled to one vote and has one vote for every share for which they are a holder.

On a return of capital on liquidation, capital reduction or otherwise, the surplus assets of the Company remaining after the payment of its liabilities shall be applied in distributing the balance of such assets amongst the holders of the ordinary shares.

Voting rights

The holders of ordinary shares are entitled to receive notice of and attend and vote at any general meeting of the Company.

Share premium

No proceeds were received in addition to the nominal value of the shares issued during the year.

Retained profit

Retained earnings include current and prior period retained profit and losses.

Share based payments

The Company has share based payment schemes in issue. The accounting policy and disclosures are contained within the Group accounts (Note 3.15 and Note 26). The share based payment charge which is determined based on share based payment schemes issued by the parent company, are recharged to the Company's subsidiaries through a management charge that is recognised via the intercompany balances.

35 DEBTORS

The debtor balance of £25.8m relates to amounts owed from subsidiaries. The balance can be called for repayment on demand by the Company or repaid at any time at the option of the subsidiary. In the directors' view the entire outstanding balance could be settled by the relevant subsidiary within one year of the balance sheet date and as such the directors are satisfied that there is no indication of impairment.

36 BORROWINGS

Borrowings relate to the Group's bank loan which is set out in Note 20.

37 RELATED PARTIES

See Note 28 in of the Group financial statements for related parties' information.

38 POST BALANCE SHEET EVENTS

See Note 29 of the Group financial statements for post balance sheet events information.

COMPANY INFORMATION

The Board of Directors	G R Davis S L Whittern Professor M Bewick J M Easton – appointed 22 April 2019 J M Graham – resigned 31 August 2019 Dr S J Quin – appointed 1 September 2019 Dr S G Davies A L Lee
Company Secretary	A L Lee
Registered office	Medica Group PLC 6th Floor One Priory Square Priory Street Hastings East Sussex TN34 1EA
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors 2nd Floor St Johns House Haslett Avenue West Crawley West Sussex RH10 1BG
Registered Company number	08497963

medicagroup.co.uk

Medica Reporting Limited
6th Floor
One Priory Square
Priory Street
Hastings
East Sussex
TN34 1EA
t: 033 33 111 222

Consultancy, design and production by:
jonesandpalmer.co.uk

MEDICA REPORTING LIMITED
Sixth Floor
One Priory Square
Hastings
East Sussex
TN34 1EA

t: 033 33 111 222

medicagroup.co.uk