MEDICA GROUP

FOCUSED ON DELIVERING QUALITY RESULTS

ANNUAL REPORT AND ACCOUNTS 2017
REGISTERED COMPANY NUMBER 08497963

MEDICA GROUP PLC

THE LEADING INDEPENDENT UK PROVIDER OF RADIOLOGY REPORTING

1.5m

REPORTS A YEAR

HIGHLIGHTS

ANOTHER YEAR OF STRONG GROWTH

FINANCIAL

18.2%

REVENUE INCREASE

48.7%

GROSS PROFIT MARGIN

82%*

CASH CONVERSION

28.1%**

ADJUSTED OPERATING PROFIT MARGIN

OPERATIONAL HIGHLIGHTS

- Total number of reported body parts increased by 7.7%, from 1.35m in 2016 to 1.46m in 2017
  - NightHawk volume increased by 31.1%
  - Cross-sectional volume increased by 23.8%
- Recruitment has again been strong throughout 2017, with the total number of radiologists (including radiographers and rheumatologists) contracting with Medica standing at 306 as at December 2017. This represents a net increase of 58 year-on-year
- Medica provided services to 103 NHS Trusts and private providers in 2017 (2016: 99)

* EBITDA cash conversion is detailed in Note 31
** Adjusted operating profit margin is detailed in Note 31

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AT A GLANCE

MEDICA IS THE LARGEST TELERADIOLOGY PROVIDER BY REVENUE IN THE UK

WHAT IS TELERADIOLOGY?

Teleradiology is the 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. Through teleradiology, images can be transmitted from the hospital setting, where the images are created, to a radiologist who can review and report on the images remotely. In the case of Medica, these are Consultant Radiologists specialising in the relevant field, who typically report on the image from their own home or from one of Medica's dedicated reporting centres. Teleradiology improves patient care by enabling radiologists to provide their services remotely, thereby facilitating the rapid availability of trained specialists 24 hours a day, 365 days a year.

24/7 365

RAPID AVAILABILITY OF TRAINED SPECIALISTS

WHAT WE DO

Medica provides outsourced interpretation and reporting on MRI, CT and plain film images. The Company currently offers three primary services to hospital radiology departments: NightHawk, an out-of-hours service, routine cross-sectional (Routine CS) reporting on MRI and CT scans, and routine plain film (Routine PF) reporting on x-ray images.

Primary services:

NightHawk

Out-of-hours emergency CT and MR reporting in less than an hour.

Routine CS/PF

Routine teleradiology reporting of cross-sectional and plain film images.

Other services include:

DayHawk

Fast day-time reporting (<60 minutes).

Colonography

Sub-speciality 'virtual colonoscopy' service.

DXA

Flexible reporting by UK rheumatologists.

Radiographer reporting

Quality assured radiographer plain film reporting service.

Audit

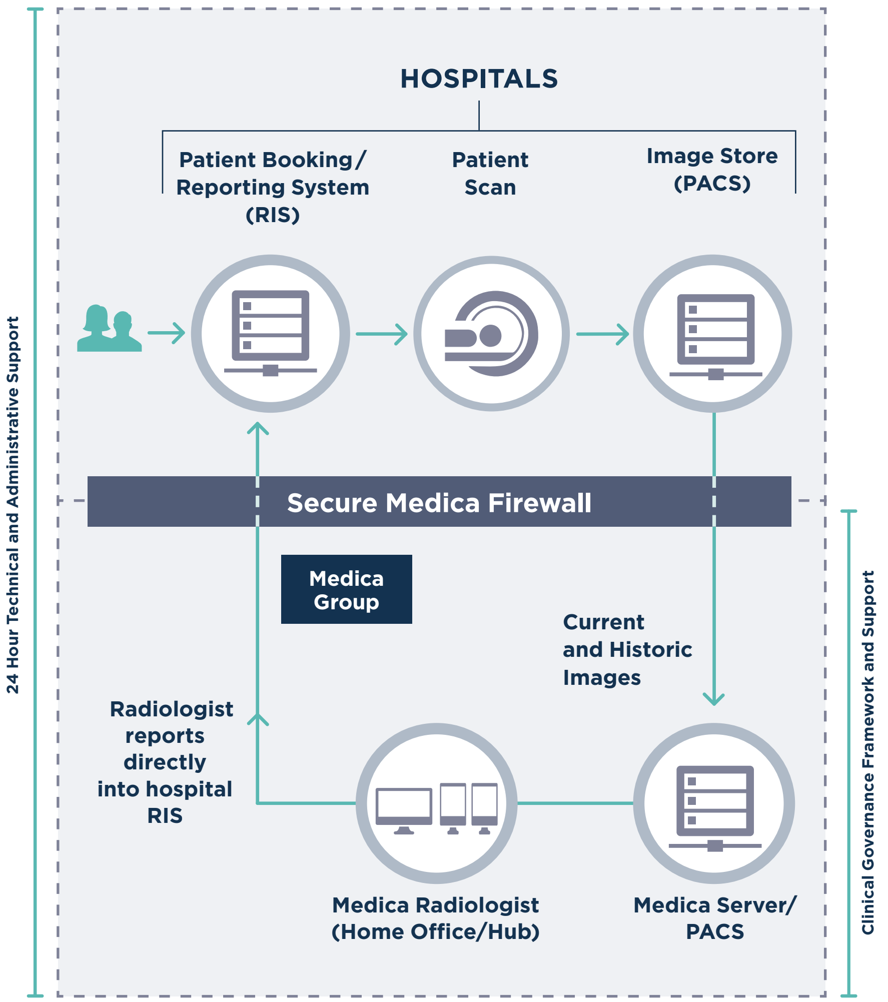
Highly experienced and robust external auditing service.

Mammography

Sub-speciality symptomatic breast reporting.

> Unique technical solution to ensure optimal patient care.

HOW WE DO IT



Medica has a bespoke IT platform that provides market-leading linkage between a hospital's Radiology Information System (RIS) and Consultant Radiologists who contract with Medica.

This link to the hospital RIS is a key advantage Medica has over competitors in the teleradiology market. This unique linkage offers Medica's contracted radiologists equivalence to NHS in-house reporting by providing the same radiology history and previous images that an in-house radiologist would have access to.

What this means

Direct access to the hospital's RIS system and thus to a patients' historical clinical records allows Medica radiologists to give the most complete and accurate reports adhering to the highest standards, in the same way that the hospital-based radiologist does.

Among other benefits, Medica offers hospital radiology departments the ability to manage their workflow more efficiently and flexibly, and provides rapid access to specialist Consultant Radiologists, who may not be available to that hospital at the relevant time, or at all.

CHAIRMAN'S STATEMENT

A STRONG PLATFORM FOR FUTURE GROWTH

"

ROY DAVIS
CHAIRMAN

I am pleased to provide my Chairman's statement for Medica Group Plc's first year as a public company.

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306

RADIOLOGISTS CONTRACTING WITH MEDICA

In 2017, Medica continued to grow strongly and achieved another impressive set of results. The Group saw growth across its main teleradiology offerings with revenue increasing by 18% on last year. This growth has been underpinned by strong recruitment in the period which saw a net increase of 58 radiologists on the prior year.

In March 2017, Medica successfully listed on the Main Market of the London Stock Exchange, raising gross proceeds of £15m for the Company, which were used to pay down the net debt of the Group to approximately £10m. By the end of the year cash generation had further reduced the net debt to £5m and Medica's strengthened financial position provides us with a strong platform to support growth and future development of the Group. Medica is well placed to pursue further organic and other growth opportunities to generate long-term value for shareholders.

The teleradiology market continued to develop and demand from clients grew strongly as NHS Trusts continued to face capacity pressure and seek efficient solutions of high clinical quality.

Medica's strategy remains to provide the highest quality clinical services and to promote improvements in clinical quality across the UK. Medica's goal is to work in partnership with NHS Trusts and independent providers to reduce waiting times and improve patient outcomes. Through this approach, Medica can continue to lead the growth of teleradiology in the UK.

Medica's key focus is to support NHS Trusts at a time when they are dealing with increased demands for reporting against a backdrop of limited in-house capacity. Through investments in clinical process and technology Medica is able to provide a high quality clinical service to its clients' patients in a timely and cost-effective manner. Increasingly Medica is able to partner with clients to bridge geographical and specialist gaps across the UK.

Recruitment of radiologists has been strong in 2017 and is expected to continue to be so as Medica focuses on improving the radiologist reporting experience with Medica through strong technical support and robust clinical governance. Despite the relatively low proportion of reporting currently outsourced, the Company's investment to increase the productivity of its radiologists is important in increasing the overall reporting capacity in the UK.

Medica's employees have performed exceptionally well again in 2017 supporting clients and radiologists and always focused on trying to ensure the best patient care. I have been impressed with the level of professionalism and dedication since joining Medica and express my gratitude on behalf of the Board to all of our staff for their contributions during the year.

The Board has adopted a progressive dividend policy for the Company from Admission, which seeks to maximise shareholder value and reflect Medica's strong earnings and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Group's long-term growth. Following the interim dividend of 0.55 pence for the period to 30 June 2017, the Board proposes a final dividend of 1.10 pence for the year ended 31 December 2017.

The Group has performed well in 2017 and I believe we are well positioned to continue to create value for all shareholders by delivering high levels of service to our clients and helping to improve patient outcomes.

ROY DAVIS
Chairman

INVESTMENT CASE

A STRONG FOUNDATION FOR SUSTAINABLE PROFITABLE GROWTH

LARGE POOL OF CONSULTANT RADIOLOGISTS

Medica contracts with 306 UK Consultant Radiologists, enabling us to provide increased capacity for our customers and a breadth of specialisms that an individual customer may not be able to employ.

STRONG CLINICAL GOVERNANCE

We have established a highly experienced, market leading clinical governance function. The quality of our own internal clinical oversight has led to some customers approaching us to audit their own internal radiology departments.

See more on page 12

EXPERIENCED TEAM

The senior management team has been with the business for an average of more than five years and includes a previous president of the British Institute of Radiology.

See more on page 26

ROBUST & SCALABLE TECHNICAL PLATFORM

We have invested in our bespoke IT platform to provide a robust and secure connection with hospital radiology systems that can deliver a simple and quick service with enhanced functionality, ultimately improving patient outcomes, and providing a bespoke linkage between our customers and Medica Radiologists.

Our IT and services platform gives us the scope to continue growth in existing service lines, but also the ability to service different customer groups and to add new service lines.

24mins

AVERAGE NIGHTHAWK TURN AROUND TIME

FAVOURABLE MACRO MARKET DYNAMICS

The number of scans is increasing, underpinned by the drive for early diagnosis and preventative healthcare. The shortage of radiologist capacity in hospitals is supporting the trend towards outsourcing, as is the increasing cultural acceptance of teleradiology.

STRONG FINANCIAL PERFORMANCE

Medica has enjoyed strong growth in recent years, and this continued throughout 2016, with Group revenues growing by 18.2% to £33.7m (2016: £28.5m) and EBITDA growing by 15% to £10.6m (2016: £9.2m).

See more on page 20

CASH GENERATION

The Group continues to deliver strong cash generation with operating cash flow before tax and exceptional costs at £8.7m (2016: £7.7m) due to an increase in EBITDA and efficient use of working capital, offset by expansionary capex incurred in order to deploy additional radiologists and new customers. All of this resulted in EBITDA cash flow conversion of 82% (2016: 84%).

HIGH LEVELS OF REPEAT REVENUES

Over 80% of revenue in the financial year ended 31 December 2017 was derived from customers who had worked with Medica for more than three years, with strong revenue growth even from customers who have worked with Medica for over five years.

MARKET OVERVIEW

A GROWTH MARKET

Strong demand driven by NHS and independent healthcare groups.

An increase in volume and complexity of diagnostic imaging examinations, a shortfall in the supply of specialist radiologists and a requirement to update working practices to support a 7 day NHS combine to drive growth in teleradiology.

Market Drivers

→ Growth in A&E admissions

Requiring diagnostic imaging, National Institute for Clinical Excellence (NICE) guidelines evolving to include more diagnostic imaging.

→ An ageing demographic

→ Move to 7-day working expected to further drive growth

→ Technical advances

Means that more conditions are suitable for diagnostic reporting and more images being produced per scan.

→ Early diagnosis

Resulting in improved patient outcomes and reduction in overall cost.

→ Industry Expectations

For increased diagnostic response and reduced turnaround time, particularly for stroke and cancer care, becoming more demanding.

> "Demand has been highlighted with the news that Clinical Radiology is now on the national shortage occupation list."

The need for examinations continues to grow

The overall market by number of examinations is growing, with cross-sectional CT and MRI scans growing significantly faster than plain film examinations. The Royal College of Radiologists has forecast significant growth in demand for examinations. In England from 2013-2016 the number of CT and MRI scans respectively rose by more than 30% – three times more than the rate of workforce growth.

Structural shortage of radiologists

Hospitals have struggled to add sufficient specialist radiologist capacity, particularly in certain areas within the UK. The national shortage of radiologist capacity in the market to meet rising demand, exacerbated at a local level due to geographical nuances has resulted in the increased need to use existing radiologist capacity within the market more efficiently – Medica Group offer this solution.

While new Consultant Radiologists are being trained, the net increase (after retirement of existing radiologists) is not sufficient to meet the demand. According to the RCR* the UK has the third lowest number of radiologist per population in the EU, with 7.5 radiologists per 100,000 patients – the EU average is 12.7 per 100,000. In addition, increased regional shortages can be an issue, as can access to Consultant Radiologists who are experts in specialist areas.

* The RCR Clinical Radiology UK Workforce Census 2016 report, 2016.

Even with our support the Royal College of Radiologists stated 230,000 patients are currently waiting over a month for their radiology reports. Key findings from the RCR Clinical Radiology UK Workforce Census 2016 report show that 8.5% of NHS radiologist posts were vacant in 2016, of which 61% were unfilled for more than a year. The resulting shortage means that in 2016, 97% of NHS radiology departments were unable to meet their reporting requirements. Medica Group are well placed to support the NHS to meet this capacity gap.

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 working with Radiographers to offer high quality capacity and expertise. In 2017 the percentage of our Plain Film reporting undertaken by radiographers rose to 14%.

Demand for specialist services

The range of diagnostic imaging examinations being performed increases each year as technology improves. Working alongside our clients Medica are developing 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. Services such as CT Colonoscopy (CTC) and DXA reporting are already well established and will be joined in 2018 by Specialist Cardiac reporting, enhanced scope in Nuclear Medicine examinations and tailored Cancer Reporting (RECIST).

> “230k patients waiting over 1 month for radiology reports.
>
> 97% of radiology departments unable to meet requirements.”

BUSINESS MODEL

CREATING VALUE

We use our resources and competitive advantage to create value that is shared with our stakeholders

INPUTS

Resources

Our people and expertise:
A dedicated and skilled team of over 89 staff, 306 Consultant Radiologists and a healthy recruitment pipeline.

Technology:
Bespoke IT platform that provides market-leading linkage between a hospital's Radiology Information System (RIS) and Consultant Radiologists who contract with Medica.

Relationships:
We are a respected partner to clients including the NHS, private hospital groups and diagnostic imaging firms.

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ORGANISATIONS CONNECTED TO THAT CAN USE OUR TELERADIOLOGY SERVICES

WHAT WE DO

We are the UK market leader by revenue in the provision of teleradiology services, i.e. the outsourced interpretation and reporting on radiology images.

OUR CORE SERVICES
Routine: Routine teleradiology reporting of cross-sectional and plain film images – 48 hour turnaround time.

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 24 minutes, which compares favourably with a typical contracted service level turnaround time of 60 minutes; the Group's average turnaround time for NightHawk reports is believed by the Directors to be considerably shorter than the industry average.

ROUTINE CS	ROUTINE PF	NIGHTHAWK
37.2%	10.9%	49.8%
OF REVENUES	OF REVENUES	OF REVENUES

DayHawk: Fast day-time reporting (<60 minutes).

Radiographer reporting: Quality assured radiographer plain film reporting service 14% of Plain Film Reporting completed by Radiographers in 2017.

Radiographer Reporting, utilising highly skilled and qualified radiographers, in addition to Medica Radiologists, to conduct PF reporting.

Medica's deployment of Advanced Practitioner Radiographers for PF reporting is focused on areas where radiographers are already widely utilised for this purpose in the NHS. Underpinned by the Group's reputation for clinical excellence, the service has now been introduced to a number of clients. The introduction of Radiographer Plain Film Reporting allows more Medica Radiologist capacity to be focused on cross-sectional reporting.

The Directors believe that the Group is now well-positioned to tackle the excess Plain Film reporting demand seen in the NHS by utilising Reporting Radiographers. As a result, Radiographer Plain Film continues to represent a growth opportunity for the Company and an enhancement of the support we are able to offer our customers.

Our new specialist services:

CT colonography: Sub-speciality 'virtual colonoscopy' service.

Duel Energy X-ray Absorptiometry (DXA): Flexible reporting by UK rheumatologists.

Cardiac CT

Nuclear Medicine

PET CT

RECIST

Multi-parametirc Prostate MRI

Clinical Audit: Highly experienced and robust external auditing service.

+1.5m
EXAMINATIONS PER YEAR

Reinvestment

HOW WE CREATE VALUE

What sets us apart:

- Strong clinical governance
- Our scale and breadth of speciality interests
- Our link to the hospital RIS system allows Medica's Radiologists not only to view the scan in question, but also to see a patient's radiology history, including previous scans
- We contract with the largest pool of Consultant Radiologists outside of the NHS, all of whom have a minimum of two years' experience
- Our average turnaround time is believed to be considerably shorter than the average (including in-house radiology departments)

HOW WE WILL MAXIMISE VALUE CREATION

Our strategy:

- Drive core services
- Develop new service lines
- Grow non-NHS
- Offer clinical audit
- Radiographer reporting

OUTCOMES

For Our clients:
Timely turnaround, including out-of-hours, assisting hospitals to manage workloads across a wide range of subspecialist expertise, and helping patient outcomes via the rapid availability of trained specialists 24 hours per day, 365 days per year.

For Our radiologists:
Attractive and flexible terms, with ability to work from home and to focus on speciality interests.

Our Clinical governance
As the provider of a highly skilled clinical service, Medica places clinical governance and quality assurance and improvement at the heart of its service offering. The Group has an established Medical Advisory Board (MAB) and a separate Clinical Advisory Group (CAG). The clinical governance processes and outputs are overseen by the Clinical Governance Committee.

A role of clinical governance is to review radiologist performance and in doing so, strive for continuous improvement in the standard of reporting of Medica Radiologists. An example of this is the regular sharing of case reviews among the entire radiologist reporting group, detailing complex cases and acting as learning and development tool for Medica Radiologists. There are also a number of clinical speciality leads within the Group, who specialise in a particular field of radiology, and who help the Group maintain best-in-class service.

Reinvestment

IN FOCUS

CLINICAL QUALITY

Focused on delivering quality results

THE BENEFITS

Highly experienced clinical governance structure

- Strong leadership from Medical Director and Clinical Advisory Group consisting of five members, including past Presidents of the British Institute of Radiology (BIR).
- Clinical Support comprising seven members of Clinical Services and Quality and 12 Clinical Speciality Leads.

Stringent clinical selection and recruitment

Established and stringent clinical selection and recruitment process in line with GMC standards for the recruitment of doctors.

All Medica radiologists are required to:

- be on the GMC Specialist Register for Clinical Radiology

  have a minimum of two years in an NHS consultant post.

Market leading controls and support process in place

Clinical Support and Audit providing Quality Assurance, Quality Control and Clinical Education

- All new radiologists' initial reporting is audited.
- Ongoing programme of auditing reporting.
- Clinical output monitored in regular Clinical Governance meetings.
- Developed radiologist management and response to concerns policy and learning and development support tools.
- The quality of our Clinical Governance function has led to customers approaching us to audit their own internal radiology departments.

DR STEPHEN DAVIES
MEDICAL DIRECTOR

STATEMENT FROM THE MEDICAL DIRECTOR DR STEPHEN DAVIES

Clinical quality is a cornerstone of the clinical governance in Medica. Peer review and client feedback provides data that guides the continuous learning approach that Medica encourages its radiologists to adopt. This is in line with the Royal College of Radiologists guidance on 'Learning from Discrepancies'.

Medica works in partnership with its clients in the investigation and reporting of clinical incidents. Where there are individual or organisational learning points, Medica's learning culture and processes provides a path for quality improvement.

Clinical collaboration and development is evident in our NightHawk service and in the development of special service lines. NightHawk services are embracing national initiatives in the areas of acute stroke and major trauma management. Key service developments underway are in the special service lines for cardiac and prostate imaging. We expect to see further developments in the next 12 months in the special service lines.

Working in partnership with our client healthcare providers to deliver an effective clinical service has been a key focus in 2017 and will continue. The clinical leadership has taken a 'hands-on' approach visiting clients and understanding at first hand the key success factors for each client. The quality assurance processes provide opportunities for Medica to provide support and advice in areas such as image quality and protocols.

Medica has invested in growing the Clinical Advisory structure in 2017 with further development plans in 2018. This is to support the growth and diversification of our clinical service and meet the expected clinical quality standards of our clients.

RADIOLOGIST Q&A

DR MAXINE MURRAY
RADIOLOGIST

What is your role within Medica and tell us a little more about what you do?

I have several different roles at Medica. I have been a reporter for three years, mostly reporting neurology and chest scans, but I am also an auditor and arbitrator, providing feedback to other radiologists on their discrepancies. Until recently, I was also clinical lead for chest radiology, providing educational reviews to share interesting cases and learning points with other Medica radiologists and providing a second opinion on difficult/complex cases. I was also involved in assessing potential new areas for development in Medica including the use of artificial intelligence (AI) to measure and monitor lung nodules and to assess severity of disease in patients with emphysema.

I am a trained appraiser and carry out regular appraisals on Medica radiologists for whom Medica is their designated body. I am also involved in writing annual reports for Medica radiologists to present at their NHS appraisals.

I sit on the clinical governance committee which meets fortnightly to review all serious discrepancies, root cause analyses and any concerns about performance of radiologists or radiographers.

I was appointed as clinical audit lead on 1st January 2018.

It's true to say now that NHS radiologists balance a variety of responsibilities – working in the NHS, out-of-hours, in private practice, for teleradiology providers and teaching and research. You've also chosen to adopt the modern concept of a 'portfolio career' why was this attractive to you?

I enjoy the variety of my job. I can report from the convenience of my own home without constant interruptions which means I can really focus on what I am doing and provide timely and accurate reports. My reporting lists are tailored to my areas of expertise and by reporting for a number of specialist neurological centres, I feel I have been able to develop my expertise. There is no pressure to hurry the reports and I have the time to look up interesting cases as I go along which is great for learning. It can be quite isolating working as a teleradiologist, but Medica has a panel of clinical leads who are available to discuss interesting or difficult cases, which is a great support. I get to meet other radiologists in my role as appraiser and I work as part of a team with regular video-conferencing for the governance committee. My hours for Medica are flexible which means that I have been able to take up a post at Brighton and Sussex Medical School teaching the year two students which I thoroughly enjoy.

How important is it to strike work/life balance as a consultant radiologist and how has teleradiology helped you achieve that?

Having commuted to work for 15 years in the NHS, I now report from home which means that I don't waste 2–3 hours per day travelling. The hours that I decide to work are flexible and I frequently have afternoons free, having reported in the morning. This flexibility has been particularly important to me owing to serious illness in a close family member.

With the majority of your doctors being remote how do you manage performance and quality and how do you quality assure your service?

The performance of all Medica radiologists is reviewed annually by a member of the clinical governance committee. This involves ensuring that continuing professional development (CPD) is up to date and relevant to the doctor's scope of practice, a review of their job plan to ensure that the doctor is not working excessive hours, and a review of discrepancies with the learning points which have arisen through reflection.

Medica also provide monthly educational reviews for radiologists which are based around interesting and informative cases which have been reviewed at the clinical governance committee. Medica radiologists are also asked to submit interesting cases to an educational folder for inclusion in these reviews.

> Urgent cases can be turned around in less than 24 minutes, which is clearly of benefit to patients.

Does Medica's approach to Clinical Governance and Quality Assurance differ from the NHS and how?

All Medica radiologists undertake an entry audit in which all of their initial reports are audited for discrepancies. Provided this is satisfactory they are then subjected to an ongoing background audit of a set percentage of their reporting.

Medica radiologists receive a monthly report which details their level of discrepancy and compares this with the Medica average. All radiologists also receive an annual written report concerning their volume of reporting and discrepancy details for them to present at their NHS appraisal.

In the NHS it is unusual to have regular audit of a radiologist's work and most discrepancies are raised on an informal, ad hoc basis, often through discrepancy review meetings. Most NHS radiologists are not aware of their individual discrepancy rates.

Even the best doctors make some mistakes, how do you reduce this risk and manage errors when they do occur?

Mistakes are an inevitable part of clinical practice. By tailoring reporting lists to a particular radiologist's experience, Medica is able to reduce the risk of radiologists reporting beyond their expertise. However, when mistakes are made, it is important to learn from them. Errors can be raised by individual Trusts or through the Medica audit process. Medica radiologists are asked to reflect in writing upon their errors and to identify specific areas where they could improve their practice. At the end of the year, Medica radiologists are asked to review all of their discrepancies, looking for patterns or trends which might be amenable to improvement. This might, for example, involve using a checklist to ensure that reports are comprehensive or may identify areas of the literature to review.

Tell us about the support network for doctors who work for Medica?

Working as a teleradiologist can be quite isolating but Medica provides a number of levels of support for radiologists. On a daily basis, there is access to technical support by telephone 24 hours a day. The support team are courteous and efficient and are able to escalate technical issues that they themselves are unable to deal with. There is also a system whereby radiologists can seek a second opinion from specialist radiologists for difficult or unusual cases. In terms of clinical governance, all radiologists are provided with a monthly summary of their discrepancy rates but there is also a bespoke appraisal system for those radiologists that work outside the NHS for whom Medica is their designated body. Appraisals are conducted annually by trained appraisers and are signed off by Dr Stephen Davies as Responsible Officer.

The demand for teleradiology is growing and we have touched upon how this set-up benefits the NHS and doctors, tell us how the teleradiology set-up impacts patient care?

Radiology is becoming increasingly sub-specialised and individual Trusts may have difficulty providing an expert opinion, particularly at short notice. Teleradiology companies have access to a broad cross-section of expertise amongst their reporting radiologists and are in an excellent position to provide timely, expert advice. Urgent cases can be turned around in less than 24 minutes, which is clearly of benefit to patients.

CHIEF EXECUTIVE'S REVIEW

ANOTHER YEAR OF STRONG GROWTH

JOHN GRAHAM
CHIEF EXECUTIVE

"I am proud to present my Chief Executive's review for Medica Group Plc's first year as a public company."

Introduction
I am delighted to present my Chief Executive's Review statement for Medica's first year as a public company. 2017 has been a milestone year in the development of the Group with the successful listing on the Main Market of the London Stock Exchange an important step in Medica's development.

The business has continued to develop throughout the year, improving services to clients, growing volumes and engaging with increasing numbers of radiologists whilst at the same time adapting to life as a public company.

I would like to thank the whole Medica team for their hard work and dedication this year and we are well positioned to take advantage of the many growth opportunities we see before us. Our clinical, technical and operational excellence combined with financial strength and our new profile as a public company give Medica a great platform to develop its services in teleradiology and beyond.

Delivered robust volume growth
This has been another strong year of double-digit growth for Medica with revenue increasing by 18.2% from last year. The Group has successfully grown organically year-on-year through the continued successful deployment of new clients and by increasing the revenue generated from existing customers, which has been the main driver of revenue growth in the year.

Significantly volume growth was driven by both NightHawk and Routine Cross-Sectional (CS), computerised tomography (CT) and magnetic resonance imaging (MRI) reporting which saw scan volumes increase by 31.1% and 23.8% respectively. Routine Plain Film x-ray (PF) decreased by 5.9%.

This growth in volume is being driven by several factors. The overall market dynamics remain a key driver with the number of CT and MRI scans performed across the UK increasing year-on-year and continued shortages of radiologists to provide increasingly complex diagnostic reports. Medica, as the market leader in teleradiology, are leading the way to support the NHS through the use of technology to bridge geographical and specialist gaps in resource and using its technical and clinical infrastructure to increase reporting productivity.

The high quality of Medica's clinical governance process has given clients more confidence in outsourcing. Increasingly NHS Trusts are planning their activities around a deeper partnership with Medica and our services are more embedded within departments than ever before. Although the overall proportion of scans outsourced remains modest the proportion is growing as the market develops. Medica continues to attract new clients but the primary reason for growth is through additional reporting for existing customers.

Gross profit margin edged down from 49.8% to 48.7% as anticipated, reflecting the ongoing renewal of the Group's contracts at marginally lower prices as the teleradiology market develops and outsourcing becomes normal practice. Increases in sales volume for our NHS services more than offset the reduction in average price in 2017 from anticipated pricing pressures.

Recruitment
Recruitment remained a key focus during 2017 and we significantly increased the number of radiologists from 248 at the start of the year to 306 at 31st December to meet growing market demand. Investment in recruitment, retention and training are priorities for the business as we seek to ensure radiologists are supported at all times, that the reporting experience is as smooth and efficient as possible and that radiologists can work in a high quality clinical environment.

Word of mouth recommendations from existing Medica radiologists who contract with the Group has become the most significant factor in bringing new radiologists into the recruitment process to be converted by our skilled recruitment team. In addition, the Group maintains a presence at many specialist and national events and maintains a database of candidates for recruitment. Medica's recruitment pipeline remains stronger than ever.

Continued investment and development
During 2017 we have continued to invest in our clinical governance, technical and operational infrastructure and processes and we continue to raise the bar for the quality of teleradiology services in the UK.

The clinical governance base is arguably the strongest element of Medica's offering giving clients the confidence to outsource greater volumes and more complex work. Work in this area has continued apace in 2017 with particular emphasis on improving the quality of clinical internal audit and managing clinical issues.

As volumes grow it is important to continue to improve the operational processes so as to be able to deal with increasing volume whilst minimising cost increases. Considerable effort has gone into refining workflow management processes and as the proportion of more specialist exams increases, the balancing of capacity and demand in a timely manner is more important than ever.

There has been considerable investment in Medica's technical platform in recent years which continued in 2017. As the volume of scans and the number of clients and radiologists continued to grow the scalable platform has expanded but it has been important that Medica has continued to innovate and improve its systems and that information security has remained at the heart of all we do.

Strategy

The Directors have to date focused on building a platform that can deliver a high quality teleradiology service to the Group's core customer base of NHS hospitals, centred on its NightHawk and Routine offerings.

The Group's strategy can be broadly categorised into three areas: developing the core business; accelerating the expansion into areas closely related to the core business; and broader diversification.

Developing the core business

The Group's core strategy remains to develop and grow its business by adding additional Medica reporting capacity to meet growing demand, maintaining the highest clinical standards and continuing to win new work for its existing service lines.

Having invested in the Group's IT and services platform, both in terms of the technical and clinical aspects and the ongoing recruitment of Medica radiologists, the Directors believe that the business can continue to grow strongly within its existing service lines. Continual development of the current core services, improving the offering to clients and the radiologist experience as well as improving the efficiency of Medica's internal infrastructure are a key part of Medica's strategy.

Medica will continue to improve the workflow for clients and radiologists and a good example is the forthcoming launch of a new NightHawk portal and process. This will bring considerable advances for both clients and our radiologists and enable improved efficiency and performance in the specialist emergency services Medica can offer.

Increasing specialisation of radiologists and demand from clients will evolve the Routine CS service line and using Medica's substantial and growing pool of specialist radiologists, Medica can offer national cover to the NHS for specialist reporting services.

Radiographer reporting is a key growth area for the core business. Launched in August 2016 this service has been grown in a steady and controlled way and advanced practitioner radiographers represent an increasing part of Medica's routine PF capacity, representing 14% of the total PF exams in 2017. Underpinned by strong clinical governance growing this service can play an important role in the NHS managing their waiting times and minimising backlogs.

There are also further opportunities in the independent sector and internationally that can expand Medica's core business.

Accelerating expansion into related areas

Medica has developed specialist reporting lines including virtual colonoscopy and dual energy x-ray absorptiometry (DXA) Osteoporosis scanning. The service lines have been developed with specialists but currently form a small part of Medica's business and the next stage is to increase the number of clients using these services.

Most recently we have developed a Cardiac reporting service, which has launched in the first quarter of 2018 and there are other specialist services currently under development. After an initial piloting stage these services can be expanded to new and existing clients.

The Group has a strong clinical governance structure, including an internal clinical audit function focused on maintaining the high clinical and service standards of Medica radiologists. Having been approached by our customers and others to audit their own in-house radiology departments, there is a clear opportunity to market this service to existing and new clients. Medica has developed bespoke software in 2017 to facilitate this service with a view to growing demand in 2018.

Broader Opportunities

The Directors believe that there are a number of wider tele-health and broader healthcare opportunities that the Group would be well-placed to take advantage of.

These are considered longer-term opportunities and would likely require investment in additional expertise to augment that already in place and, in some circumstances, may be better achieved through acquisition. The Board intends to develop plans for some of these opportunities in coming periods.

Outlook

Looking forward to 2018, the year has started well, with trading in line with the Board's expectations. The prospects for new work from existing and new clients and the pipeline for recruiting radiologists in the new financial year continues to be strong which gives me confidence in our outlook for 2018.

As the market evolves the Board is confident that, in the short to medium term, Medica will continue to grow revenues at a double-digit rate similar to that seen in 2017.

JOHN GRAHAM
Chief Executive Officer
12 March 2018

FINANCIAL REVIEW

POSITIVE POSITION FOR FUTURE GROWTH

TONY LEE
CHIEF FINANCIAL OFFICER

"Medica's strong growth has continued throughout 2017."

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 4-5 and 16-19. Both these reports form an integral part of the Strategic Report.

Trading results

Medica has enjoyed strong growth in recent years, and this continued throughout 2017, with Group revenues growing by 18.2% to £33.7m (2016: £28.5m) and adjusted operating profit growing by 16.4% to £9.5m (2016: £8.1m).

Net profit increased by 30.6% from £3.32m to £4.33m and adjusted basic earnings per share increased by 20.2% from 3.32 pence to 3.99 pence. Adjusted profit after tax increased by 51% from £4.98m to £7.52m and adjusted basic earnings per share increased by 39.0% from 4.98 pence to 6.92 pence. A full reconciliation between statutory and adjusted profit metrics is shown in Note 31.

Revenue

Revenue growth has been driven by an increase in the number of NightHawk and Routine CS scans which Medica has reported upon.

- NightHawk revenues increased to £16.8m, a 24.1% increase from 2016 revenue of £13.5m. 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, as well as new client wins.
- Routine Cross-Sectional revenues increased to £12.5m, a 19.4% increase from 2016 revenue of £10.5m. Similarly to NightHawk, growth has been driven primarily through existing customers as their scan volumes increased and Medica enhanced its partnership with Trusts reporting a greater quantity and proportion of their work, as well as new customer wins.
- Plain Film revenues decreased to £3.7m, a 5.4% decrease from 2016 revenue of £3.9m. During the period, Plain Film volumes were actively managed so as to focus on the faster growing Routine Cross-Sectional service.

Radiographer reporting, from launching in August 2016, started in a controlled way but increased during the year.

Our continued ability to recruit and retain radiologists is a key driver of revenue growth. Medica added an additional net 58 reporters in 2017 and at 31 December 2017 there were a total of 306 with whom Medica contracted, which is a record high for the Company.

Gross margins

Gross profit margin for the year was 48.7% (2016: 49.8%).

Gross profit margin edged down in the year as expected. There are a number of contributing factors with the main reason being ongoing renewal of contracts often through migration to framework agreements. There has been downward pressure on prices for some time as volumes increase and this is expected to continue. The reduction in average price has been more than compensated by increases in volume.

The Company looks to achieve a similar gross margin across each of its service lines. In 2017, the gross margins for each service line were as follows:

- NightHawk: 50.5%
- Routine Cross-Sectional: 52.1%
- Routine Plain Film: 49.4%

The only costs included within cost of sales relate to the costs of paying Medica's radiologists and internal clinical audit costs. Internal clinical audit costs which can be significant are not included within the individual service line gross profit figures above.

Adjusted operating profit

Adjusted operating profit for the year grew to £9.5m, a 16.4% increase from 2016 levels of £8.1m.

The successful listing in March 2017 led to customary additional costs which represented 7% of total overheads in the year. Overheads remained controlled in the period, increasing only 10% on a like for like basis on the prior year compared to an increase in revenues of 18% with adjusted operating profit growth constrained by margin contraction.

The adjusted operating profit for the period of £9.5m was 16.4% higher than 2016 (£8.1m), which represents continuing good progress for the business. Despite the additional costs of being a public company the adjusted operating profit margin only reduced moderately from 28.5% in 2016 to 28.1% in 2017.

Exceptional costs

The total costs of listing on the London Stock Exchange were £2.6m, of which £0.8m were recognised in 2016 and £1.8m in 2017. Of these costs £0.2m was deducted from the share premium account and £2.4m over the two years has been presented as exceptional items on the income statement. These costs have been added back in to calculate adjusted operating profit and adjusted earnings per share.

In addition, part of the proceeds were used to repay bank debt, and previously capitalised fees of £0.6m have been presented as exceptional financing costs and have also been added back in to calculate adjusted profit before tax and adjusted earnings per share.

Net finance expense

Finance costs were £0.7m for the year (2016: £2.2m). The Group refinanced its existing debt facility at listing post the year end, with the net proceeds of the IPO used to pay net debt down to approximately £10m, reducing its bank debt and repaying loan notes from CBPE Capital LLP, the majority owners of Medica prior to the IPO, in full.

Taxation

The Group has incurred a tax charge of £1.3m in the year ended 31 December 2017, compared with £1.0m in the year ended 31 December 2016.

Earnings per share

Adjusted earnings per share increased by 39.0% to 6.92 pence, reflecting the growth in the business and the altered capital structure post listing. Normal earnings per share increased by 20.2% to 3.99 pence.

Dividends
The Board has adopted a progressive dividend policy, following the interim dividend of 0.55 pence the Board proposes a maiden final dividend of 1.10 pence per share to give a total dividend for the year ended 31 December 2017 of 1.65p per share. This will, subject to approval by shareholders at the annual general meeting on 23 May 2018, be paid on 22 June to shareholders listed on the register on 1 June.

Cash flow
The Group continues to deliver strong cash generation with operating cash flow before tax and exceptional IPO costs of £8.7m (2016: £7.7m).

EBITDA cash flow conversion was 82% (2016: 84%). Cash flow from operating activities was £5.5m (2016: £6.8m), the reduction being due to exceptional costs. There was a moderate increase in trade debtors caused by small delays in clients settling their invoices. This was limited in number and delays due to changes in their administrative processes. The business continues to generate strong cash flows from its core business.

Capex for the year was £1.8m (2016: £1.2m) as the business continued to invest in its infrastructure to support volume growth and to improve its efficiency and service offering.

Net debt
The Company used the net proceeds of the IPO to fund the repayment of the £6.9m of outstanding loan notes held by CBPE as well as contributing to the repayment of £8.6m of the Group's outstanding indebtedness under the Group's existing term loan and revolving credit facilities, which the Directors believe will result in an appropriate level of gearing going forward, given the size of the Group and the Company's status as a listed company. Following this repayment, the Company had net debt of approximately £10m which reduced to £5m as the business generated cash during the year.

On 7 March 2017, the Group entered into a new facilities agreement (the 'New Facilities') for the purpose of refinancing that part of the facilities that were not repaid out of the proceeds of the Offer. Under the New Facilities, up to £13m in aggregate is available to the Group 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 under the New Facilities at the rate of LIBOR + 1.75. As at the balance sheet date, the revolving credit facility was undrawn.

Intangible assets
As at the year-end, total intangible assets were £25.2m (31 December 2016: £25.3m). The Group's intangible assets are the goodwill of £15.9m and other intangible assets from the acquisition by the Company of Medica Reporting Limited in May 2013. In addition, there is a small proportion, which at the year-end was £1.3m (year ended 31 December 2015: £0.6m), in relation to purchased software and certain capitalised development software and licences. The main addition during the year was the renewal of Medica's PACs system contract for a five-year period.

Property, plant and equipment
As at the year-end, total value of property, plant and equipment was £1.9m (31 December 2016: £1.8m). Property, plant and equipment primarily relate to computer equipment, the majority of which is the servers installed with customers, radiologists' workstations and infrastructure technology. The growth in property, plant and equipment reflects the net increase, i.e. after depreciation, of additional capital expenditure for new customers and new radiologists and software for new projects.

Key Performance Indicators (KPIs)
The Board receives monthly KPIs on the Group. These include clinical and operational performance measurements such as turnaround times and clinical audit results as well as financial KPIs.

As noted above 2017 was a year of record volume and as the business grows a key challenge for the Group is to maintain turnaround times ahead of contractual agreements with clients. During 2017 turnaround times remained consistent with 2016's performance.

Clinical quality is a key part of Medica's performance and we have a robust system of internal clinical audit where 10% of NightHawk and Cross-Sectional exams and 2% of Plain Film exams are reviewed. During 2017 the Group continued to meet its targets for clinical audit rates.

The key financial KPI is adjusted EBITDA which was £10.6m for the year to 31 December 2017 (£9.2m for the year to 31 December 2016).

Principal risks and uncertainties

There are potential risks and uncertainties which could impact the Group's performance and these are considered by the Board on a regular basis. The Board robustly considers the risks of all significant business decisions, changes in the external environment and in the Group's operations. The key risks affecting the business are as follows:

RISK DESCRIPTION	MITIGATING ACTIVITIES AND COUNTERMEASURES	2017 COMMENTARY
Clinical quality risk Medica provides radiology reports which form an integral and essential part of the clinical management process for patients. Inaccurate reporting could lead to patient harm and reputational impairment for the Company. Error is inherent in all radiology practice.	The mitigation is the presence of strong clinical governance with quality assurance and quality improvement. The reporting radiologists must carry personal indemnity which minimises the financial risk to Medica.	The Group has continued to maintain the appropriate level of clinical audit and to invest in its clinical quality.
Retaining and growing reporting capacity The performance of the Group depends on its ability to grow its reporting capacity and any reduction in reporting capacity or any increase in reporting costs could negatively impact the Group's business, results of operations, financial condition or prospects. If the Group's costs increase, its results of operations and financial condition could be materially adversely affected.	The Group has and continues to invest in its recruitment activities with a dedicated recruitment team and a presence at radiology events across the UK. The reputation of Medica's clinical governance and word of mouth is a key part of recruitment strategy. Retention policy is based on providing a comprehensive support structure to Medica radiologists from all parts of the business.	The Group has increased its radiologist numbers to 306, maintains a dedicated recruitment team and continues to have a strong pipeline of new recruits.
Reputational risk Quality deficiencies or other issues affecting the Group's accreditations and registrations could adversely impact Medica's reputation and ability to market its services effectively and could have a negative impact on the Group's business, results of operations, financial condition and prospects.	The Group has and continues to invest significant resources in its clinical governance structure and processes and maintains all relevant certifications	During 2017 we successfully maintained ISO9001:2015 and ISO27001:2013 certifications as well as maintaining our IG Toolkit compliance and ISAS accreditation.
Failure to retain key management The Group's executive management team is critical to its continued performance.	As noted in the remuneration report, the Group has policies in place to retain and motivate key management which are kept under regular review.	No change.
Industry risk Future changes in healthcare regulation are difficult to predict and may constrain the Group or require it to materially alter the way in which it operates.	The Group monitors change in regulation and on an ongoing basis.	No significant changes in regulation occurred in 2017.

RISK DESCRIPTION	MITIGATING ACTIVITIES AND COUNTERMEASURES	2017 COMMENTARY
Operating risk The Group currently derives substantially all of its revenue from the NHS through NHS Trusts and the reduction of such revenue could adversely impact the Group's business, results of operations and financial condition. The Group's revenue from NHS Trusts is not subject to any minimum purchase commitment and any reduction in demand for the Group's services could have a material adverse effect on its business, results of operations and financial condition. There is a risk of increased pricing pressure from the NHS for teleradiology services.	The Group focuses on providing a high quality, value for money service and maintains close communication with clients through its account management team.	The Group has maintained performance throughout 2017 and continues to develop its services and be valued by clients. The Group is monitoring signs of increasing restraints on NHS budgets.
Data protection risk The Group is subject to regulations relating to personal information. Any failure to adequately protect its customers' patients' personal data could expose the Group to liability.	The Group minimises the amount of data it holds, maintains the ISO 27001 accreditation and carries out regular tests on its data security systems.	The group successfully maintained its ISO27001 certification and IG Toolkit compliance during 2017. The group are also working towards full GDPR compliance before the 25 May 2018 deadline. No data breaches occurred during 2017.
Competition risk Significant competition could adversely affect the Group's business, financial condition and prospects.	The Group focuses on providing a high quality, value for money service and maintains close communication with clients through its account management team.	The Group continues to maintain clear communication with clients and develop its service to meet client expectations.
Technology risk The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged. Artificial intelligence could play a role in radiology diagnosis and this represents both a risk and an opportunity.	The Group has invested significantly in its IT platform and has an in-house team that maintains and improves performance of the IT systems. The Group continues to keep up to date with innovations in AI and other areas.	The Group has continued to invest in its platform and improve efficiency. The Group is carefully monitoring AI opportunities which have become more prominent in 2017.

Financial risk management
The directors have outlined the key financial risks facing the business and have discussed the processes in place to mitigate these risks, in Note 25.

Social, community and human rights issues
Medica is committed to the principles of responsible business; this is achieved by acting in an ethical manner, developing positive relationships with suppliers, and recruiting and retaining successful and responsible employees.

Whilst Medica does not have a specific human rights policy, it does have policies covering Equal Opportunities and Anti-bribery that adhere to internationally proclaimed human rights principles.

Environment
Medica actively considers its environmental impact and we are conscious of playing our part in tackling 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.

This is the first year 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 with 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 2017 are 22.6 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 2017 are 0.25 tonnes of carbon dioxide equivalent.

Employees
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.

At 31 December 2017, the Group had 88 full time employees and 5 part time staff of which 66 were male and 27 were female. Of the senior members of management, four were male and one was female.

This report was approved by the Board on 12 March 2018 and signed on its behalf.

ANTHONY LEE
Chief Financial Officer
12 March 2018

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 opthalmology 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.

JOHN GRAHAM
Chief Executive Officer

John joined Medica as Chief Executive in July 2011. John brings a wealth of experience from his previous healthcare role as Managing Director of Allied Respiratory, a subsidiary of Allied Healthcare group, where he turned a loss-making business into a successful company before leading the sale of Allied Respiratory to Air Liquide. He subsequently remained with Air Liquide, managing the standalone Allied Respiratory business and then leading the integration of their UK acquisitions.

Prior to his time with Allied Respiratory, John held various Chief Executive and senior operational positions on the boards of both public and private companies in sectors including consumer products, manufacturing and distribution.

TONY LEE
Chief Financial Officer

Tony Lee joined Medica in 2009 and became Finance Director and Company Secretary in 2013. Prior to joining the Group, he was an accounts manager at Sellens French Chartered Accountants where he worked for nine years. Tony is an FCCA and has a Politics degree from Lancaster University.

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 an NHS Consultant Radiologist at Cwm Taf University Health Board from 1991 until 2016.

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.

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 £58 million acquisition in 2013. He is an FCA and holds a mathematics degree from Warwick University.

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.

ANAND JAIN

Non-Executive Director

Anand joined Medica in May 2013 as a Non-Executive Director and has supported the business in formulating and executing its strategy. He is a partner in CBPE Capital and a member of its investment committee. Since joining CBPE Capital in 2007, he has been involved in numerous investments, but has a particular focus on businesses in the healthcare and pharmaceutical sector.

Prior to joining CBPE Capital, Anand qualified as a chartered accountant with Arthur Andersen in 2000, thereafter spending seven years in the Corporate Finance department of Arthur Andersen and then Deloitte. He has a degree in mathematics from the University of Nottingham.

CORPORATE GOVERNANCE REPORT

Introduction
The following sections explain how the Company applies the main provisions set out in the UK Corporate Governance Code 2016 (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:

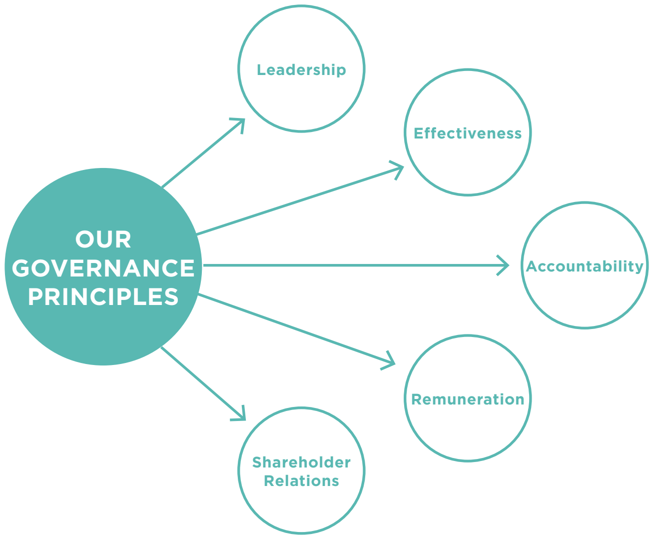
- The Group's governance principles and structure.
- The composition and role of the Board and its Committees.
- Relations with the Group's shareholders.
- The reports of the Audit and Nomination Committees.
- The Remuneration Committee report and policy.

The Group's principal risks and uncertainties are described on pages 23 to 24. The director's report on pages 54 to 56 also contains information required to be included in the statement of corporate governance.

Statement of Compliance
Medica Group Plc became a public company upon admission to the Main Market of the London Stock Exchange on 21 March 2017. Prior to this date the Company was not subject to the UK Corporate Governance Code 2016 and did not adopt the provisions on a voluntary basis but did develop the mechanisms to apply the Code post listing.

Since admission the Group has developed its governance processes and procedures further and this report details how the Group has applied the principles of the Code. For the period after admission the Group has complied with the principles and provisions of the Code.

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.



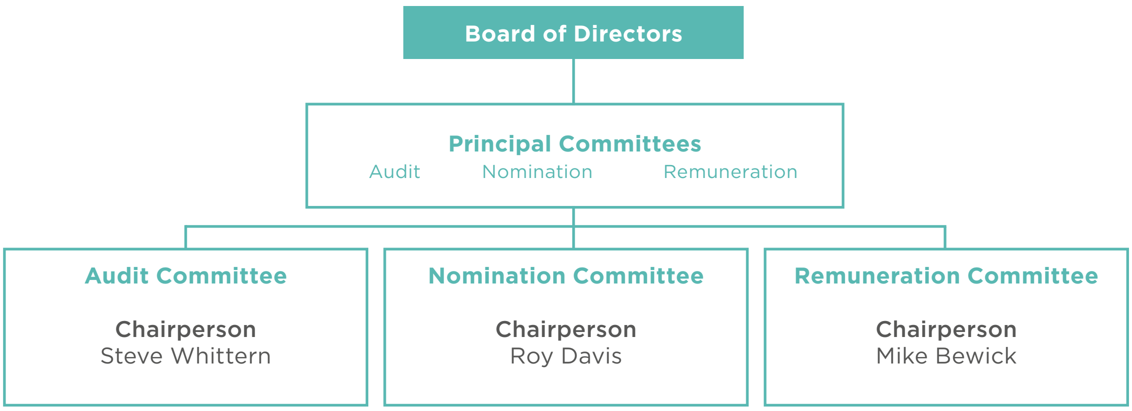
Leadership – The Board is collectively responsible for the long-term success of the Company and will operate according to the principles of sound governance.

Effectiveness – 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.

Accountability – 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.

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.

Relations with shareholders – The Board will maintain a strong, open and transparent two-way dialogue with shareholders based on the mutual understanding of objectives.



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 Groups 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.

Division of Responsibilities

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 Committees

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 32 to 53.

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 Groups remuneration framework and policies for Directors and to ensure that these support the strategic aims of a 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 26 to 27 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 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.

Each of the Directors will retire and stand for re-election every three years. All of the Directors retired and were re-elected at the first Annual General Meeting held after Admission.

Board Operation

There are usually 11 scheduled Board meetings each year 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 well 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 receives and review the minutes of the quarterly meetings of the Medical Advisory Board and 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 Director's received training during the year on their duties and responsibilities as Directors of a public company and this will be refreshed annually. 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	Remuneration	Nomination
Total meetings	**8**	**3**	**1**	**1**
Roy Davis	8	3	1	1
Steve Whittern	7	3	1	1
Professor Mike Bewick	7	3	1	1
Anand Jain	8	2	1	1
John Graham	7	2	n/a	n/a
Dr Stephen Davies	7	n/a	n/a	n/a
Anthony Lee	7	3	1	1

Activities of the Board

The primary focus for the Board at the start of the year was to lead the Group through the Initial Public Offering and admission to the Main Market of the London Stock Exchange. The Board ensured all appropriate due diligence, legal and regulatory requirements were met and that all stakeholders were represented in the process. Post Admission the Board focused on its core areas of responsibility and the key activities for the year are set out below.

Strategy and Direction

The Group's core strategy and direction was set out in detail in the Group's prospectus prior to admission and has been reviewed and monitored by the Board throughout the period. In November the Board together with members of the senior management team held a two-day meeting to review and assess the core business strategy and the wider opportunities and risks for the business. The Board reviewed and approved the budget for 2018 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.

Shareholder 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.

Governance and Risk

The Board keeps key risk areas under constant review with a detailed review performed as part of the prospectus 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. The principal risks and uncertainties are included in the Financial Review on pages 20 to 25.

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.

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.

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 the Chairman or Senior Independent Director. The Chairman is also available to discuss governance and strategy matters with the major shareholders.

The AGM provides an opportunity to meet the Board. All shareholders are free to attend and put questions to any Director and in particular the Chairman of each of the Board Committees at the AGM on 23 May 2018. 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 2017 AGM held on 28 June 2017, 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 2017 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 2018 AGM and 27 September 2018. These authorities are renewed annually and authority will be sought at the Company's 2018 AGM.

Substantial shareholdings of 3% or more that have been notified to the Group are disclosed in the Director's report on pages 54 to 56.

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
12 March 2018

REPORT OF THE AUDIT COMMITTEE

STEVE WHITTERN
Chairman of the Audit Committee

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.

Introduction

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 and Professor Mike Bewick 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 2017 and all members attended each meeting. The Finance Director, the Chief Executive and the Non-Independent Non-Executive Director attended meetings by invitation.

Principal activities for the year

During 2017 the primary activities of the Committee were in relation to the Group's reporting cycle.

- It reviewed the financial statements in the 2016 and 2017 Annual Report and Accounts and the 2017 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.
- Formally reviewed the going concern assumptions adopted in the preparation of the 2016 and 2017 financial statements.
- The Committee discussed the annual external audit plan in advance of the period 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 the audit of the 2017 financial statements as revenue recognition and discussed with them how this was to be addressed. The Committee noted the transactional nature of the business and considered the treatment of IPO related transaction costs. They also noted that revenue recognition was not an area that relied on significant judgement and also considered the potential impact of new accounting standards effective in 2018. The Committee supported Grant Thornton's approach and detailed transactional testing.

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 but for the 2017 financial year the auditors acted as Reporting accountants in relation to the Group's listing. 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 on page 72.

Effectiveness and independence of external auditor

Grant Thornton UK LLP has been the 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 revised Ethical Standard effective 11 June 2016, 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.

Grant Thornton UK LLP no longer provide corporation tax compliance services to the Company.

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.

Internal audit function

The Committee concluded in 2017 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
12 March 2018

REPORT OF THE NOMINATIONS COMMITTEE

ROY DAVIS
Chairman of Nominations Committee

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.

Introduction

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 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, Mike Bewick and Anand Jain. The Nomination Committee meets once a year in the ordinary course and otherwise as circumstances require. During 2017 the Committee met once 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.

Activities in 2017

The Committee met once in 2017 and 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 to continue to develop.

ROY DAVIS
Chairman of Nominations Committee
12 March 2018

REMUNERATION COMMITTEE REPORT
LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder

As Chairman of the Remuneration Committee (the 'Committee'), I am pleased to present Medica Group's first Remuneration Committee report ('Report') as a listed company, for the financial year ended 31 December 2017. In line with the reporting Regulations, this Report is split into the following three sections:

This Annual Statement and high level summary ('Our Remuneration Policy at a glance').

The Directors' Remuneration Policy, which will be put to a binding shareholder vote at the Annual General Meeting ('AGM') to be held on 23 May 2018.

Our Annual Report on Remuneration, detailing Director remuneration for the financial year ending on 31 December 2017, and the proposed implementation of our Remuneration Policy for 2018, which is subject to an advisory shareholder vote at our AGM.

Committee members and independence

I chair the Committee, and my fellow Committee members are Roy Davis and Steve Whittern. The members of the Committee and any person attending its meetings do not participate in any decision on their own remuneration. In accordance with the UK Corporate Governance Code, at least two members of the Committee are independent Non-Executive Directors. The Committee will meet up to three times per year in the ordinary course and otherwise as circumstances require.

Key areas of responsibility

The Committee's key areas of responsibility include to:

- Develop and recommend Medica's policy on executive remuneration.
- Determine the levels of remuneration for Executive Directors and the Company Secretary.
- Prepare an annual remuneration report for approval by shareholders at the Annual General Meeting.
- Ensure compliance with the UK Governance Code in relation to remuneration wherever possible.

Detailed responsibilities are set out in the Committee's terms of reference which can be found on the investor section of the Medica website.

Activities of the Committee during the period

The Committee met formally once during the period from Listing to 31 December 2017, and also spent a significant amount of time during the period (including before Listing) in finalising executive remuneration arrangements to ensure these were appropriate for Medica and reflect best practice.

Our approach to developing Medica's Remuneration Policy

Our aim is for remuneration at Medica to reflect its culture and support the delivery of its business strategy. The aim of the remuneration strategy is to attract, retain and motivate the best talent to help ensure continued growth and success as Medica enters its next stage of its development, operating in a listed company environment. Remuneration levels for the Executive Directors and senior management have been set at the lower quartile levels that are considered by the Committee to be adequate for the size and nature of the business. As the business matures, the Committee anticipates that it will consider increasing pay levels commensurate with the size and complexity of the business. Performance related pay will form a significant part of the remuneration package of the Executive Directors and senior managers and will be based on performance targets, as relevant. The Committee have taken specialist, independent advice,
in order to ensure that the policies and remuneration structure are appropriate for the listed company environment and reflects current best practice.

Our Remuneration Policy (the 'Policy') is intended to operate for a three-year period from the 2018 AGM. The Committee believes that its approach to remuneration will support the delivery of Medica's aims during its initial years as a public company, and will continue to evolve in the future as Medica establishes itself as a listed company. The key features of our Policy are summarised on pages 36 to 38 ('Our Remuneration Policy at a glance') and the details are set out on pages 39 to 48.

The Committee intends that the proposed approach to implementing the Policy set out in this report will continue to ensure close alignment of executive pay outcomes with Medica's performance in 2018 and the longer-term success of Medica. Performance related pay will form a significant part of the remuneration package of the Executive Directors and senior management to achieve a high performance culture without undue risk-taking or unsustainable Company performance.

The annual bonus for 2018 will be based on achievement of financial targets relating to Company profit.

The vesting of PSP awards to be made in 2018 will be based on two performance measures selected to reinforce our strategic drivers and support alignment of Executive Director pay outcomes with shareholder interests through direct linkage to longer-term shareholder value creation. 50% of the 2017 PSP award will vest based on three-year EPS growth, with the remaining 50% vesting based on Medica's absolute Total Shareholder Return over a three-year period. EPS growth for the calculation of PSP awards is adjusted for exceptional items, details of which are on Note 7 of the Financial Statements.

We hope that you find this report sets out clearly our proposed Policy and how we intend to implement it, as well as the rationale for our decisions. The Policy will be submitted for shareholder approval at the AGM. The Committee believes that the Policy and the approach to its implementation in 2018 are in the best interests of all shareholders, and we hope that you will support it at our AGM.

MIKE BEWICK
Chairman of the Remuneration Committee
12 March 2018

REMUNERATION COMMITTEE REPORT
OUR REMUNERATION POLICY AT A GLANCE

Developing our remuneration policy
The Committee has developed the proposed Policy set out on pages 39 to 48, the key elements of which are set out below. The basic elements of Medica's proposed Policy were outlined in Medica's Prospectus dated 16 March 2017. Since Listing, the Committee reviewed and further developed the proposed Policy based on external advice from its independent remuneration consultants, Mercer Limited, and having regard to the delivery of Medica's strategy and its long-term success. No changes have been made to the broad policy elements outlined in the Prospectus, except that Medica is proposing to adopt a tax advantaged Company Share Option Plan.

The proposed Policy is intended to become effective from the 2018 AGM (subject to shareholder approval).

Remuneration principles
The proposed Policy is based on the remuneration principles (see page 39) adopted by the Committee. The application of these principles ensures that remuneration outcomes are aligned with Medica's strategy and performance both in the short and long term.

Shareholder consultation
The views of shareholders are important to us and the proposed Policy will be subject to a binding vote at the AGM on 23 May 2018. The Committee is aware of the guidelines issued by investor bodies on corporate governance, in particular the importance of aligning remuneration with performance, and ensuring that policies are broadly consistent with those applying to the wider workforce. The Committee is keen to foster an open and transparent approach to setting and determining outcomes against its Policy and will review voting outcomes from our first AGM and engage with our largest shareholders on any proposed changes to our Policy in the future.

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the UKLA's Listing Rules.

In accordance with the Regulations, the following sections of the Remuneration Report are subject to audit: the single total figure of remuneration for Executive Directors and Non-Executive Directors, and accompanying notes (pages 49 to 53), scheme interests awarded during the financial year (page 50), exit payments made in the year (page 51), payments to past Directors (page 51) and the statement of Directors' shareholdings (page 53). The remaining sections of the report are not subject to audit.

Components of remuneration
The remuneration package for the Executive Directors comprises both fixed and variable elements consistent with our remuneration principles.

Fixed Components

Base salary	
CEO – John Graham	£200,000
CFO – Anthony Lee	£140,000
Medical Director – Dr Stephen Davies	£200,000

Policy
The Executive Directors' salary was set on Listing and is positioned to reflect each individual's professional experience and level of responsibility in their role. The Committee considers that base salaries remain significantly below market levels, and this will be factored into discussion on the levels of variable remuneration as well as being factored into future salary increases.

Salaries will typically be reviewed on an annual basis. The Committee will consider increasing salaries over time subject to strong personal and Company performance and considering levels of salaries in the market.

Pension and other benefits

Pension	
CEO – John Graham	7% of base salary
CFO – Anthony Lee	6% of base salary
Medical Director – Dr Stephen Davies	6% of base salary[1]

1. Dr Stephen Davies has elected not to receive pension contributions but instead to receive a cash equivalent.

Benefits	
CEO – John Graham	£–
CFO – Anthony Lee	£–
Medical Director – Dr Stephen Davies	£–

John Graham, Anthony Lee and Dr Stephen Davies all have death in service benefits of 4x salary as do all employees.

Policy
Executive Directors may receive a contribution of up to 10% of base salary to a personal pension plan, a cash allowance or a combination of these. All staff including executive directors receive death in service benefits at 4x salary. Other benefits are set at a level considered appropriate and consistent with the wider workforce.

Variable Components

Annual bonus

Maximum bonus opportunities for 2017	
CEO – John Graham	100% of base salary
CFO – Anthony Lee	100% of base salary
Medical Director – Dr Stephen Davies	100% of base salary

Performance measures	Weighting
EBIT	100%

Policy

Maximum bonus opportunities for the financial year ending 31 December 2018 will be 100%, and for future awards this will not exceed 150% other than in exceptional circumstances. For Executive Directors, it is expected that not more than 75% of any annual bonus will be payable in cash and the balance will be made in the form of an award over Medica's shares granted under the Deferred Bonus Plan ('DBP'), which will then vest after a period not expected to be 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.

Up to 60% of the bonus opportunity will payout for on-target performance. No pay-out for below threshold performance.

Performance measures, targets and weightings are set by the Committee at the start of each year. After the end of the financial year the Committee determines the level of bonus to be paid based on performance. 100% of the bonus will be based on achievement of financial targets relating to Company profit. These targets will be disclosed as part of the disclosure accompanying any pay outs of annual bonus.

Malus and clawback provisions apply under certain circumstances.

Performance Share Plan ('PSP')

Award levels for 2017	
CEO – John Graham	150% of base salary
CFO – Anthony Lee	150% of base salary
Medical Director – Dr Stephen Davies	150% of base salary

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

Policy

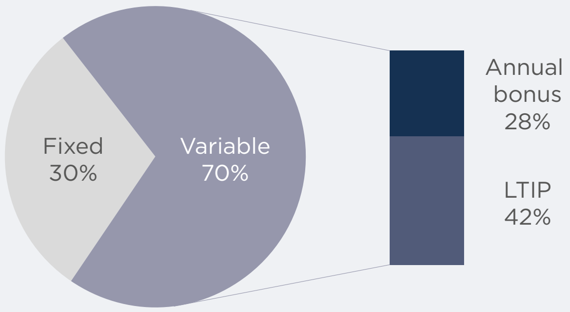
Awards granted under the PSP ('PSP Awards') will take the form of an option to acquire shares for nil consideration.

The maximum award opportunity is normally 100% of base salary. A PSP Award may be granted in excess of this limit, but only in circumstances which the Committee in its absolute discretion considers to be sufficiently exceptional to justify the grant of a PSP Award in excess of such limit and any such PSP Award will not, in any circumstances, exceed 200% of the individual's basic salary at the date of grant. PSP Awards granted on Listing in March 2017 were at 150% of basic salary.

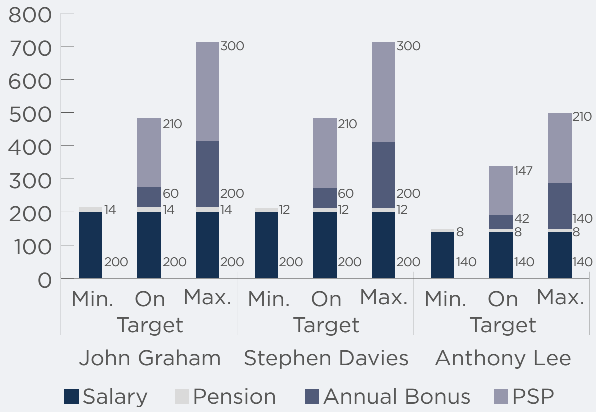
Prior to awards being granted each year the performance conditions and targets are set by the Committee to ensure they are stretching and aligned with Medica's strategy. For PSP Awards granted in 2017, 25% of an award will vest at threshold performance, 70% at median and 100% vesting at maximum (and a straight-line sliding scale between these points). Future PSP Awards granted to Executive Directors will normally have a performance period of at least three years and normally a minimum normal vesting period of three years. They will also normally be subject to a further holding period, after the end of the normal vesting period of a minimum of two years.

Malus and clawback provisions apply under certain circumstances.

Pay at risk



Pay scenarios (£'000s)



Shareholding requirements

CEO	100% of base salary
CFO	100% of base salary
Medical Director	100% of base salary

Executive directors will have five years during which to build up the required ordinary shareholding after commencing employment.

Remuneration for the wider workforce

Remuneration for the wider workforce is determined based on broadly consistent principles as those for Executive Directors. Annual salary reviews take into account Medica's performance, local pay and market conditions to ensure that reward at Medica remains competitive. Incentive arrangements are in place for some employees below the executive level. Medica operates a tax-advantaged Save-As-You-Earn option plan in which participation is offered to all employees (including Executive Directors) of the group who are eligible to participate. Medica is also proposing to adopt a tax-advantaged Company Share Option Plan under which awards of market value options over shares worth not more than £30,000 can be granted to employees (including Executive Directors) of the group.

This section of the report sets out the Policy for the Directors that has been developed to reflect the guiding principles set out on page 35. This Policy Report will be put before shareholders for approval at our 2018 AGM. The Committee intends that the Policy will come into effect from that date (23 May 2018) for a period of up to three years.

2018 Remuneration Policy for the Executive Directors

Purpose and link to strategy	Operation	Opportunity	Performance measures
Base salary			
To attract and retain talented Executive Directors to deliver Medica's strategy, by ensuring base salaries and the implied total packages are competitive in relevant talent markets, while not overpaying.	Base salaries will be reviewed by the Committee annually, and benchmarked periodically against relevant competitor companies. The Executive Directors' salary is positioned to reflect each individual's professional experience and level of responsibility in their role. In deciding base salary levels, the Committee considers personal performance including the individual's contribution to the achievement of Medica's strategic objectives. The Committee will also consider employment conditions and salary levels across Medica, and prevailing market conditions. Base salary increases for the Executive Directors will normally be aligned with those of the wider workforce, but may be made above this level in exceptional circumstances such as a material change in responsibilities, size or complexity of the role, or if a Director was intentionally appointed on a below-market salary. The Committee considers that base salaries for Executive Directors remain significantly below market levels, and this will be factored into future salary increases. The Committee will consider increasing salaries over time subject to strong personal and Company performance and considering levels of salaries in the market.	There is no maximum salary payable to Executive Directors. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual. Base salaries for the year under review and the following year, as well as the rationale for any increases, will be disclosed in the relevant year's Annual Report on Remuneration.	n/a

Purpose and link to strategy	Operation	Opportunity	Performance measures
Pension			
To provide an appropriate level of post-retirement benefit for Executive Directors.	Executive Directors may receive a contribution to a personal pension plan, a cash allowance in lieu, or a combination thereof. Salary is the only element of remuneration that is pensionable.	Executive Directors are eligible for a Company contribution from Medica of up to 10% of salary. Details of the pension contributions made to Executive Directors during the year are disclosed in the Annual Report on Remuneration.	n/a
Other benefits[2]			
To provide non-cash benefits which are competitive in the market in which the Executive Director is employed.	Medica provides death in service benefits to its executive directors. Medica may provide benefits in kind where the Remuneration Committee considers appropriate. Executive Directors may also be provided certain other benefits to take account of individual circumstances such as, but not limited to, payment of tax, financial, and/or legal adviser fees, relocation expenses and housing allowance (including associated interest, penalties or fees plus, in certain circumstances or where the Committee consider it appropriate, any tax incurred on such benefits). Executive Directors may also be offered any other future benefits made available to all senior employees. This may include participation in any Share Incentive Plan that is offered to all employees (or all employees who meet certain qualifying criteria) on the same terms.	Benefits for Executive Directors are set at a level which the Committee considers appropriate compared to wider employee benefits, as well as competitive practices in relevant markets. The value of annual benefits will normally not exceed 10% of salary, and it is not anticipated that the costs of benefits provided will increase significantly in the financial years over which this Policy will apply, although the Committee retains discretion to approve non-material increases in cost. In addition, the Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside Medica's control have changed (e.g. market increases in insurance costs). Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.	n/a

Purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus			
To incentivise Executive Directors to deliver strong financial and non-financial performance on an annual basis and reward the delivery of Medica's strategic aims that will underpin the longer-term health and growth of the business. Deferral into shares enhances alignment with shareholders.	Performance measures, targets and weightings are set by the Committee at the start of the year. After the end of the financial year, the Committee determines the level of bonus to be paid, taking into account the extent to which these targets have been achieved. To the extent that the performance criteria have been met, at least 25% of the annual bonus awards will be deferred into awards over shares in Medica under the Deferred Bonus Plan ('DBP'). The remainder of the bonus will be paid in cash. Awards under the DBP are not subject to further performance conditions and vest after two years, broadly subject to continued employment. Dividend equivalents may be awarded in respect of DBP awards (as set out in the Notes to the Policy Table). Malus and clawback provisions apply to the annual bonus and DBP awards in certain circumstances (as set out in the Notes to the Policy Table).	The normal maximum annual bonus opportunity is 100% of base salary. This may be exceeded in exceptional circumstances, but can never exceed 150% of base salary. The payout for on-target performance is up to 60% of maximum; below threshold performance results in nil payout. The current maximum bonus opportunities for each of the Executive Directors are disclosed in the Annual Report on Remuneration.	Bonuses are based on achievement of Company financial performance targets relating to profit over the financial year. Malus and clawback provisions apply to the annual bonus and DBP awards in certain circumstances Further details, including the performance targets, will be disclosed in the relevant Annual Report on Remuneration.
Performance Share Plan (PSP)			
To align the interests of Executive Directors and shareholders in growing the value of Medica over the long term.	Executive Directors are eligible to receive annual awards of an option to acquire shares in Medica for nil consideration. Prior to awards being granted each year, the performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to Medica's strategy. Awards granted under the PSP to Executive Directors will normally have a performance period of not less than three years and normally a minimum normal vesting period of three years. They will normally be subject to an additional holding period of two years after the normal vesting period. If the performance targets have not been met at the end of the relevant performance period, awards will not vest. Dividend equivalents may be awarded in respect of PSP awards (as set out in the Notes to the Policy Table). PSP awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table.	The normal maximum annual PSP opportunity is 100% of base salary. The Committee has discretion to award up to 200% of base salary in exceptional circumstances. In respect of PSP awards granted on Listing, 25% of an award will vest if performance against each performance condition is at threshold, 70% if it is at median and 100% if it is at maximum, with straight-line vesting in between. Further details of the PSP awards granted to each of the Executive Directors will be disclosed in the relevant Annual Report on Remuneration.	Vesting of the PSP is subject to continued employment during the normal vesting period and the achievement of performance conditions aligned with Medica's strategic plan and shareholder value creation. PSP awards granted in 2018 will be based on a combination of EPS growth and absolute Total Shareholder Return. Further details, including the performance targets attached to PSP awards in respect of each year, will be disclosed in the relevant Annual Report on Remuneration.

Purpose and link to strategy	Operation	Opportunity	Performance measures
Company Share Option Plan (CSOP)			
To align the interests of employees and shareholders in growing the value of Medica over the long term.	All employees, including Executive Directors, are eligible to receive annual awards of an option to acquire shares in Medica for an amount that is not less than the market value of the Medica shares at the date of grant. Awards granted under the CSOP will normally have a vesting period of not less than three years. Awards may, but do not need to be, subject to performance conditions and targets.	CSOP options cannot be granted to any individual over shares exceeding £30,000 market value as at the date of grant (or such other figure as is permitted by the relevant legislation).	Vesting of CSOP options may be (but does not need to be) subject to the achievement of performance conditions.
Save-As-You-Earn (SAYE) plan			
To align the interests of employees and shareholders by encouraging all employees to buy and own Medica shares.	Executive Directors are entitled to participate in Medica's all-employee SAYE plan on identical terms as other eligible employees. All employees, including Executive Directors, may make monthly savings over a period of three or five years (or other period set out in the relevant legislation). Each employee who participates is also granted an option to acquire shares at a price that is not less than 80% of the market value of the shares on the date that invitations to participate are issued. The number of shares subject to each option will be the number of shares which have an aggregate option exercise price as near to, but not exceeding, the projected proceeds of the SAYE savings contract (i.e. the accumulated savings plus any bonus/ interest payable). The operation of the SAYE plan will be in line with the legislative requirements that apply to plans of this type. Executive Directors will not receive any preferential terms compared to the wider employee group.	Employees are limited to saving a maximum in line with the maximum monthly savings limit imposed by the Committee (which will not exceed the limits imposed by legislation, currently £500 per month) at the time they are invited to participate.	n/a

Notes to the Policy Table

Approach to target setting and performance measure selection

The Committee considers carefully the selection of performance measures at the start of each performance cycle, taking into consideration Medica's strategic objectives and the macroeconomic environment.

Annual bonus measures are selected to align with Medica's short-term KPIs. Measures may change from year to year (subject to the Policy), and the rationale for any changes to the bonus measures selected will therefore be disclosed in the relevant Annual Report on Remuneration.

PSP performance measures are selected to ensure they reward delivery of Medica's strategy and growth in shareholder value over a multi-year period, and are intended to align Executive Directors' interests with those of shareholders. The performance measures applicable to the PSP awards to be granted in 2018 (subject to shareholder approval of the Policy) will be based as to 50% on EPS growth and as to 50% on absolute Total Shareholder Return over a three-year period. The Committee considers these measures align executive incentives to Medica's strategy and shareholder interests.

Targets are set to be stretching but achievable over the three-year performance period. EPS targets are set taking account of multiple relevant reference points, including internal forecasts, external expectations for future performance at both Medica and its closest sector peers, and typical performance ranges for those measures at other FTSE companies of comparable size and complexity.

Until an award over shares under the DBP or PSP has been exercised and the shares which are subject to the relevant award have been issued or transferred to the award holder, the award holder has no entitlement to dividends or other distributions payable by reference to a record date preceding the date of such issue or transfer. The Committee can, however, determine that dividend equivalents will be awarded. If dividend equivalents are awarded, whenever a dividend or other distribution is paid by Medica in respect of its shares and the vesting date of the DBP or PSP award (including any additional holding period that applies to the PSP award) has not passed, the number of shares which are subject to the DBP or PSP award will be increased to reflect the value of the dividend. The Committee can determine that dividend equivalents will be paid in either shares or in cash.

Share ownership guidelines

The Committee recognises the importance of aligning Executive Directors' and shareholders' interests through significant shareholdings in Medica. Medica's shareholding policy is 100% of base salary for Executive Directors. The Executive Directors will have five years in which to build up the required ordinary shareholding after commencing employment.

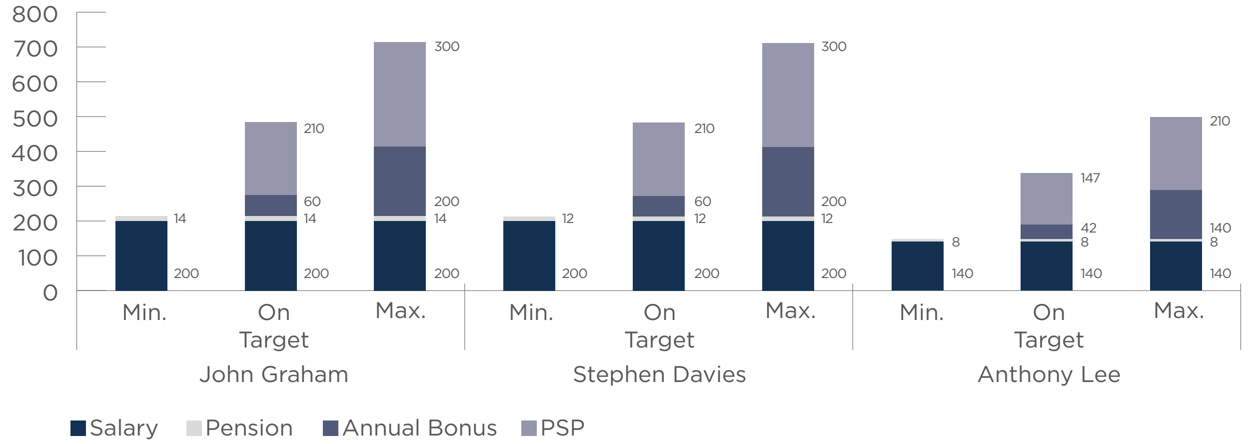
Details of the Executive Directors' current personal shareholdings are provided in on page 53.

Pay-for-performance: scenario analysis

The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Maximum', 'On-target' and 'Minimum'.

Potential reward opportunities are based on the forward-looking policy applied to 2018 base salaries and incentive opportunities. Note that the PSP awards granted to Executive Directors will not normally vest until the third anniversary of the date of grant, and will then normally be subject to an additional two-year holding period before the awards can be exercised. The projected value excludes the impact of share price movement or dividend equivalent payments.

Director Pay Scenario 2018 (£'000s)



Executive Director service contracts

In accordance with general market practice, each of the Executive Directors has a rolling service contract. The Executive Directors' service contracts (copies of which are available to view at Medica's registered office) are each terminable on 12 months' notice from either party. This practice will also apply for any new Executive Directors. The following table shows the date of the service contract for each Executive Director that served during the year:

Executive Director	Position	Date of appointment	Date of service agreement
John Graham	CEO	1 May 2013	15 March 2017
Anthony Lee	CFO	14 May 2013	15 March 2017
Dr Stephen Davies	Medical Director	14 May 2013	15 March 2017

Exit payments policy

Medica's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of termination. Executive Directors' contracts provide for the payment of a pre-determined sum in the event of termination of employment in certain circumstances (but excluding circumstances where Medica is entitled to dismiss without compensation), comprising base salary, pension allowance and benefits in respect of the unexpired portion of the notice period. Termination payments may take the form of payments in lieu of notice.

If the employment is terminated by Medica, the Committee retains the discretion to settle any other amount the Committee considers reasonable to the Executive Director including in settlement of claims, in respect of legal fees incurred in connection with the termination and fees for outplacement services and relocation costs.

In additional to contractual provisions, the table below summarises how awards under each discretionary incentive plan are typically treated in specific circumstances, with (where relevant) the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan. In the event of termination, any outstanding options granted under the SAYE scheme and any awards made under a Share Incentive Plan that may be established by Medica will be treated in accordance with the rules of the scheme, which do not include discretion.

Disclosure in relation to any departing Executive Director, including details of any remuneration payment made to him after he ceases will be made in the relevant Annual Report on Remuneration.

Treatment of awards on cessation of employment/change of control

Reason for cessation	Calculation of vesting/payment	Timing of vesting/payment
Annual bonus		
Death or other circumstance as the Committee determines	The bonus will remain payable on the normal payment date, subject to the performance targets having been met and pro-rated for the proportion of the performance year worked (unless the Committee waives pro-rating). The bonus is paid wholly in cash (i.e. not subject to deferral) unless the Committee determines otherwise.	At the usual payment date
All other reasons	No bonus will be paid for the financial year. Bonus lapses if employment ceases at any time prior to the payment date.	Not applicable
Change of control	The Committee may determine the extent to which applicable performance targets have been met as at the date of the change of control, and calculate the bonus accordingly, pro-rated for the proportion of the performance year which has elapsed before the change of control event. The Committee has discretion to waive performance conditions and pro-rating. The bonus is paid wholly in cash (i.e. not subject to deferral).	On change of control
Deferred Bonus Plan		
Death	The Committee may in its absolute discretion, permit exercise of awards within the 12-month period immediately following death. Awards will be pro-rated for the proportion of the vesting period worked (unless the Committee waives pro-rating).	On death
Ill health, injury, disability, redundancy, or sale of the employing Company or business	Awards may be retained and exercised during the six months following the vesting date (or if later six months after the date of cessation). The Committee may, however, in its absolute discretion permit awards to be exercised within such period following cessation of employment as the Committee determines. Awards will be pro-rated for the proportion of the vesting period worked (unless the Committee waives pro-rating).	At the normal vesting date unless discretion is exercised (and then on cessation of employment)
All other reasons (including resignation or dismissal for cause)	Awards normally lapse on cessation of employment or if earlier when the employee gives or is given notice to cease employment, unless the Committee determines within three months of cessation of employment to permit the holder to keep his awards and exercise them on such terms and within such period following the vesting date as the Committee determines. The Committee can determine the extent to which the award will vest.	Not applicable, unless discretion is exercised (and then not earlier than the normal vesting date)
Change of control	DBP Awards may be exercised for a six-month period following such event or immediately prior to such event. Awards will not be subject to pro-rating.	On change of control
Performance Share Plan		
Death	The Committee may in its absolute discretion, permit exercise of awards within the 12-month period immediately following death. Awards will be pro-rated for the proportion of the normal vesting period (not including any additional holding period) worked, unless the Committee waives pro-rating.	On death
Ill health, injury, disability, redundancy, or sale of the employing Company or business	Awards may be retained and exercised during the six months following the normal vesting date (not including any additional holding period), or if later six months after the date of cessation. The Committee may, however, in its absolute discretion permit awards to be exercised within such period following cessation of employment as the Committee determines. Awards will be pro-rated for the proportion of the normal vesting period (not including any additional holding period) worked, unless the Committee waives pro-rating.	At the normal vesting date unless discretion is exercised (and then on cessation of employment)

Reason for cessation	Calculation of vesting/payment	Timing of vesting/payment
All other reasons (including resignation or dismissal for cause)	Awards normally lapse on cessation of employment or if earlier when the employee gives or is given notice to cease employment, unless the Committee determines within three months of cessation of employment to permit the holder to keep his awards and exercise them on such terms and within such period following the later of the normal vesting date (not including any additional holding period) or cessation of employment, as the Committee determines. The Committee can determine the extent to which the award will vest.	Not applicable, unless discretion is exercised (and then not earlier than the normal vesting date)
Change of control	Awards may be exercised for a six-month period following such event or immediately prior to such event to the extent that performance conditions have been met and pro-rated for the proportion of the normal vesting period (not including any additional holding period) that has elapsed as at the change of control event. The Committee has discretion to waive performance conditions and pro-rating.	On change of control
Company Share Option Plan		
Death	Options can be exercised within the 12-month period immediately following death (to the extent that any performance conditions have been satisfied and pro-rated for the proportion of the vesting period worked). The Committee has discretion to waive performance conditions and pro-rating.	On death
Injury, disability, redundancy, retirement, or sale of the employing Company or business	Options can be exercised within the six months following the date of cessation (to the extent that any performance conditions have been satisfied) and pro-rated for the proportion of the vesting period worked. The Committee has discretion to waive performance conditions and pro-rating.	On cessation of employment
All other reasons (including resignation or dismissal for cause)	Options normally lapse on cessation of employment or if earlier when the employee gives or is given notice to cease employment, unless the Committee determines within three months of cessation of employment to permit the holder to keep his options and exercise them on such terms and within such period as the Committee determines. The Committee can determine the extent to which the award will vest.	Not applicable, unless discretion is exercised (and then not earlier than cessation of employment)
Change of control	Awards may be exercised for a six-month period following such event to the extent that performance conditions have been met and pro-rated for the proportion of the vesting period that has elapsed as at the change of control event. The Committee has discretion to waive performance conditions and pro-rating. If the change of control event would stop the option qualifying for CSOP tax relief, options can only be exercised within 20 days after the takeover event.	On change of control

Approach to remuneration on recruitment

External appointments

In cases of hiring or appointing a new Executive Director from outside Medica, the Committee may make use of all existing components of remuneration set out in the Policy table, up to the disclosed maximum opportunities (where applicable).

When determining the remuneration package for a new Executive Director, the Committee will take into account all relevant factors based on the circumstances at that time to ensure that arrangements are in the best interests of Medica and its shareholders. This may include factors such as the experience and skills of the individual, internal comparisons and relevant market data.

The Committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the maximum limits on incentive opportunities set out in the Policy table. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the time over which they would have vested. The intention is that the expected value of any buy-out award would be no higher than the expected value of the forfeited arrangements, and that the structure will replicate (as far as reasonably possible) that of the awards being forfeited. The Committee may consider it appropriate to structure 'buy-out' awards differently from the structure described in the Policy table, exercising the discretion available under UKLA Listing Rule 9.4.2R where necessary to make a one-off award to an Executive Director in this context. The Committee may also permit Medica to indemnify a new appointment as Executive Director for any claims that may be made against him by a previous employer in connection with a breach of restrictive covenants or similar restrictions that the new appointment may have breached by taking up employment with Medica.

Internal promotion

Where a new Executive Director is appointed by way of internal promotion, the Policy will be consistent with that for external appointees, as detailed above (other than in relation to 'buy-out' awards). Any commitments made prior to an individual's promotion will continue to be honoured even if they would not otherwise be consistent with the Policy prevailing when the commitment is fulfilled, although Medica may, where appropriate, seek to revise an individual's existing service contract on promotion to ensure it aligns with other Executive Directors and good practice.

Disclosure on the remuneration structure of any new Executive Director, including details of any 'buy-out' awards, will be disclosed in the RNS notification made at the time of appointment and in the Annual Report on Remuneration for the year in which recruitment occurred.

External appointments held by Executive Directors

Executive Directors may accept up to one external appointment subject to approval by the Board, there being no conflicts of interest and the appointment not leading to deterioration in the individual's performance. Executive Directors may retain the fees paid for such roles. Details of external appointments and the associated fees received will be included in the Annual Report on Remuneration.

Consideration of conditions elsewhere in Medica

The Committee seeks to promote and maintain good relations with employees as part of its broader employee engagement strategy, considers pay practices across Medica and is mindful of the salary increases applying across the rest of the business in relevant markets when considering any increases to salaries for Executive Directors. However, the Committee does not currently consult with employees on its executive remuneration policy.

Consideration of shareholder views

The Committee will take into consideration all shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping Medica's implementation of its Policy, as well as any future changes to Policy. It is the Committee's intention to consult with major shareholders in advance of making any material changes to remuneration arrangements.

Remuneration policy for the Non-Executive Directors

Details of the Policy on fees paid to our Non-Executive Directors are set out in the table below:

Purpose and link to strategy	Operation	Opportunity	Performance measures
Non-Executive Director fees			
To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to Medica.	The fees of the Chairman are determined by the Committee. The fees paid to Non-Executive Directors are determined by the Chairman and Executive Directors. Fee levels are reviewed annually taking into account external advice on best practice and competitive levels, in particular at other FTSE companies of comparable size and complexity. Time commitment, committee participation and chairing are also taken into account when reviewing fees. Chairman and Non-Executive Director fees are paid in cash. The Committee reimburses the Chairman and Non-Executive Directors for reasonable expenses in performing their duties and may settle any tax incurred in relation to these expenses. For any Non-Executive Director that is based overseas, Medica will meet travel and accommodation expenditure as required to fulfil their Non-Executive duties. The fees paid to the Chairman and Non-Executive Directors are disclosed in the Annual Report on Remuneration.	Current fees are as follows: Roy Davis: £100,000 Steve Whittern: £60,000 Professor Mike Bewick: £50,000 Anand Jain: £42,000* Fee increases will be applied taking into account the outcome of the annual review. Level of any fees to be reviewed by the Board * The fees of Anand Jain are paid to CBPE in respect of Mr Jain's services	n/a

Non-Executive Directors are not eligible to join Medica's pension, incentives or share schemes or to participate in any of Medica's other benefit arrangements.

In recruiting a new Non-Executive Director, the Committee will use the Policy set out above.

Non-Executive Director letters of appointment

None of the Non-Executive Directors has a service contract with Medica. They do have letters of appointment for an initial period of three years and continuing thereafter subject to termination upon at least three months' notice (six months' notice in respect of Roy Davis). The dates relating to the appointments of the Chairman and Non-Executive Directors who served during the reporting period are as follows:

Director	Role	Date of appointment	Date of letter of appointment
Roy Davis	Independent Chairman	1 March 2017	15 March 2017
Steve Whittern	Senior Independent Non-Executive Director	1 March 2017	15 March 2017
Professor Mike Bewick	Independent Non-Executive Director	1 March 2017	15 March 2017
Anand Jain	Non-Executive Director	2 May 2013	15 March 2017

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report provides details of how our Policy was implemented during the financial year ended 31 December 2017 (since Listing), and how it will be implemented during the year ending 31 December 2018.

Committee membership in 2017

The Committee is currently composed of three Non-Executive Directors:

Mike Bewick – Committee Chairman (independent)
Roy Davis – Non-Executive Chairman (independent)
Steve Whittern – Senior Independent Non-Executive Director

The Committee met formally once during the period from Listing to 31 December 2017. All of the Committee members attended this meeting.

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 and the Company Secretary. The Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

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 £12,000 (excluding expenses and VAT) from Listing to 31 December 2017 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.

Statement of voting at the Annual General Meeting

Medica will be proposing resolutions to shareholders in respect of its Policy and its Annual Report on Remuneration for the first time at the Annual General Meeting to be held on 23 May 2018. The percentage of votes cast for and against and the number of votes withheld will be reported in the next Remuneration Report.

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 2016 and 2017. As Medica listed in March 2017, part of the 2017 and all of the 2016 remuneration relates to the period when Medica was privately owned. The values of each element of remuneration are based on the actual value delivered, where known.

2017 Director's remuneration

Director	Base salary '000	Taxable Benefits[1] '000	Annual bonus '000	PSP '000	Pension benefit '000	Other '000	Total '000
John Graham	£191,250	£nil	£nil	£nil	£13,387	£nil	£204,637
Anthony Lee	£123,750	£nil	£nil	£nil	£7,425	£nil	£131,175
Dr Stephen Davies	£193,333	£nil	£nil	£nil	£9,000	£nil	£202,333
Kevin Terrins	£16,667	£nil	£nil	£nil	£1,000	£nil	£17,667
Martin Wells	£16,667	£nil	£nil	£nil	£1,000	£nil	£17,667

2016 Director's remuneration

Director	Base salary '000	Taxable Benefits[1] '000	Annual bonus '000	PSP '000	Pension benefit '000	Other '000	Total '000
John Graham	£165,000	£nil	£nil	£nil	£11,550	£nil	£176,550
Anthony Lee	£75,000	£nil	£nil	£nil	£4,500	£nil	£79,500
Dr Stephen Davies	£124,667	£nil	£nil	£nil	£nil	£nil	£124,667
Kevin Terrins	£100,000	£nil	£4,000	£nil	£6,000	£nil	£110,000
Martin Wells	£100,000	£nil	£4,000	£nil	£6,000	£nil	£110,000

1. Medica provides death in service benefits to its executive directors.
2. PSP Awards granted in 2017 will be shown in the Single total figure of remuneration table for the 2019 financial year (to the extent vested).
3 Figures for Kevin Terrins and Martin Wells are to 28th February 2017 as they both resigned as Directors on 1st March 2017.

Incentive outcomes for the year ended 31 December 2017 (audited)

Annual bonus in respect of performance in the 2017 financial year

The payments under the annual bonus for 2017 have been waived by the Directors.

Director	Maximum opportunity	Bonus outcome (% of max)	Salary earned for the financial year to 31 December 2017	Bonus for the financial year to 31 December 2017
John Graham	100% of salary	nil%	£191,250	£nil
Anthony Lee	100% of salary	nil%	£123,750	£nil
Dr Stephen Davies	100% of salary	nil%	£193,333	£nil

Details of disclosure of targets – to be confirmed:

Although targets in relation to the 2017 financial year are not disclosed, 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, but only to the extent they are not considered commercially sensitive.

Share incentive awards awarded in 2017 (audited)

Performance Share Plan (PSP)

On the date of Listing, Executive Directors 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 on the date of Listing were granted in respect of shares with a market value equal to 150% of base salary, determined using the price of Medica's shares on Listing (135 pence). The Committee regarded this level of award as necessary to incentivise Executive Directors while base salaries remained below market levels. 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 2017.

Director	Date of grant	Vehicle	Number awarded	Exercise price	Face value	Vesting date	Expiry date
John Graham	21 March 2017	PSP – nil cost share options	222,222	nil	£300,000	21 March 2020	21 March 2027
Anthony Lee	21 March 2017	PSP – nil cost share options	155,555	nil	£210,000	21 March 2020	21 March 2027
Dr Stephen Davies	21 March 2017	PSP – nil cost share options	222,222	nil	£300,000	21 March 2020	21 March 2027

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 listing price of Medica's shares on Listing (135 pence). 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 2017.

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 2016 and 31 December 2017. Each of Roy Davis, Steve Whittern and Professor Mike Berwick were appointed on 1 March 2017 so the figures reflect the fees from that date and no prior year figures have been shown. In respect of Anand Jain, part of the 2017 and all of the 2016 remuneration relates to the period when Medica was privately owned.

Director	Fees[1]	Total
Roy Davis	£75,000	£75,000
Steve Whittern	£45,000	£45,000
Professor Mike Bewick	£37,500	£37,500
Anand Jain[1]	£42,000	£42,000

1. The fees of Anand Jain are paid to CBPE in respect of Mr Jain's services. The fees were the same in 2016 as in 2017.

Percentage change in CEO remuneration

The CEO's total remuneration increased by 16% from 2016 to 2017.

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 2017 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 £3,574,000 for the same period.

	Distributions to shareholders (£'000)	Total employee pay (£'000)
FY17	611	3,574
FY16	nil	3,048
% change	n/a	17%

Payments for loss of office (audited)

No payments for loss of office were made to Directors during the year.

Payments to past Directors (audited)

No payments were made to past Directors in the year.

External appointments

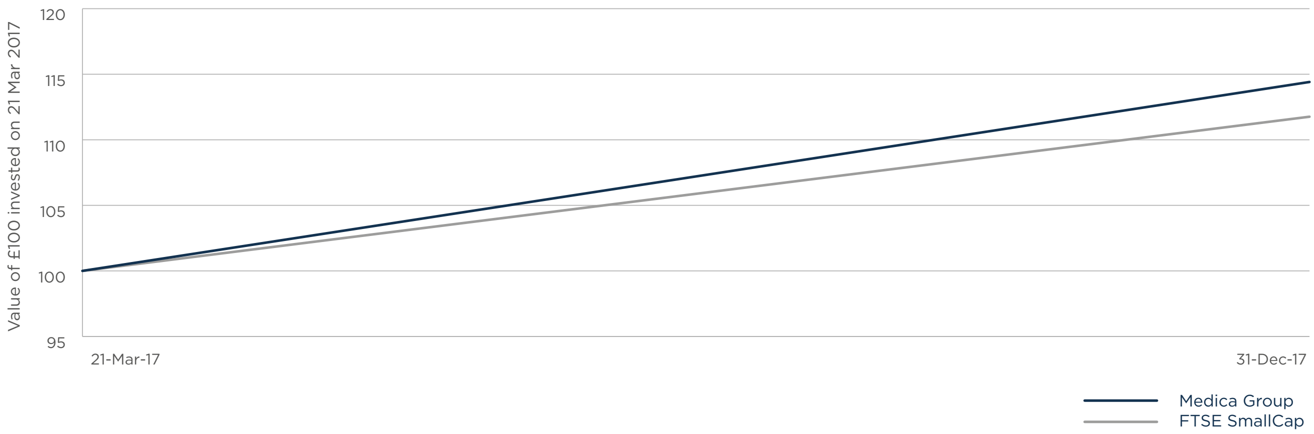
No Executive Director currently holds any external appointments.

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 2017. The FTSE Small Cap Index was chosen as the comparator because Medica is part of this group.

TSR chart for 2017 DRR

Growth in the value of a hypothetical £100 holding from Listing to 31 December 2017



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

	2017
CEO	John Graham
CEO single figure	£204,637
Annual bonus (% max)	nil%
PSP vesting (% max)	n/a

Implementation of Executive Director Remuneration Policy for 2018

Base salary

Base salaries were set on Listing taking into account each individual's professional experience and level of responsibility in their role. The Committee considers that base salaries remain significantly below market levels, and this will be factored into discussion on the levels of variable remuneration as well as being factored into future salary increases. The current salaries of the Executive Directors, effective from Listing, are set out below:

Director	Base salary
John Graham	£200,000
Anthony Lee	£140,000
Dr Stephen Davies	£200,000

Executive Director salary levels will remain at these levels for 2018, but may be increased in future years.

Pension

John Graham receives pension contributions of 7% 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.

Annual bonus

For 2018, 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 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 2018 will be based 100% on achievement of Company financial targets relating to profits.

The Committee will normally disclose the annual bonus targets retrospectively in next year's Annual Report on Remuneration. In the event the Board considers these targets to remain commercially sensitive, they will be disclosed as soon as possible once they are no longer considered to be sensitive.

Performance Share Plan ('PSP')

In 2018, the Executive Directors will receive nil cost options under the Medica Group PSP, with face values of 150% of salary.

The 2018 PSP awards will vest after three years, subject to the following performance measures and will be subject to a further 2 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 1 January 2018.

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 2018.

The performance target ranges have been set at stretching levels taking into account both internal and external forecasts. The maximum vesting level is set to represent very stretching performance.

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

Implementation of Non-Executive Director Remuneration Policy for 2018

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 (payable to CBPE in respect of Mr Jain's services)	£42,000

Non-Executive Director fees will remain at these levels for 2018.

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 2017 and, for Executive Directors, compares this to their shareholding guideline as set out below. No prior year data is available given Listing occurred on 21 March 2017. The Executive Directors are subject to shareholding guidelines of 100% of salary, which they have met.

	Shares			Options			
Director	Owned outright or vested[1,2]	Unvested and not subject to performance	Unvested and subject to performance	Vested but not exercised	Unvested and not subject to performance	Current shareholding (% salary)	Shareholding guideline (% salary)
John Graham	3,608,248	nil	nil	nil	222,222	3,726%	100%
Anthony Lee	515,464	nil	nil	nil	155,555	760%	100%
Dr Stephen Davies	1,546,392	nil	nil	nil	222,222	1,597%	100%
Roy Davis	37,037	–	–	–	–	–	–
Steve Whittern	37,037	–	–	–	–	–	–
Professor Mike Bewick	11,111	–	–	–	–	–	–
Anand Jain[3]	–	–	–	–	–	–	–

1 Current holding measured by reference to the middle market quotation of Medica's share price on 29 December 2017 (206.5 pence) and as a percentage of base salary at 31 December 2017.
2 No further shares were acquired by the Directors between 31 December 2017 and 9 March 2018, being the latest practicable date prior to publication of this Annual Report.
3 No shares are owned by Anand Jain but CBPE Nominees Limited hold 8,220,551 Ordinary Shares as at 9 March 2018.

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by:

MIKE BEWICK
Chairman of the Remuneration Committee
12 March 2018

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 2017. 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 10 to 11.

Statement of Directors responsibilities
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.

Principal risks and uncertainties

The principal risks and uncertainties are set out in the financial review on pages 23 to 24.

Results and dividends

The results for 2017 are set out in the financial statements on pages 62 to 88.

An interim dividend of 0.55 pence per Ordinary Share was paid to shareholders on 26 October 2017. The Board has proposed a final dividend of 1.10 pence (2016: nil pence) per share, which, subject to approval at the AGM, will be paid on 22 June 2018 to shareholders on the register at close of business on 1 June 2018.

Review of the period

A comprehensive analysis of the Group's progress and development is set out in the Strategic Report on pages 4 to 22 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 £0.02 each with voting rights. Note 22 explains the changes to the capital structure during the year.

Significant shareholdings

As at 31 December 2017 and 9 March 2018, 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 2017		As at 9 March 2018	
	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
CBPE Nominees Limited	8,220,551	7.40%	8,220,551	7.40%
J M Graham	3,608,248	3.25%	3,608,248	3.25%
Old Mutual Plc	20,742,529	18.66%	20,742,529	18.66%
Standard Life Aberdeen plc	8,879,083	7.99%	8,879,083	7.99%
GVQ Investment Management Limited	5,255,556	4.73%	6,255,038	5.63%
Liontrust Investment Partners LLP	5,561,315	5.01%	5,561,315	5.01%
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%

Related party transactions

Details of all related party transactions are set out in Note 28 to the Financial Statements.

CO2 Emissions

The Group's CO_2 emissions are disclosed on page 25 of the Financial Review.

Director's 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 28 to 31 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.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three-year period to 31 December 2020. The Directors believe this period to be appropriate as the Group's strategic review considered by the Board encompasses this period. 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 2017, 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 31 December 2020.

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 16 to 19.

Annual General Meeting

Medica's Annual General Meeting is scheduled to take place on 23 May 2018.

Directors

The Directors who served during the year were as follows:

Roy Davis	
Steve Whittern	
Professor Mike Bewick	
Dr Stephen Davies	
John Graham	
Anand Jain	
Anthony Lee	
Kevin Terrins	Resigned 1 March 2017
Martin Wells	Resigned 1 March 2017

All of the above Directors are male.

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 12 March 2018 and signed on its behalf.

ANTHONY LEE
Chief Financial Officer

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 2017 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 2017 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;
- 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.

Who we are reporting to

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.

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 Strategic Report set out on pages 23 to 24 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 56 of the Directors' Report that they have 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' statement, set out on page 56 of the Directors' Report 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 12 months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on page 56 of the Directors' 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.

Overview of our audit approach

- The key audit matter was identified as revenue recognition, particularly the risk around the occurrence of revenue;
- Overall Group materiality: £476,000 which represents 4.5% of the Group's Adjusted EBITDA; and
- We performed full scope audit procedures over all Group entities at the sole operating location in the United Kingdom.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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
Revenue recognition	
Revenue is recognised throughout the Group as the fair value of consideration receivable in respect of the provision of services in relation to the completion of radiology reports. Revenue is recognised at the point at which the radiology report is submitted to the hospital's RIS (Radiology Information System) and, as such, revenue is recognised once the service has been provided and delivered to the customer. Determining the amount of revenue to be recognised does not require significant management judgement or estimation, due to the stage of completion being final at the time the report is submitted. However, due to the volume of transactions that occur during the year, we identified the occurrence of revenue and the existence of the associated receivables as a significant risk. This was the most significant assessed risk 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 data from the Picture Archiving and Communications System ('PACS'), as relevant to the recognition of revenue; • testing the validity of the data extracted from the PACS, including: (i) an IT specialist review of the coding of the computer algorithm used to extract data to gain comfort over the accuracy of the extracted data; (ii) for a sample of the extracted data, verifying that the underlying radiology reports have been included on the applicable hospital's Radiology Information System and that they had therefore been appropriately submitted; and (iii) 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 contractual agreements as appropriate; • considering the appropriateness of the Group's revenue recognition policy in accordance with International Accounting Standard 18: 'Revenue' and testing a sample of revenue items to verify that they were recorded in line with that policy; • testing a sample of revenue items recognised during the year to determine the existence and occurrence of that revenue by agreeing each item to an underlying customer contract or relationship and to PACS data; • testing a sample of year end receivables by directly obtaining confirmations from the customers; and where such a confirmation response was not received, conducting alternative procedures, including the verification of subsequent cash receipts and examination of source documents to gain comfort over the existence of year end receivables. The Group's accounting policy on revenue recognition is disclosed in Note 3.2 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 33, where the Audit Committee also described the consideration that it has given to address this matter. **Key observations** Overall, based on our audit work, our assessment is that the processes applied in recording radiology reporting transactions resulted in appropriate recognition of revenue and associated receivables in the financial statements and our testing did not identify any material misstatements.

No key audit matters were identified in respect of the Parent Company Financial Statements.

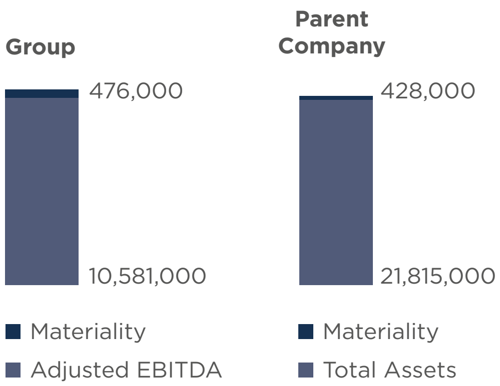
Our application of materiality

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	£476,000 which is 4.5% of the Group's Earnings Before Interest, Taxes, Depreciation, and Amortisation excluding Exceptional Items ('Adjusted EBITDA'). 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 higher than the level that we determined for the year ended 31 December 2016 to reflect the increase in the Group's Adjusted EBITDA in the year ended 31 December 2017.	£428,000 which is 2% of the Parent Company's Total Assets, capped at 90% of the Group materiality. Total Assets is considered the most appropriate benchmark because the Company is primarily an investment holding entity. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the increase in the Company's Total Assets in the year ended 31 December 2017.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality for: Directors' remuneration and related party transactions	£1,000 based on our view that Directors' remuneration and related party transactions would be considered material by nature by the users of the Financial Statements.	£1,000 based on our view that Directors' remuneration and related party transactions would be considered material by nature by the users of the Financial Statements.
Communication of misstatements to the Audit Committee	£23,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£21,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graphs below illustrate how materiality interacts with the applicable benchmark which we considered to be an appropriate basis on which to base our materiality.



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

An overview of the scope of our audit

As all Group operations are based in the UK and subject to statutory audit, all components of the Group were subjected to a comprehensive audit approach. Our audit approach was based on a thorough understanding of the Group's business and is 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; and
- undertaking substantive testing on significant transactions, 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.

The scope of the current year audit has remained consistent with that of the prior year.

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 56, 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 31 – 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 32 and 33 – 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 28 – 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
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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.

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.

Responsibilities of Directors for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement set out on page 54, 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.

We are responsible for obtaining reasonable assurance that the Financial Statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the Financial Statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our Audit Report.

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 five years, covering the periods ending 31 December 2013 to 31 December 2017.

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.

JONATHAN MAILE BSC (HONS) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley
Date: 12 March 2018

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**31 December 2017 £'000**	31 December 2016 £'000
Revenue		**33,715**	28,522
Cost of sales		**(17,282)**	(14,313)
Gross profit		**16,433**	14,209
Administration expenses		**(7,917)**	(6,993)
Operating profit	6	**8,516**	7,216
Other expenses – exceptional items	7	**(1,661)**	(757)
Operating profit after exceptional items		**6,855**	6,459
Finance income	8	**50**	10
Exceptional finance costs	9	**(582)**	–
Finance costs	9	**(661)**	(2,181)
Profit before tax	6	**5,662**	4,288
Analysed as			
Adjusted EBITDA		**10,582**	9,229
Exceptional items	7	**(1,661)**	(757)
Share based payments charge		**(74)**	–
Exceptional finance costs	9	**(582)**	–
Finance costs	9	**(661)**	(2,181)
Finance income	8	**50**	10
Depreciation	15	**(775)**	(883)
Amortisation	14	**(1,217)**	(1,130)
Profit before tax		**5,662**	4,288
Income tax charge	10	**(1,331)**	(971)
Profit attributable to equity holders of the parent		**4,331**	3,317
Statement of Comprehensive Income			
Profit for the year		**4,331**	3,317
Other comprehensive income		**–**	–
Total comprehensive profit for the year attributable to owners of the parent		**4,331**	3,317
Profit per share (basic and diluted)			
Basic profit per ordinary share (pence)	11	**3.99p**	3.32p
Diluted profit per ordinary share (pence)	11	**3.96p**	3.32p

The Notes and accounting policies on pages 66 to 83 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
COMPANY REGISTRATION 08497963
As at 31 December 2017

	Note	At 31 December 2017 £'000	At 31 December 2016 £'000
Non-current assets			
Goodwill	13	**15,948**	15,948
Other intangible assets	14	**9,218**	9,402
Property, plant and equipment	15	**1,880**	1,835
		27,046	27,185
Current assets			
Trade and other receivables	17	**8,210**	6,073
Cash and cash equivalents		**6,907**	4,713
		15,117	10,786
Current liabilities			
Trade and other payables	18	**(3,932)**	(3,283)
Borrowings	19	**–**	(1,362)
Derivative financial instruments	24	**(14)**	(52)
		(3,946)	(4,697)
Non-current liabilities			
Borrowings and other financial liabilities	20	**(11,888)**	(25,369)
Deferred tax	16	**(1,429)**	(1,596)
		(13,317)	(26,965)
Net assets		**24,900**	6,309
Equity			
Share capital	22	**222**	146
Share premium	22	**14,721**	1,309
Retained profit	22	**9,957**	4,854
Total equity		**24,900**	6,309

The Notes and accounting policies on pages 66 to 83 form an integral part of these financial statements.

The financial statements on pages 62 to 83 were authorised for issue by the Board of Directors on 12 March 2018 and were signed on its behalf by:

JOHN GRAHAM
Director

ANTHONY LEE
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	12 months ended 31 December 2017 £'000	12 months ended 31 December 2016 £'000
Operating activities		
Profit for the year	**4,331**	3,317
Add taxation	**1,331**	971
Profit before tax	**5,662**	4,288
Adjustments for:		
Depreciation	**775**	883
Amortisation	**1,217**	1,130
Share based payments	**74**	–
Finance income	**(12)**	(10)
Exceptional finance costs	**582**	–
Finance costs	**661**	2,181
Changes in:		
(Increase) in trade and other receivables	**(2,138)**	(1,740)
Decrease/increase in trade and other payables	**(365)**	949
Movement of derivative financial instruments	**(38)**	30
Tax paid	**(904)**	(924)
Cash inflow from operating activities	**5,514**	6,787
Investing activities		
Purchase of property, plant and equipment	**(820)**	(789)
Purchase of software intangibles	**(612)**	(438)
Interest received	**12**	10
Cash outflow from investing activities	**(1,420)**	(1,217)
Cash flows from financing activities		
Loan finance raised	**–**	13,600
Equity funds raised	**15,000**	–
Costs of equity funds raised	**(203)**	–
Repayment of borrowings	**(15,270)**	(15,150)
Loan fees paid for refinancing	**(130)**	(476)
Dividends paid to ordinary shareholders	**(611)**	–
Interest paid	**(686)**	(916)
Net cash outflow from financing	**(1,900)**	(2,942)
Net change in cash and cash equivalents	**2,194**	2,628
Movement in net cash		
Cash and cash equivalents, beginning of period	**4,713**	2,085
Increase in cash and cash equivalents	**2,194**	2,628
Cash and cash equivalents, end of period	**6,907**	4,713

The Notes and accounting policies on pages 66 to 83 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	146	1,309	1,537	2,992
Profit and total comprehensive income for the period	–	–	3,317	3,317
At 1 January 2017	146	1,309	4,854	6,309
Cancellation of share premium	–	(1,309)	1,309	–
Shares issued during the year	76	14,924	–	15,000
Share issue costs	–	(203)	–	(203)
Dividends paid to ordinary shareholders	–	–	(611)	(611)
Equity settled share based payments	–	–	74	74
Transactions with owner	76	13,412	772	14,260
Profit and total comprehensive income for the period	–	–	4,331	4,331
At 31 December 2017	**222**	**14,721**	**9,957**	**24,900**

The Notes and accounting policies on pages 66 to 83 form an integral part of these financial statements.

Details in the movement in equity and debt following the admission to the Main Market of the London Stock Exchange on 21 March 2017 are shown in Notes 20 and 21.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

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 Havelock Place, Havelock Road, Hastings, East Sussex, TN34 1BG.

The consolidated financial statements of the Group for the year ended 31 December 2017 (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 it 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 4–5 and 16–19. 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 2017 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.

2.3. Adoption of new and revised standards
New and amended standards issued in the year have not had a significant impact on the financial statements. At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB and adopted by the EU but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group’s financial statements.
- IFRS 9 ‘Financial Instruments’, effective 1 January 2018.
- IFRS 15 ‘Revenue from contracts with customers’, effective date 1 January 2018.
- IFRS 16 ‘Leases’, effective date 1 January 2019 (endorsed by the EU).

Based on the Group’s historic transaction history and anticipated future transaction profile IFRS 9 is not expected to have a significant impact on the measurement financial instruments, however there will be minor changes to the disclosures in the financial statements in order to comply with the new standard.

The impact of IFRS 15 has been assessed and is not expected to have an impact on revenue recognition, however there will be minor changes to the disclosures in the financial statements in order to comply with the new standard. If the standard had been applied to the financial statements for the year ended 31 December 2017 there would have been no impact on revenue recognition. IFRS 16 will impact the measurement and disclosure of lease liabilities, and the liabilities shown on the Group’s balance sheet.

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 2017. 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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably and when the criteria for each of the Group's different activities have been met.

Radiology image submissions: the service is deemed to have been provided, and subsequent revenue recognised, when the Company submits its radiology report to the customer. Revenue for all service lines are recognised on the same basis.

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

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.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on 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 into an operating lease are also spread on a straight-line basis over the lease term.

3. Summary of accounting policies continued

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; and
- the software will generate probable future economic benefits.

3.8. Goodwill and other intangible assets
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 is able to 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. Summary of accounting policies continued

3.11. 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.

Loans and receivables

Loans and receivables 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.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Derivative financial instruments

The Group utilises interest rate swaps, derivative financial instruments are recognised at fair value at the end of the 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 derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives. The only derivatives held by the Group are interest rate swaps which have been included at fair value. 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.

3.12. 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.

3.13. 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.

3.14. 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.

3.15. Share based payments
The Group has applied the requirements of IFRS 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. The Black-Scholes option pricing model has been used to value the non-market based conditions part of the Performance Share Plan (PSP) and a Binomial model has been used to value the market based conditions part.

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 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. The determination of 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. 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. The brand is expected to continue to be used for the foreseeable future. In assessing the useful economic life of customer relationships the Directors considered the importance of long term relationships given the limited number of NHS Trusts and the fact that the majority of revenue came from long standing clients. In assessing the useful economic life of the technology purchased the Directors considered that the technology was core to the business and whilst requiring ongoing investment was not expected to fundamentally change for a considerable period.

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 Decisions 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 has identified only one geographic area, the UK. As a result of this and there being only one operating segment as described above, no analysis has been provided. 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 other. The analysis of revenue by each stream is detailed below.

	2017 £'000	2016 £'000
NightHawk	**16,798**	13,536
Routine Cross-Sectional	**12,542**	10,508
Routine Plain Film	**3,665**	3,876
Independent and specialist	**710**	602
	33,715	28,522

6 Operating profit and profit before taxation

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

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**46**	53
The audit of the Company's subsidiaries pursuant to legislation	**3**	2
Total audit fees	**49**	55
Taxation compliance services	**–**	–
Other assurance services	**127**	216
Total non-audit fees	**127**	216
Total fees paid to Company's auditor	**176**	271
Operating lease rentals – land and buildings	**52**	52
Depreciation: property, plant and equipment	**775**	883
Amortisation of intangible fixed assets on acquisition	**870**	870
Amortisation of intangible fixed assets on other assets	**347**	260

7 Exceptional items

	2017 £'000	2016 £'000
Costs incurred in respect of Initial Public Offering	**1,661**	757

The above costs were incurred in respect of the Company's refinancing and listing on the Stock Exchange in March 2017. Although some of the costs are allowable for corporation tax purposes, a large proportion of the costs are deemed capital in nature and therefore are not allowable for tax purposes; the tax effect is not considered material by the Directors. Management identified a portion of the exceptional IPO costs as relating to the issue of new shares and subsequently £203,000 has been recognised in equity in 2017.

Exceptional finance costs are detailed in Note 9.

8 Finance income

	2017 £'000	2016 £'000
Interest on cash and cash equivalents	**12**	10
Fair value movement on derivative financial instruments	**38**	–
	50	10

9 Finance costs

	2017 £'000	2016 £'000
Bank interest	**414**	978
Amortisation of loan arrangement fees expense	**68**	291
Exceptional loan arrangement fees expense	**582**	–
Interest on secured loan notes	**179**	882
Fair value movement on derivative financial instruments	**–**	30
	1,243	2,181

As part of the listing process the debt owing to Lloyds bank was partially settled and the pre-existing debt agreement was amended so as to include Medica Group Plc as the primary borrower. Owing to this, transaction costs of £582,000 (£512,000 in respect of bank loan and £70,000 in respect of loan notes) which were initially incurred as a result of the previous borrowing arrangement were recognised as an exceptional finance cost in the income statement.

10 Tax expense

Major components of tax expense:	**2017 £'000**	2016 £'000
Current tax:		
UK current tax expense	**1,544**	1,214
Prior year adjustment	**(45)**	6
Total current tax	**1,499**	1,220
Deferred tax:		
Originations and reversal of temporary differences	**(168)**	(189)
Effect of rate change	**–**	(60)
Total deferred tax	**(168)**	(249)
Tax expense on ordinary activities	**1,331**	971

Reconciliation of tax expense:

UK corporation tax is assessed on the profit on ordinary activities for the year and is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

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

Reconciliation of effective tax rate:	**2017 £'000**	2016 £'000
Profit on ordinary activities before tax	**5,662**	4,288
Income tax using the Company's domestic tax rate 19.25% (2016: 20%)	**1,090**	858
Effect of:		
Expenses not deductible for tax purposes	**286**	167
Prior year adjustment – current tax	**(45)**	6
Effect of tax rate change – deferred tax	**–**	(60)
Total tax charge for period	**1,331**	971

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.

	2017 £'000	2016 £'000
Profit for the year attributable to ordinary shareholders	**4,331**	3,317
Exceptional items	**1,661**	757
Exceptional finance costs	**582**	–
Profit for the year before exceptional items attributable to ordinary shareholders	**6,574**	4,074
Share based payments charge	**74**	–
Refinance costs	**–**	39
Amortisation of acquired intangibles	**870**	870
Adjusted profit for the period attributable to ordinary shareholders	**7,518**	4,983
Weighted average number of ordinary shares	**108,675,802**	100,000,002
Dilutive effect of share options	**746,264**	–
Weighted average number of ordinary shares	**109,422,066**	100,000,002
Basic profit per ordinary share (pence)	**3.99p**	3.32p
Diluted profit per ordinary share (pence)	**3.96p**	3.32p
Adjusted basic profit per ordinary share (pence)	**6.92p**	4.98p
Adjusted diluted profit per ordinary share (pence)	**6.87p**	4.98p

11 Earnings per share continued

On 15 March 2017, the subdivision of the 1,455,000 Ordinary Shares of £0.10 each was approved so that each Ordinary Share of £0.10 each was sub-divided into 50 Ordinary Shares of 0.2p and by way of a bonus issue the Company allotted 27,250,002 Ordinary Shares of 0.2p each at nominal value to its existing shareholders pro rata to their existing shareholdings. The weighted average number of Ordinary Shares after these transactions amounted to 100,000,002 and in accordance with IAS33 the earnings per share calculation has been retrospectively adjusted.

All share options outstanding under the Performance Share Plan were dilutive as at 31 December 2017. There were no further instruments that had a potentially dilutive effect.

12 Directors and employees

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

	2017 Number	2016 Number
Clinical Governance	**7**	7
Business development & recruitment	**9**	10
Service delivery & NightHawk	**41**	40
IT, deployment and development	**18**	15
Finance	**5**	5
Executive team	**6**	5
Non-Executive Directors	**3**	–
	89	82

The aggregate cost of these employees was:

	2017 £'000	2016 £'000
Wages and salaries	**3,015**	2,693
Social security costs	**330**	251
Pension contributions	**155**	104
Share based payments charge	**74**	–
	3,574	3,048

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

	2017 £'000	2016 £'000
Emoluments	**741**	573

The highest paid Director received emoluments totalling £191,250 (2016: £165,000). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £13,387 (2016: £11,550). During the year retirement benefits accrued to five Directors (2016: four) in respect of defined contribution pension schemes. At the year end owing to Director resignations during the year, retirement benefits were accruing to three Directors.

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

	2017 £'000	2016 £'000
Salaries including bonuses	**793**	573
Social security costs	**100**	85
Pensions	**47**	28
Share based payments charge	**74**	–
Key management personnel compensation	**1,014**	686

13 Goodwill

	Goodwill £'000	Total £'000
Cost		
At 31 December 2015 and December 2016	15,948	15,948
Additions	–	–
At 31 December 2016 and December 2017	**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 £150m, 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 2015	6,461	3,922	2,317	12,700
Additions	–	438	–	438
At 31 December 2016	6,461	4,360	2,317	13,138
Additions	–	1,033	–	1,033
At 31 December 2017	**6,461**	**5,393**	**2,317**	**14,171**
Amortisation				
At 31 December 2015	1,150	1,147	309	2,606
Charge for the year	431	583	116	1,130
At 31 December 2016	1,581	1,730	425	3,736
Charge for the year	431	670	116	1,217
At 31 December 2017	**2,012**	**2,400**	**541**	**4,953**
Net book value				
At 31 December 2017	**4,449**	**2,993**	**1,776**	**9,218**
At 31 December 2016	4,880	2,630	1,892	9,402
At 31 December 2015	5,311	2,775	2,008	10,094

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 2017 was as follows:

Customer relationships	11 years
Software and technology (acquired in 2013)	6 years
Software and technology (licences since 2013)	Over licence period
Brand	16 years

At the year ended 31 December 2017, £70,000 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.

Included in software additions is an accrual of £421,000 which will be paid in 2018 and is not recognised in the Cashflow statement on page 63.

15 Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 31 December 2015	97	3,359	3,456
Additions	–	789	789
At 31 December 2016	97	4,148	4,245
Additions	–	820	820
Disposals	–	(121)	(121)
At 31 December 2017	**97**	**4,847**	**4,944**
Depreciation and impairment			
At 31 December 2015	26	1,501	1,527
Charge for the year	23	860	883
At 31 December 2016	49	2,361	2,410
Charge for the year	23	752	775
Disposals	–	(121)	(121)
At 31 December 2017	**72**	**2,992**	**3,064**
Net book value			
At 31 December 2017	**25**	**1,855**	**1,880**
At 31 December 2016	48	1,787	1,835
At 31 December 2015	71	1,858	1,929

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 Deferred taxation assets and liabilities

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

	2017 £'000	2016 £'000
Deferred tax liabilities		
Accelerated capital allowances	**74**	19
Deferred tax on share based payments	**(38)**	–
Deferred tax on intangible assets	**1,393**	1,577
	1,429	1,596

Reconciliation of movement in deferred tax

	Depreciation in excess of capital allowances £'000	Total £'000
As at 1 January 2016	**1,846**	1,846
Recognised in the income statement	**(249)**	(249)
As at 31 December 2016	**1,597**	1,597
Recognised in the income statement	**(168)**	(168)
As at 31 December 2017	**1,429**	1,429

17 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	**7,840**	5,622
Prepayments and accrued income	**370**	451
	8,210	6,073

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. The Group's management considers that all the above financial assets are of good credit quality.

In addition, some of the unimpaired trade receivables of the Group are past due as at the reporting date. The age of financial assets past due, but not impaired, is as follows:

	2017 £'000	2016 £'000
More than three months but not more than six months	**914**	106
More than six months but not more than one year	**8**	–
More than one year	**–**	–
	922	106

18 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**1,822**	1,567
Corporation tax	**1,212**	617
Other taxation and social security	**103**	81
Accruals	**795**	1,018
	3,932	3,283

All amounts are short term and the Directors consider that the carrying value of trade and other payables are considered to be 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 40 days (2016 – 40 days).

19 Borrowings due within one year

	2017 £'000	2016 £'000
Bank loans	**–**	1,362
	–	1,362

20 Borrowings due in more than one year

20.1. Borrowings due in more than one year

	2017 £'000	2016 £'000
Secured loan notes and accrued interest thereon, net of debt issuance costs (CBPE loan notes)	**–**	6,686
Bank loans	**11,888**	18,683
	11,888	25,369

20 Borrowings due in more than one year continued

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

	Bank Loan £000
Maturity of debt:	
Due within one year	286
Due between 2–5 years	12,930

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 2017.

On 21 March 2017 the Group was admitted to the Main Market of the London Stock Exchange. Part of the funds raised were used to repay the bank loan of £20m in a subsidiary Company. A new bank loan was taken out by Medica Group Plc of £12m which is repayable in five years. The refinancing exercise described above has been accounted for as an extinguishment of a financial liability as the terms of the loan agreement were substantially modified. Consequently as disclosed in Note 9 capitalised loan arrangement costs of £512,000 were expensed to the Consolidated Income Statement as an exceptional finance cost. The Directors consider that it is appropriate to consider these costs as exceptional items as the refinancing was directly related to the Initial Public Offering in March 2017.

The bank loan is secured by way of a fixed and floating charge over all of the assets of the Group up to £12m.

On 21 March 2017 the full amount of loan notes and accrued interest from CBPE Capital, of £6.9m were repaid in full. The refinancing exercise described above has been accounted for as an extinguishment of a financial liability as the financial liability was settled. Consequently as disclosed in Note 9 capitalised loan arrangement costs of £70,000 were expensed to the Consolidated Income Statement as an exceptional finance cost. The Directors consider that it is appropriate to consider these costs as exceptional items as the refinancing was directly related to the Initial public offering in March 2017.

21 Reconciliation of liabilities arising from financing activities

	Short term	Long term		
	Bank borrowings	Bank borrowings	Loan notes	Total
1st January 2017	**1,362**	**18,683**	**6,686**	**26,731**
Cash flows:				
– Interest	–	(508)	(178)	(686)
– Repayment	(1,602)	(6,900)	(6,768)	(15,270)
– Arrangement fees	–	(130)	–	(130)
	(1,602)	**(7,538)**	**(6,946)**	**(16,086)**
Non Cash:				
– Interest	–	414	179	593
– Amortisation of arrangement fees	40	18	10	68
– Amortisation of exceptional arrangement fees	200	311	71	582
	240	743	260	1,243
31st December 2017	**–**	**11,888**	**–**	**11,888**

22 Equity

Ordinary share capital issued and fully paid

	At 31 December 2017 £'000	At 31 December 2016 £'000
111,111,114 ordinary shares of £0.02	**222**	–
1,200,000 A ordinary shares of £0.10	**–**	120
255,000 ordinary shares of £0.10	**–**	26
Total ordinary share capital of the Company	**222**	146

On 15 March 2017, the subdivision of the 1,455,000 A Ordinary Shares and Ordinary Shares of £0.10 each was approved so that each Ordinary Share of £0.10 each was sub-divided into 50 Ordinary Shares of 0.2p and by way of a bonus issue the Company allotted 27,250,002 Ordinary Shares of 0.2p each at nominal value to its existing shareholders pro rata to their existing shareholdings.

On 16 March 2017, an Offer Prospectus was published in which the Selling Shareholders offered 78,865,979 Existing Shares, in aggregate, for sale and the Company offered 11,111,112 New Shares for subscription. The New Shares rank pari passu in all respects with the Existing Shares and carry the right to receive all dividends and distributions. The Company received consideration of £15m which was in part used for the settlement of loan notes and refinancing of bank debt that was outstanding prior to the listing.

On 21 March 2017, Medica Group Plc was admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. The total number of shares in issue at Admission was 111,111,114 shares of 0.2p each.

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 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

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium.

On 28 February 2017, the entire amount standing to the credit of the Company's Share Premium account, being £1,309,000, was cancelled and £1,309,000 was credited to the profit and loss account on the Company's Statement of Financial Position. This exercise was completed in order to facilitate the reregistration of the Company as a Public Limited Company by ensuring that a minimum level of distributable reserves existed at the reregistration date.

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

24 Financial instruments

Categories of financial instruments

	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Financial assets		
Loans and receivables	**7,840**	5,622
Cash and bank balances	**6,907**	4,713
	14,747	10,335
Financial liabilities at amortised cost		
Trade and other payables (trade payables and accruals)	**(2,617)**	(2,585)
Borrowings within one year	**–**	(1,362)
Borrowings due in more than one year	**(11,888)**	(25,369)
	(14,505)	(29,316)
Financial liabilities at fair value through profit and loss		
Derivatives	**(14)**	(52)

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

24 Financial instruments continued

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 are categorised within level 2 of the fair value hierarchy. The Group's interest rate swaps are not traded in active markets. These have been fair valued using observable interest rates corresponding to the maturity of the contract. Outstanding derivatives at the reporting date are included under the appropriate format heading depending on the nature of the derivative.

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 (other than derivatives) 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 is not exposed to transactional foreign currency risks, as all of its activities are based in the UK.

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.

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%. However part of the interest rate risk was mitigated as £6.7m is subject to an interest rate swap, effectively fixing the LIBOR at 0.7675% and the interest rate paid at approximately 2.5% for this part of the loan.

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 and the loan notes disclosed in Notes 19 and 20; cash and cash equivalents as disclosed in the statement of financial position; 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:

	2017 £'000	2016 £'000
Debt due within one year	–	1,362
Debt due in more than one year	**11,888**	25,369
Cash and bank balances	**(6,907)**	(4,713)
Net debt	**4,981**	22,018
Total equity	**24,900**	6,309
Total capital	**29,881**	28,327
Net debt to total capital	**17%**	78%

Debt is defined as long- and short-term borrowings (excluding derivatives). 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. Interest rate swap arrangements were used throughout the year ending 31 December 2017 and as at that date, which had the effect of fixing £6.7m of bank loans at an approximate fixed interest rate 2.5% per annum. The effect of changes in market interest rates did not have a material effect on valuation of the interest rate swaps themselves. Accordingly, the amount of debt outstanding as at 31 December 2017 considered to be exposed to interest rate risk was limited to £5.3m. A sensitivity analysis based upon this amount has been prepared and is presented below.

At 31 December 2017, 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 £53,000, 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.

	2017 £'000
Performance share plan	**74**
Share save scheme	**–**
Total charge	**74**

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 35 to 53.

	2017 Awards Number
Outstanding at beginning of period	**–**
Granted during period	**866,665**
Dividend equivalent in period	**1,820**
Exercised during period	**–**
Lapsed during period	**(122,222)**
Outstanding at the end of period	**746,263**
Exercisable at end of period	**–**

The remaining weighted average contractual life is 4.25 years. The options that lapsed during the year were due to the departure of a scheme participant from the Company.

26 Share based payments continued

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 the Black-Scholes model for the non-market based awards and a binomial model for market based awards.

	2017 Awards
Share price at date of grant	**£1.35**
Exercise price	**£nil**
Expected volatility	**26.2%**
Expected life	**5 years**
Risk free rate	**0.5%**
Expected dividend yield	**0%**
Average fair value of award per share	**£1.19**

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 and by the end of the year employees have saved a total of £40,000 into the scheme. In light of this the Directors have concluded that any share based payments charge arising in 2017 are not material and therefore not accounted for it.

27 Financial commitments

The Group leases an office building under an operating lease. The term of the operating lease is ten years with a break clause at five years after the commencement of the lease. The future minimum rentals payable under non-cancellable operating leases are as follows:

	At 31 December 2017 £000	At 31 December 2016 £000
Less than one year	**78**	78
Between 2 and 5 years	**58**	136
Over 5 years	**–**	–
	136	214

The present values of the future rental payments were not materially different to the amounts above.

28 Transactions with Directors and other related parties

Included in administrative costs are £42,600 (2016: £43,500) in respect of fees payable to CBPE Nominees Limited for services of the Investor Director to the Group. CPBE Nominees Ltd are considered a related party as they had a controlling interest in the Group prior to 21 March 2017.

Key management personnel (which the Group defines as the Board of Directors and two senior managers) remuneration is disclosed in Note 12.

On 2 May 2013 Medica Group Plc issued £18.4m in loan notes to CBPE Nominees Ltd. In accordance with the terms of the loan note dated 2 May 2013, interest accrued quarterly on the principal amount of the loan notes outstanding and unpaid interest was rolled up and compounded at the end of each quarter.

On 21 March 2017 the outstanding loan notes and accrued interest of £6.9m were repaid in full. Interest charges of £178,000 (31 December 2016: £882,000), have been recognised in the consolidated statement of comprehensive income.

All transactions with related parties were on an arm's length basis.

29 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.

30 Post balance sheet events

There are no post balance sheet events.

31 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 main effect has been that the exceptional items relating to the IPO in March 2017 have been excluded from the APMs. 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.

	31 December 2017 £'000	31 December 2016 £'000
Reconciliation of adjusted operating profit		
Operating profit before exceptional items	**8,516**	7,216
Adjustments for:		
Amortisation of acquired intangibles	**870**	870
Share based payments	**74**	–
Refinance costs	**–**	39
Adjusted operating profit	**9,460**	8,125
Adjusted operating profit margin	**28.1%**	28.5%
Reconciliation of adjusted profit before tax		
Profit for the year	**4,331**	3,317
Adjustments for:		
Amortisation of acquired intangibles	**870**	870
Exceptional items	**1,661**	757
Exceptional finance costs	**582**	–
Share based payments	**74**	–
Refinance costs	**–**	39
Adjusted profit after tax	**7,518**	4,983
Income tax charge	**1,331**	971
Adjusted profit before tax	**8,849**	5,954
Reconciliation of EBITDA cash conversion percentage*		
Cash inflow from operating activities	**5,514**	6,787
Adjustments for:		
Tax paid	**904**	924
Exceptional items per income statement	**1,661**	757
Non cash movement in exceptional items	**612**	(750)
Operating cashflow before tax and exceptional items	**8,691**	7,718
Adjusted EBITDA	**10,582**	9,229
EBITDA cash conversion rate*	**82.1%**	83.6%
Reconciliation of net debt		
Cash and equivalents	**6,907**	4,713
Borrowings due within one year	**–**	(1,362)
Borrowings due after one year	**(11,888)**	(25,369)
Net debt	**(4,981)**	(22,018)

* The EBITDA cash conversion percentage calculation has been updated to take account of non-cash movements in exceptional items to provide a more appropriate figure for Operating Cashflow before tax and exceptional items. The 2016 comparative figure has been restated for consistency. This reflects the calculations used in the day to day management of the business.

COMPANY STATEMENT OF FINANCIAL POSITION
COMPANY REGISTRATION 08497963
As at 31 December 2017

	Note	**At 31 December 2017 £'000**	At 31 December 2016 £'000
Fixed asset investments			
Investments in subsidiaries	34	**1,455**	1,455
Current assets			
Debtors	37	**30,318**	–
Deferred tax		**38**	–
Creditors: amounts falling due within one year			
Accruals		**(208)**	–
Total assets less current liabilities		**31,603**	1,455
Non-current liabilities			
Borrowings	36	**(11,888)**	–
Net assets		**19,715**	1,455
Capital and reserves			
Called up share capital	35	**222**	146
Share premium account	35	**14,721**	1,309
Profit and loss account		**4,772**	–
Total equity		**19,715**	1,455
Parent Company profit for the year		**4,000**	–

The financial statements on pages 84 to 88 were approved and authorised for issue by the Board of Directors on 12 March 2018 and were signed on its behalf by:

JOHN GRAHAM
Director

ANTHONY LEE
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	146	1,309	–	1,455
Profit and total comprehensive income for the period	–	–	–	–
At 1 January 2017	146	1,309	–	1,455
Cancellation of share premium	–	(1,309)	1,309	–
Shares issued during the year	76	14,924	–	15,000
Share issue costs	–	(203)	–	(203)
Dividends paid to ordinary shareholders	–	–	(611)	(611)
Equity settled share based payments	–	–	74	74
Transactions with owner	76	13,412	772	14,260
Profit and total comprehensive income for the period	–	–	4,000	4,000
At 31 December 2017	**222**	**14,721**	**4,772**	**19,715**

32 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 the foreseeable future. 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.

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.

33 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.

34 Investments in subsidiaries and associates
Investments

	2017 £000
At 31 December 2016	**1,455**
Additions	**–**
Impairment	**–**
At 31 December 2017	**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 £150m. Given the valuation, the Board is comfortable that the investments are not impaired.

At 31 December 2017, 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

35 Capital and reserves
Ordinary Share capital issued and fully paid

	At 31 December 2017 £000	At 31 December 2016 £000
111,111,114 Ordinary Shares of £0.02	**222**	–
1,200,000 A Ordinary Shares of £0.10	**–**	120
255,000 Ordinary Shares of £0.10	**–**	26
Total Ordinary Share capital of the Company	**222**	**146**

On 15 March 2017, the subdivision of the 1,455,000 A Ordinary Shares and Ordinary Shares of £0.10 each was approved so that each Ordinary Share of £0.10 each was sub-divided into 50 Ordinary Shares of 0.2 pence and by way of a bonus issue the Company allotted 27,250,002 Ordinary Shares of 0.2 pence each at nominal value to its existing shareholders pro rata to their existing shareholdings.

On 16 March 2017, an Offer Prospectus was published in which the Selling Shareholders offered 78,865,979 Existing Shares, in aggregate, for sale and the Company offered 11,111,112 New Shares for subscription. The New Shares rank pari passu in all respects with the Existing Shares and carry the right to receive all dividends and distributions.

On 21 March 2017, Medica Group Plc was admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. The total number of shares in issue at Admission was 111,111,114 shares of 0.2 pence each.

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 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
Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium.

On 28 February 2017, the entire amount standing to the credit of the Company's Share Premium account, being £1,309,000, was cancelled and £1,309,000 was credited to the profit and loss account on the Company's Statement of Financial Position. This exercise was completed in order to facilitate the reregistration of the Company as a Public Limited Company by ensuring that a minimum level of distributable reserves existed at the reregistration date.

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

36 Borrowings
On 21 March 2017 the bank loan to Medica Reporting Finance Limited was repaid and a new loan of £12m was taken out by Medica Group Plc (Parent Company).

See Note 20 for details of the movement in borrowings during the year.

37 Debtors
The debtor balance of £30.3m 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.

38 Related parties
See Note 28 in the Group Financial Statements for related parties information.

39 Post balance sheet events
There were no post balance sheet events.

COMPANY INFORMATION

The Board of Directors	R Davis – appointed 1 March 2017 S Whittern – appointed 1 March 2017 Professor M Bewick – appointed 1 March 2017 A Jain J Graham Dr S Davies A Lee
Company Secretary	A Lee
Registered office	Medica Group Plc Fifth Floor Havelock Place Havelock Road Hastings East Sussex TN34 1BG
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors 2nd Floor St Johns House, Haslett Avenue West Crawley West Sussex RH10 1HS
Registered Company number	08497963

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