Collaborative care – improving your outcomes

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2018

MEDICA GROUP

Improving your outcomes through a collaborative approach to care

Creating value through our core commitments:

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

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2018 ANNUAL REPORT

Medica Group is the market leading provider of Teleradiology services in the UK.

We offer high quality service with a strong clinical governance structure. We have invested heavily in continuous improvement and an IT interface with customers allowing our reporters the best opportunity to deliver for our clients and for patients.

HIGHLIGHTS

REVENUE
£M

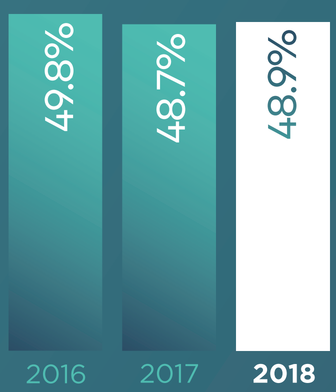
£38.9
+15.6%

ADJUSTED EBITDA
£M

£11.9
+12.8%

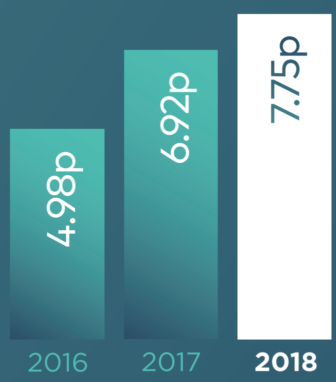
GROSS PROFIT MARGIN
%

48.9%
+0.2%



ADJUSTED EARNINGS PER SHARE %

7.75p
+12%



CHAIRMAN'S STATEMENT

"Medica continued to grow strongly in 2018 and has achieved another impressive set of results. Since Medica became a public company two years ago revenue has increased by 37% through its core teleradiology business."

INTERNATIONAL EXPANSION BASED ON A STRONG CORE PLATFORM

I am pleased to provide my Chairman's statement for another strong year of achievement for Medica Group Plc.

Medica continued to grow strongly in 2018 and has achieved another impressive set of results. The Group saw growth across its main teleradiology offerings with revenue increasing by approximately 16% on last year whilst maintaining healthy profit margins. Since Medica became a public company two years ago revenue has increased by 37% through its core teleradiology business.

The teleradiology market has continued to develop in the UK throughout 2018 and as the premium quality provider Medica has seen demand from its clients continue to grow as they seek cost effective solutions to complex clinical requirements. Medica's core business strategy continues to be to work in partnership with NHS Trusts who are experiencing growing demand for diagnostic reporting, limited in-house capacity and ongoing financial constraints. By investing in technology and clinical excellence Medica seeks to provide a timely and high-quality clinical service to its clients' patients and bridge geographical and specialist gaps across the UK.

We are committed to giving our clients the best possible service with the highest levels of clinic governance.

To be able to meet its clients' needs Medica must continue to attract and retain radiologists by making their experience in working with Medica as positive and productive as possible. Medica strives to create an environment where radiologists' want to be and encourages them to offer increasing levels of commitment. Medica achieves this through a supportive and robust clinical governance framework, high quality technical support and by meeting their individual working commitment needs. This will continue through 2019 as the Group invests further in improving its workflow.

During 2018 Medica developed plans to expand overseas, initially by engaging with radiologists in different geographies to support UK demand. I am pleased to confirm that Medica has deployed radiologists in Australia and New Zealand and will shortly start reporting. The Company expects to develop this increased capacity further under the same clinical framework that has operated so successfully in the UK. This is the start of the internationalisation of the business and is an important development in Medica becoming a global company.

Medica's employees have performed exceptionally well again in 2018 supporting clients and radiologists and always focused on trying to ensure the best patient care. Medica now has more than 100 full-time employees and the success of the business is built on their hard work, dedication and professionalism. I would like to thank them all for their continued commitment and efforts.

Medica's Chief Executive Officer, John Graham has informed me that he wishes to step down from the Company during 2019 and ensure there is a well-managed transition process to a new Chief Executive Officer to take the Company through the next stages of its development. We have engaged an international search and selection agency to help us identify a suitable candidate to lead the Company forward for the next growth phase. The search is progressing well and we will provide an update in the future.

The Board would like to thank John for his significant contribution in leading the company through years of rapid growth. Since joining the business in 2011 John has been instrumental in developing all aspects of the business and successfully transitioning Medica from a private to a public company.

I would also like to thank Anand Jain, who left the Board at the end of 2018, for his contribution to Medica since he joined the Board in 2013. As the Investment Director of the Company's private equity partner and then a Non-Executive Director, Anand's healthcare and business knowledge has been of great benefit to the Group and he has played a significant role in Medica's development from a private to a public company.

We have engaged with an external recruitment company to assist with finding a new Non-Executive Director and will provide an update in due course.

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 0.75 pence for the period to 30 June 2018, the Board proposes a final dividend of 1.50 pence, bringing the total for the year ended 31 December 2018 to 2.25 pence, an increase of 36% on the 2017 dividend.

The Group has performed well in 2018 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 the standard of care for patients.

ROY DAVIS
CHAIRMAN

22 March 2019

HOW TELERADIOLOGY WORKS AT MEDICA GROUP

What is teleradiology?

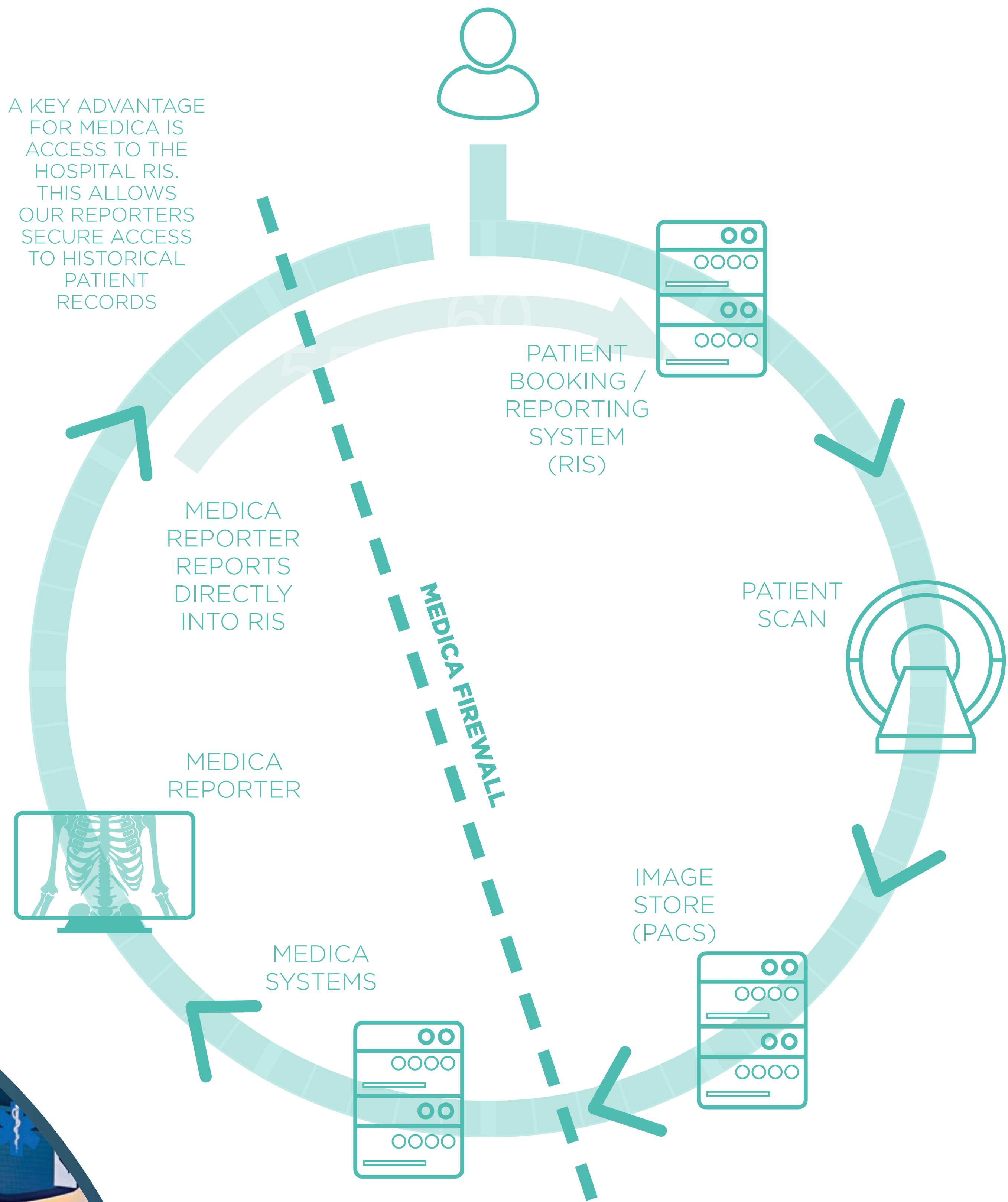
Teleradiology is the electronic transmission of radiological patient images, including plain film x-rays (PF), computerised tomography (CT) scans and magnetic resonance imaging (MRI) scans, from one location to another, for the purposes of diagnostic interpretation and reporting.

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, Reporting Radiographers and Rheumatologists, all 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 reporters to provide their services remotely, thereby facilitating the rapid availability of trained specialists 24 hours a day, 365 days a year.

The benefits of the Medica platform

- Through a virtual private network (VPN) Medica has the unique ability to access the client hospital's own radiology information system (RIS) which provides equivalence to an in-house radiologist. This access offers a number of advantages:
  - Access to patient data including historical reports
  - Knowledge of allergy alerts
  - Ability to recommend/book further referrals
  - Saves client time selecting files to send to Medica
- Medica's radiologists are available to discuss or clarify reports with the clients
- Experienced technical team offering full support 24/7
- Dual data centre and multiple contingency systems providing robust and resilient network
- Network linking Medica with its c.350 radiologists and 100 hospitals
- Supported by in-house technical team
- Differentiating NightHawk contingency system – eliminates downtime


A KEY ADVANTAGE FOR MEDICA IS ACCESS TO THE HOSPITAL RIS. THIS ALLOWS OUR REPORTERS SECURE ACCESS TO HISTORICAL PATIENT RECORDS
PATIENT BOOKING / REPORTING SYSTEM (RIS)
MEDICA REPORTER REPORTS DIRECTLY INTO RIS
PATIENT SCAN
MEDICA FIREWALL
MEDICA REPORTER
IMAGE STORE (PACS)
MEDICA SYSTEMS

OUR SERVICES

CORE SERVICES

NightHawk

Out-of-hours emergency CT and MR reporting – less than 60 minutes.

Timely and accurate reporting of images is the most critical aspect of emergency teleradiology. To achieve this, Medica has invested heavily in its technical platform and this has enabled the achievement of an average turnaround time of just over 25 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.

49.6%
of revenue

Routine Cross Sectional

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

38.4%
of revenue

Routine Plain Film

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

10%
of revenue

Specialist Services

Range of diagnostic imaging examinations being performed increases each year as technology improves. Medica are developing a range of Specialist Reporting Services in response to this. These include:

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

WHAT MAKES MEDICA GROUP UNIQUE?

1

SIZE

Largest pool of consultant radiologists outside of the NHS, all of whom have a minimum of two years' experience as a consultant

2

BREADTH

Scale and breadth of specialisms in the pool of consultant radiologists

3

TECHNOLOGY

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

4

EFFICIENCY

Our average turnaround time is believed to be considerably shorter than average (including in-house radiology departments)

5

EXPERIENCE

Highly experienced, market-leading clinical governance function

BUSINESS MODEL

MEDICA GROUP

Pool of expert reporters

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

Clinical governance and auditing

Strong clinical governance ensures high quality of clinical services through continually monitoring the performance of radiologists.

We have a close relationships with hospitals, due to our bespoke IT platform that provides market-leading linkage between a hospital's radiology information system (RIS) and Medica reporters.

HEALTHCARE PROVIDERS (CLIENTS)

Our clients include the NHS, private hospital groups and diagnostic imaging firms.

We give our clients rapid access to trained specialists 24 hours per day, 365 days per year.

PATIENTS

By delivering the highest quality clinical services to our clients, we drive improvements in clinical quality across the UK.

We work in partnership with our clients to deliver high quality clinical care for patients by reducing waiting times and improving patient outcomes.

VALUE CREATED FOR:

PATIENTS

Patients receive better clinical care through the reduction in waiting times and the improvement of patient outcomes.

HEALTHCARE PROVIDERS

Timely turnaround, including out-of-hours, assisting hospitals to manage workloads across a wide range of subspecialist expertise, and rapid availability of trained specialists 24 hours per day, 365 days per year.

REPORTERS

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

INVESTORS

Medica has delivered strong financial performance in recent years with high growth rates in revenue and EBITDA. The Group has strong cash generation and cash conversion ratios. The close relationships with its clients means that there are high levels of repeat revenues, with over 80% of revenue derived from customers who have worked with Medica for more than three years.

COLLABORATIVE CARE IN ACTION

Improving outcomes through collaborative care

NHS Trusts connected to Medica NightHawk for their urgent care

TIME IS TISSUE

Fast call response rate

1

A patient arrives in the Hospital Emergency Department after a road traffic collision and is categorised as a major trauma case (MTC).

2

The Hospital Trauma Team run a clinical assessment on the patient and decide CT scan is required as part of the MTC assessment.

3

The Medica NightHawk Team are advised to expect an MTC patient as soon as they are scanned by the Hospital Radiographer.

4

The Hospital Radiographer calls the Medica NightHawk Team when they have completed the scan, ensuring all relevant clinical information is available to the Medica NightHawk Radiologists.

The Hospital Trauma Team and Radiographer can speak to the Medica NightHawk Radiologist for support and guidance at any time.

Average turnaround time just over 25 minutes

5

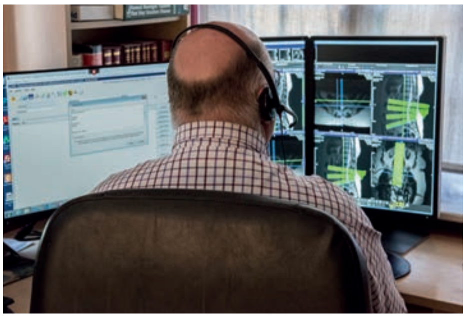
The Medica NightHawk Team send the scan to one of up to 15 Medica NightHawk Radiologists available to report on the case.

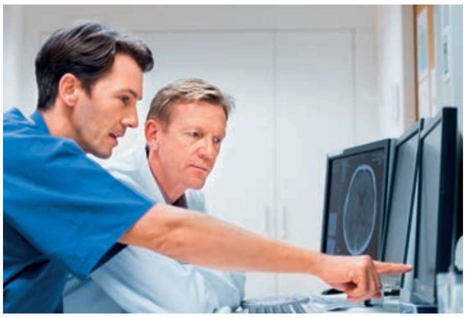
6

The Medica NightHawk Radiologist initially reviews the images for gross life threatening injuries and produces a Seriously Injured Patient (SIP) report. The findings from this high level report are shared with the Hospital Trauma Team, usually within 15 minutes, allowing them to take rapid decisions about the priorities in the patients' treatment.

7

The Medica NightHawk Radiologist then completes a detailed report covering any subtle injuries which is available to the Hospital Trauma Team within the hour, but usually within 30 minutes.





The Hospital Trauma Team use the Medica NightHawk reports, together with their clinical assessment, to decide on the best treatment plan for the patient. Treatment may include emergency surgery, administration of specialist drugs or emergency interventional procedures. Allowing The Hospital Trauma Team to take decisions as quickly as possible ensures the best possible clinical outcomes for the patient.

WHAT OUR CLIENTS SAY ABOUT OUR NIGHTHAWK SERVICE

"I have now had over five years' experience using Medica NightHawk as our sole provider for the out-of-hours emergency CT Service at Croydon University Hospital. The service is reliable, the radiologists are of a high standard and they consistently produce excellent quality reports."

Operational management – added value

"Medica is proactive, providing detailed reports and highlighting trends on referral rates and the number of scans accepted so that we have oversight of the service and potential future demand. They are happy to tailor referral guidelines to accommodate individual trust requirements. Queries about inappropriate referrals are dealt with swiftly and often a transcript is produced outlining details of the case and including learning points for both parties. This collaborative approach helps us better manage our efficiency and ensure that we get the best value from our partnership with Medica".

Responsiveness and quality

"Regular reports on turnaround times are made available and these generally demonstrate an exceptional resilience for producing reports within agreed timeframes and quality is assured by a systematic peer review audit. Overall I would thoroughly recommend Medica NightHawk and would like to thank them for their continued support at Croydon University Hospital."

DR KETUL PATEL

CLINICAL LEAD FOR DIAGNOSTICS AND SUPPORT SERVICES, CROYDON UNIVERSITY HOSPITAL

LIFE AT MEDICA

Medica Radiologist and Clinical Advisory Lead for our Reporting Radiographer service, **Dr Paul Tallett,** speaks about his experience of working for MEDICA

In 2016, after 35 years as a clinical radiologist, I retired from the NHS to work for Medica, initially joining as one of the reporting team. However, at Medica I was given the opportunity to expand the breadth of my role into an area of personal interest within clinical teaching and mentorship. I am now the Clinical Advisory Lead for radiographer reporting services at Medica, responsible for ensuring a high level of quality and support for this service.

My career at Medica has developed in such a way that I have been able to supplement my regular routine reporting sessions with other areas where I am able to add value. I support the audit service at Medica by contributing to a panel of internal auditors, providing quality assurance audits internally as well as for external client audit for the NHS and other private healthcare providers.

A typical day now starts with reading and responding to emails, working closely with the Medica recruitment team usually means that I will have a number of CVs and recruitment documentation from prospective reporting radiographers to review. These will include clinical audit data, whole scope of practice and other supporting documentation. My comments are then passed on to the recruitment team.

Before starting my own worklist, I will check to see if there are any requests for support or second opinions that have been generated by the reporting radiographers. Support is most likely to be required with abnormal chest x-rays where CT would be appropriate for clarification of a plain film finding as the patient awaits a specialist opinion or enters the cancer pathway. The second opinion service is designed to emulate reporting within a radiology department where an unusual, rare or unexpected appearance might benefit from a "second pair of eyes" to either reinforce the reporter's initial impression or to provide clinical input or a wider differential.

These requests can also be made in real time while radiologists who have agreed to provide the second opinion service are available during their own reporting sessions. This is much like when working in an NHS hospital albeit it is managed more efficiently at Medica to minimise distractions and allocate to the most appropriate specialist for review.

As a Clinical Advisory Lead, I also have Clinical Audit Committee minutes to review prior to meetings that are mostly held in the virtual environment via WebEx, to save unnecessary travel.

This part of my role within Medica I find the most satisfying as it provides added interest but also more extensive contact with colleagues than would be the case if I was simply providing remote teleradiology reporting.

The remainder of my working day is then as a conventional teleradiologist.

"The Medica system allows all of its reporters direct access to both the patient history and prior imaging. This means that in addition to the automatic prefetched images I can see all priors and elect to download these in addition should I feel that these are necessary. I can then include reference to these images or reports in the construction of my own report for the outsourced image. This is a significant advantage over what I believe other providers offer and was one of the most influential factors when choosing to connect with Medica as a teleradiology provider."

The work is varied both in terms of content and geographical spread within the UK and Channel Islands. This means that I will see a broad mix of cases to keep my interest peaked and increase my job satisfaction.

At the end of my routine reporting, I will take cases from the routine internal audit system operated by Medica and review the images and quality of reporting against an agreed template, raising discrepancies where appropriate for further reflection by the reporter and occasionally offering arbitration where there is disagreement between the reporter and the auditor.

When my working day comes to an end, I close down my work station, walk out of my home office into my living room next door and put my feet up!

DR PAUL TALLETT,
CLINICAL ADVISORY LEAD

REPORTING RADIOGRAPHER SERVICE AND MEMBER, MEDICAL ADVISORY BOARD.

THE SERVICE DESK

Questions and answers with **Matt Mitchell**, the Medica Service Desk Manager within the IM&T Department

“The team works together to provide IT cover 24 hours a day 365 days a year”

TELL US ABOUT WHAT THE MEDICA SERVICE DESK DOES?

Our role is to support all our internal staff, clinical reporters and NHS client Trusts with any IM&T support issues that they may have. Our IM&T support has a three-tier structure and our Service Desk is the first point of contact for any issues. We have recently launched a brand new Service Desk portal which allows both the user and the support team full visibility and tracking of an issue that has been raised.

On top of these requests the team works on projects, general maintenance, patching and housekeeping on all Medica systems, servers and computers whilst also always being readily available to help anyone in need.

The team works together to provide IT cover 24 hours a day, 365 days a year, we strive to offer the best cover possible to ensure all service lines run smoothly and efficiently. If there should be any issues, there is always someone at the end of the phone ready to offer technical support.

WHO FORMS THE SERVICE DESK TEAM?

The Service Desk team consists of myself as the Service Desk Manager and four IM&T System Administrators: Harvey Taylor Meek, Ashley Cheese, Luke Warner and Jamie Dixon. We have carefully recruited the Service Desk team to ensure we have diverse IT knowledge within the team; this gives us the best skillsets available when handling the multitude of requests escalated to us.

WHAT IS THE BIGGEST CHALLENGE THAT YOUR TEAM HAS TO OVERCOME?

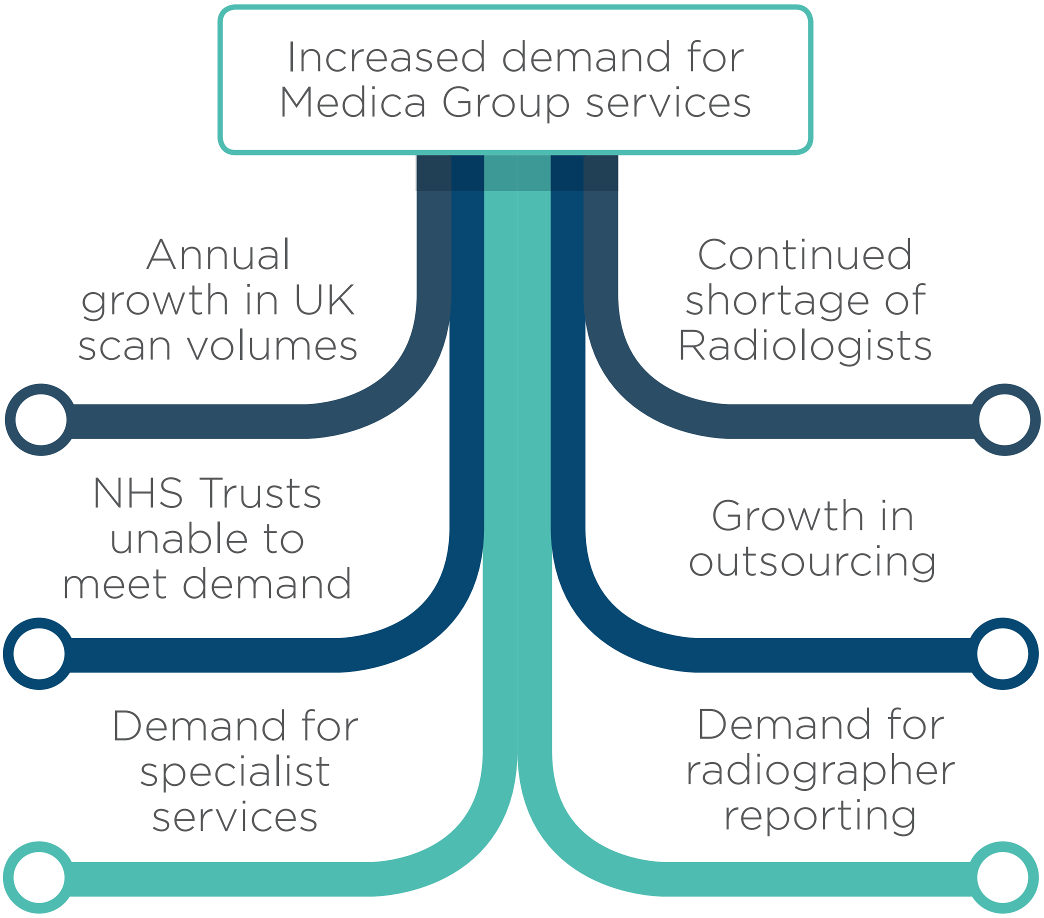
We are constantly working to improve the analytical side of the Service Desk with an aim to generate data, which can in turn help direct our continual improvement strategy and ensure that we are providing our stakeholders with the very best service possible.

I think the key thing to remember is that every single business who runs a technical department will encounter challenges and issues, it is how responsive and communicative you are in the resolution of these issues that is key. We feel that the set-up and structure of our team and platform here at Medica means that we can offer a 'best-in-class' service to all of our stakeholders.

"This gives us diverse IT knowledge and the best skill sets available"

"Our continual improvement strategy will ensure that we are providing our stakeholders with the best service possible"

MARKET REVIEW



Annual growth in UK scan volumes

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

Continued shortage of radiologists

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

NHS Trusts unable to meet demand

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

Growth in outsourcing

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

Demand for specialist services

Working collaboratively with NHS hospitals and specialist doctors, Medica has developed a range of Specialist Reporting Services. These allow us to provide additional capacity to supplement local resources, or to provide reporting capability which is not available from local staff. In 2018 Medica added specialist cardiac reporting, enhanced scope in nuclear medicine examinations and multi-parametric prostate MRI to our service portfolio.

Demand for radiographer reporting

Radiologists are increasingly required to change their job plans away from plain film, towards cross-sectional and interventional work to meet local needs. Retiring radiologists also often undertake a higher than average percentage of plain film reporting. These factors combine to result in a decrease of radiologist plain film reporting capacity. Radiographer reporting is widely adopted within the NHS and Medica Group are providing a reporting radiographer service which offers high quality capacity and expertise. In 2018 the percentage of our plain film reporting undertaken by radiographers rose to 21.5%.

7.9%

INCREASE IN REVENUE FROM SPECIALIST SERVICES IN 2018

66.8%

MORE PLAIN FILM REPORTED BY REPORTING RADIOGRAPHERS IN 2018

STRATEGY

Strategic priorities

Developing the core business

GROWTH OF CORE SERVICES LINES

Continued development of NightHawk and routine business

BUILDING A GLOBAL NETWORK OF SPECIALISTS

The exact same trusted service with expanding capacity

INCREASING NON-NHS CLIENT BASE

Developing and maximising growth opportunities in the independent sector

DEVELOPING SPECIALIST REPORTING SERVICES

Continued development of clinician-led specialist services in line with the needs of our clients

Future developments

ADJACENT OPPORTUNITIES

Expansion into related areas

- Clinical trials
- Autopsy reporting
- Lung screening
- International clients

BROADER GROWTH OPPORTUNITIES

Through development or acquisition

- Service expansion into other areas e.g. pathology
- Wider telehealth diversification
- Artificial intelligence

Progress	Future focus
• Partnerships with newly acquired NHS Trusts and independent sector providers • The number of existing clients utilising our reporting radiographer plain film service now at 87%	• Continue to develop partnerships with NHS Trusts and independent sector • Increasing capacity including international expansion in 2019
• Formal NHS Digital Authority to Proceed received • Introduction of reporting locations outside of UK to meet continued growing demand	• Expansion of reporting territories Europe, Asia, USA, South Africa • Targeting overseas clients
• Now providing clinical audit service for two large independent private healthcare providers	• Develop global opportunities within the independent sector
• Specialist cardiovascular reporting service established • Multi-parametric MRI prostate service developed	• CT cone beam service development

STRATEGY IN ACTION

CASE STUDY: MEDICA'S CLINICAL AUDIT SERVICE

STRATEGIC LINK:
Increasing non-NHS client base

Medica offers a range of independent auditing services to the NHS and independent sector and has over 11 years of expertise in delivering this service.

The three levels of service offered are as follows;

- **Cause for concern audit** – providing independent and constructive feedback on performance
- **Departmental quality assurance audits** – providing independent evidence for use in accreditations and for benchmarking
- **Ongoing CT, MR, plain film and ultrasound audit services** – providing the independent evidence required by service commissioners

The Medica audit service ultimately aims to improve clinical practice and patient outcomes with clear, meaningful and actionable feedback.

BMI HEALTHCARE

The background:

Medica partnered with BMI Healthcare in 2015 to provide quality assurance audit and routine reporting and now works with them across a significant number of its hospitals.

BMI Healthcare is an independent sector healthcare provider, offering treatment to private patients, medically insured patients, self-pay and NHS patients. They provide 115 different specialties and services, offered across 59 hospitals and clinics throughout the UK.

The impact:

"Working with Medica has given us the ability to access remote GMC specialist registered consultant radiologist reporting and the quality assurance through clinical audit of our radiology services. The services provided by Medica have been highly responsive, tailored to our specific needs and delivered with the utmost professionalism. The service delivery has always been of the highest quality and enables us to provide assurance to key stakeholders within our own business, our referrers and most importantly our patients.

We remain suitably impressed with the ability of Medica to constantly evolve as an organisation, continually seeking to improve and provide the very best quality of service for their clients. I am delighted with our partnership and experiences to date of working with Medica."

SIMON HARVEY
HEAD OF DIAGNOSTICS - BMI HEALTHCARE

CASE STUDY: A GLOBAL CLINICAL REPORTING NETWORK

STRATEGIC LINK:
Building a global network of specialists

In 2018 Medica Group completed a comprehensive project which enables us to deliver our reporting services from overseas.

- Without compromising our full standard Medica technical solution
- With no compromise in our radiologist, selection and governance framework
- With Authority to Proceed ('AtP') received from NHS Digital for over 40 countries outside the UK
- Already underway or planned in five countries, including Australia and New Zealand

Supporting the needs of our clients

- Born out of demand from our clients and developed in collaboration with them, the overseas reporting model offers a choice to clients - UK only, or a hybrid international delivery model
- Provides additional capacity and subspecialist expertise to support the NHS
- Increased ability to service peaks in demand over UK summer time

Growth opportunities

- Allows the utilisation of UK experienced radiologists, wherever they are located
- Provides additional capacity and subspecialist expertise to service demand from the UK
- Provides a local footprint to offer services to healthcare organisations in the reporting location

OUR OVERSEAS JOURNEY

Q1-3 2018

Extensive technical, operational and Information Governance review resulting in Authority to Proceed approval from NHS Digital

Q4 2018

Work commenced on our first reporting locations outside of UK

January 2019

Commenced testing with our first GMC registered, NHS experienced Consultant Radiologist based overseas

February 2019

Employed our first full-time GMC registered, NHS experienced Consultant Radiologist based overseas

April 2019

Reporting will commence from multiple locations outside the UK, including Australia and New Zealand

KEY PERFORMANCE INDICATORS

Average urgent care (NightHawk) turnaround time

25.3 minutes

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

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

PERFORMANCE
25.3 minutes

Number of reporters

362

DEFINITION
This represents the number of live reporters (including Consultant Radiologists, Rheumatologists and Radiographers) at Medica.

WHY IS THIS METRIC IMPORTANT?
Recruitment and retention of reporters is a high priority for Medica as we grow the number of our reporters to meet the market demand.

PERFORMANCE
Up 18.3% from 2017

Number of reported body parts

1.66m

DEFINITION
The number of different body regions included within an exam.

WHY IS THIS METRIC IMPORTANT?
It provides a better understanding of our case load than simply reporting patient numbers.

PERFORMANCE
Up 13.7% from 2017

Revenue

£38.97m

PERFORMANCE
Up 15.6% from 2017

Adjusted operating profit

£10.67m

PERFORMANCE
Up 12.8% from 2017

CHIEF EXECUTIVE'S REVIEW

BUILDING FOR THE FUTURE

I am delighted to present my Chief Executive's Review for another excellent year in Medica's growth story.

The business has continued to develop throughout the year, expanding services to clients, growing volumes and engaging with increasing numbers of radiologists whilst at the same time embarking on new technical and expansionary projects.

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 give Medica a great platform to continue to develop its services in teleradiology and beyond.

I have informed the Chairman of my intention to step down as CEO at some point in 2019. I felt that this was an appropriate time for me to transition to someone who can take the Company through what should be a very exciting period of growth and development for the business. I have very much enjoyed my time with Medica which has seen the company grow significantly year on year and positioned itself for growth opportunities that bode well for the future. I would like to thank all past and present staff for their contribution over the years of my tenure.

CHIEF EXECUTIVE'S REVIEW

Deepening partnerships with clients

This has been another strong year of double-digit growth for Medica with revenue increasing by 15.6% over last year. As in previous years this growth has all been organic and whilst Medica continues to be attractive to new clients most of the growth has been from delivering more volume for existing clients.

Volume growth came across all major service lines with NightHawk scan volume increasing by 19.4%, routine cross sectional (CS) computerised tomography (CT) and magnetic resonance imaging (MRI) reporting increasing by 21.6% and routine plain film x-ray (PF) growing by 7.9%.

The overall market dynamics remain a key growth 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 UK teleradiology, is leading the way to support the NHS using technology to bridge geographical and specialist gaps in resource and using its technical and clinical infrastructure to increase reporting productivity.

The way that Medica interacts with its clients has evolved in recent years, no more so than in 2018. At its inception, Medica was an "on demand" service that clients used often when they had capacity issues, but now we work in close partnership with our clients. Increasingly, we are considered as part of a client's solution to its reporting issues and clients often choose Medica ahead of trying to recruit themselves. We actively work with our clients to help them manage their capacity and turnaround times, with most clients now operating with regular sending patterns.

These embedded relationships enable closer management of turnaround times, which helps clients manage their waiting times and improves the experience for patients. Improved predictability of incoming work also assists Medica in radiologist capacity planning which in turn means that there is more efficient allocation of exams to specialist radiologists, which is better for patients. As exams become increasingly specialist and complex, this ability to maximise the output of a wide group of specialist reporters becomes more important and a differentiator from other providers.

Operational efficiency and the use of technology are important factors in Medica's offering, but alongside direct access to client's systems our high-quality clinical governance processes are the key attribute that enables us to be considered the provider of premium services. Increasingly, Medica is developing in-depth clinical partnerships with clients.

Medica's clinical governance strength has given clients more confidence in outsourcing. In addition, it has enabled the development of more specialist services that have been clinician led and are beyond the scope of most providers. During 2018 Medica developed and started offering clients specialist cardiac CT and prostate MRI reporting. These are areas that are expected to grow in the future as the clinical guidelines become established and the ability to offer a full suite of services to clients will become increasingly important.

Increasing capacity

Recruitment remained a key focus during 2018 and we significantly increased the number of radiologists (including radiographers and rheumatologists) from 306 at the start of the year to 362 at 31 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.

The most significant factor in bringing new radiologists into Medica's recruitment process is word of mouth recommendation from radiologists who are already contracting with the Group. Our skilled recruitment team is then able to complete the process and bring these contacts into Medica. 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.

A key tenet of Medica's capacity plan is to increase the level of commitment from the existing pool of radiologists and variations to the model such as the increased use of reporting centres in addition to recruiting new radiologists. Recruitment numbers are important but are not the only indicator of increasing capacity and the company will review the information provided in this area.

Continued investment and development

During 2018 Medica has continued to invest in people and processes in all areas of the business and expects to make further investments in 2019. This is to ensure we keep pace with growing volumes now and in the future whilst continuing to improve the quality of service to both clients and radiologists.

A key area of focus is in the technical aspects of the business and the appointment of Marc O'Brien as our Chief Technical Officer is an important part of the strategy to further develop and improve Medica's infrastructure and technical offering. There have been other additions to the IT and related teams in 2018 with more planned for 2019.

As part of a review of the infrastructure in the first quarter of 2019 we have made a capital expenditure investment of £1m in IT equipment at our data centre to ensure continued resilience and to plan for significant volume growth in the next period. This investment is a sign of the Group's confidence in the future growth of the UK teleradiology market.

As volumes grow it is important to continue to improve the operational processes. Considerable effort has gone into refining workflow management processes in 2018 and there is a full program of improvements planned for 2019. The aim is to further improve turnaround times for clients, to improve radiologists' experiences working with Medica and to enhance operational efficiency.

During 2018 there were further improvements in Medica's NightHawk service to including initiatives to improve stroke and major trauma pathways. Work was also completed on a ground-up rewrite of our unique NightHawk portal based on feedback from clients, radiologists and Medica staff. The new portal supports continual refinement to our workflows, improves efficiency, enhances communication and provides greater visibility to both clients and radiologists.

Internationalisation

The most significant project the business has undertaken in 2018 and the first part of 2019 has been the development of Medica's international strategy.

Medica's ongoing investment in compliance and strong information governance has allowed the Company to engage with radiologists based overseas to use our existing workflow without compromising key parts of Medica's service offering to our clients. The premise is that there is no difference in quality, access or clinical governance whether a radiologist is working from the UK or a permitted overseas territory.

We will shortly start reporting from Australia and New Zealand and have plans to grow this international capacity across a number of locations in 2019 and beyond. We have also started discussions with some potential international clients.

The additional capacity, particularly supporting the Nighthawk service, will help the company continue to grow its UK business and in the longer term internationalisation could offer wider growth opportunities.

Longer term strategy

The Directors have to date focused on developing 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. In the last year we have added more specialist services to our portfolio and begun the process of internationalising the business.

Since becoming a public company, it has been the Group's intention to diversify its services and its client base. In addition to the international opportunities, there are opportunities to increase the work we engage with for the private sector in the UK and there are a number of adjacent services that Medica is working on and expect to develop in the next two years.

Looking further ahead, 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 2019, 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 2019. As the market evolves the Board is confident that, in the short to medium term, Medica will continue to grow revenues at a rate similar to that seen in 2018.

JOHN GRAHAM
CHIEF EXECUTIVE OFFICER

22 March 2019

FINANCIAL REVIEW

STRONG FINANCIAL POSITION UNDERPINNING FUTURE GROWTH

Medica's strong growth has continued throughout 2018.

A review of the business during the year, its strategy and business model, future developments, and its position at the year-end is included within the Chairman and Chief Executive's reviews on pages 2 to 3 and 23 to 25. 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 2018, with Group revenues growing by 15.6% to £39.0m (2017: £33.7m) and adjusted operating profit growing by 12.8% to £10.7m (2017: £9.5m).

Net profit increased by 70% from £4.33m to £7.36m and basic earnings per share increased by 66% from 3.99 pence to 6.62 pence. Adjusted profit after tax increased by 14.6% from £7.52m to £8.61m and adjusted basic earnings per share increased by 12.0% from 6.92 pence to 7.75 pence. A full reconciliation between statutory and adjusted profit metrics is shown in note 30.

Revenue

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

- NightHawk revenues increased to £19.3m, a 15.0% increase from 2017 revenue of £16.8m. 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.
- Routine cross-sectional revenues increased to £15.0m, a 19.3% increase from 2017 revenue of £12.5m. Growth has been driven primarily through existing customers; Medica enhanced its partnerships with Trusts and reported a greater number of their increasing scan volumes.
- Plain film revenues increased to £3.9m, a 7.2% increase from 2017 revenue of £3.7m. During the period, plain film volumes continued to be actively managed to focus on the faster growing routine cross-sectional service with the increase coming from radiographer reporting which continued to develop.

Our continued ability to recruit and retain radiologists is a key driver of revenue growth. Medica added an additional net 56 reporters in 2017 and at 31 December 2018 there were a total of 362 with whom Medica contracted, which is a record high for the Company.

Gross margins

Gross profit margin for the year was 49.0% (2017: 48.7%).

In 2018 the gross margins for the main service lines were as follows:

- **NightHawk:** 49.9% (2017: 50.5%)
- **Routine cross-sectional:** 51.9% (2017: 52.1%)
- **Routine plain film:** 49.4% (2017: 49.4%)

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

Despite being consistent in 2018, gross profit margin is expected to edge down in the next few years. There are a number of contributing factors with the main reason being ongoing renewal of contracts often through migration to framework agreements which increasingly have costs attached to them. There has been downward pressure on prices for some time as volumes increase and this is expected to continue.

The key reasons for the overall maintenance of gross margins in 2018 are slower than expected pricing adjustments, an increasing complexity of work which has marginally reduced the average body part costs and a streamlining of the internal clinical audit costs.

Adjusted operating profit

The adjusted operating profit for the period of £10.7m was 13.4% higher than 2017 (£9.5m), 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 28.1% in 2017 to 27.4% in 2018.

The reason that adjusted operating profit has increased at a lower rate than revenue is due to the investment during the year in people and processes to ensure the long-term growth of the business, most notably in IT and related areas. Staff and overheads including Plc costs, increased by 22.3% in 2018 and depreciation and amortisation increased by 13.3%.

Exceptional costs

The exceptional costs of £0.2m are in relation to the international search and selection process for both the Chief Executive Officer and an additional Non-Executive Director. These are considered to be one-off costs. The exceptional costs in 2017 were all related to the listing of the Group on the London Stock Exchange.

Net finance expense

Finance costs were £0.3m for the year (2017: £0.7m). The costs for 2018 were in respect of bank loan financing and these were at a similar level to 2017. Last year also included interest paid to CBPE Capital LLP, the majority owners of Medica prior to the IPO, before the loan notes were repaid in full.

Taxation

The Group has incurred a tax charge of £1.8m in the year ended 31 December 2018, compared with £1.3m in the year ended 31 December 2017. The effective rate of tax for 2018 is 19.5%.

Earnings per share

Adjusted earnings per share increased by 12.0% to 7.75p, reflecting the growth in the business. Normal earnings per share increased by 66% to 6.62p, the difference between the two growth rates being due to the costs of the IPO being in 2017.

Dividends

The Board has adopted a progressive dividend policy, following the interim dividend of 0.75 pence the Board proposes a final dividend of 1.50 pence per share to give a total dividend for the year ended 31 December 2018 of 2.25p per share. This will, subject to approval by shareholders at the Annual General Meeting on 22 May 2019, be paid on 28 June 2019 to shareholders listed on the register on 31 May 2019.

Cash flow

Cash flow from operating activities was £9.6m (2017: £5.5m). The increase was due to strong business growth, lower exceptional costs, lower capital expenditure and a moderate improvement in debtor days. The business continues to generate strong cash flows from its core business.

Capital expenditure for the year was £1.2m (2017: £1.8m). The business continues to invest in its infrastructure to support volume growth and to improve its efficiency and service offering. The 2018 expenditure was lower than forecast and some of the expected spending in 2018 will occur in 2019 instead in addition to the significant £1.1m IT expenditure already made this year.

Net debt

There was a debt restructuring completed as part of the IPO which at the time of listing in March 2017 left the Group with net debt of approximately £10m. Since then an objective has been to reduce the Group's net debt to nil and this was achieved at the end of 2018 when Medica achieved net cash of £0.6m – being cash of £12.6m and a loan of £12m.

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

Intangible assets

As at the year-end, total intangible assets were £24.2m (31 December 2017: £25.2m): 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 £1.9m (year ended 31 December 2017: £1.3m), in relation to purchased software and certain capitalised development software and licences.

Property plant and equipment

As at the year end, total value of property, plant and equipment was £1.9m (31 December 2017: £1.9m). 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.

This report was approved by the Board on 22 March 2019 and signed on its behalf.

ANTHONY LEE
CHIEF FINANCIAL OFFICER

22 March 2019

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.

Our risk assessment for the UK withdrawal from the European Union considers different Brexit scenarios and the wide range of implications that may impact our business. Our current view is that the impact on Medica Group is low. We have a very limited dependence on people or services in Europe. We continue to monitor the situation as it develops and assess implications for our business.

The key risks affecting the business are as follows:

Risk description and impact	Mitigation	2018 trend and 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.	Medica's clinical processes continue to be of the highest calibre.
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 the recruitment strategy. Retention policy is based on providing a comprehensive support structure to Medica Radiologists from all parts of the business.	Medica's UK recruitment pipeline is strong and the ability to engage with overseas based radiologists offers additional opportunities
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.	This risk remains unchanged as the Group continues to maintain high standards and vigilance.
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.	The succession of the Chief Executive has been managed and there is a transition plan in place.
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 changes in regulation on an ongoing basis.	There have been no changes that increase this risk in 2018

Risk description and impact	Mitigation	2018 trend and 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. Changes in taxation or legal requirements can influence the way the group operates.	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 engages with advisors on legal and taxation matters and monitors expected changes that could affect the way the Group operates.	Whilst increasing pressure on NHS resources increases the demand for Medica's services, NHS continues to be under financial constraints.
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.	There have been no changes that increase this risk in 2018 and Medica maintains its accreditations and focus in this area.
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.	As an attractive sector new companies are trying to establish themselves in the Teleradiology market. Medica is the clear market leader and continues to be successful in differentiating our service.
Technology risk The Group's business could be disrupted if its information systems fail or if its databases are destroyed or damaged.	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 has robust disaster recovery plans.	Medica continues to invest in this area to reduce the risk.
Artificial intelligence Artificial intelligence could play a role in radiology diagnosis and this represents both a risk and an opportunity.	The Group continues to keep up to date with innovations in AI and other areas.	AI remains an opportunity as well as a risk and Medica continues to monitor closely.

CORPORATE SOCIAL RESPONSIBILITY

OUR PEOPLE

Diversity

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

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

At 31 December 2018, the Group had 97 full-time employees and 20 part-time staff of which 77 were male and 40 were female. Of the senior members of management, four were male and one was female.

Training and development

Developing the team is crucial to Medica's continued success and development and is an area where Medica has a good track record. A number of employees have been with the Company since early in its history and have developed into senior management roles.

In addition to the executive team we have developed a wider leadership group that meet regularly and are taking increasing levels of responsibility for the development of the core business. The leadership team is developing by providing a mentoring and coaching environment.

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

Employee engagement and culture

With a relatively small team it is important to foster an atmosphere of inclusion and engagement and we have a committed and dedicated team that work well together.

We ensure there are strong lines of communication through the wider leadership team and all members of the team are able to discuss matters with Directors. We have a company newsletter and ensure there is consultation on key policy changes.

We hold regular events for staff and encourage support of local charities.

Recruitment and retention of radiologists

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

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

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

ENVIRONMENT

Climate change

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' contract mainly from their own homes, we believe our own environmental footprint is small.

Greenhouse gas emissions

This is the second 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 within the Group's control in connection with the combustion of fuel.

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

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

The Group does not purchase or combust fuel directly so the Scope 1 emission for the year is zero. Scope 2 emissions are limited to the Group's head office building and the calculations are derived from electricity meter readings. The Scope 2 GHG emissions for 2018 are 18.0 tonnes (2017: 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 2018 are 0.17 tonnes (2017: 0.25 tonnes) of carbon dioxide equivalent.

SOCIAL AND COMMUNITY ISSUES

Improving clinical quality

Improving clinical quality is a key aim for the Company and the excellence of our clinical offering is probably Medica's key selling point to clients.

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

Improving patient outcomes

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

We are always looking to innovate to improve the quality of our services and recent examples of this are the investment in developing the stroke pathway and the major trauma pathway. Other examples are the development of the radiographer reporting service and the emphasis on new specialist services.

MEN'S HEALTH CRISIS

Medica Group has been consulting with experts, collaborating with the NHS and investing in the field of prostate care.

Our mission?

To improve access to the best practice diagnosis for men in the UK.

In January 2018 Medica Group appointed Dr Natasha Jefferson as our expert Clinical Advisory Lead for multiparametric prostate MRI. We asked her for her view on prostate diagnosis in the UK.

Q How are we helping to improve prostate diagnosis across the UK?

A

1. Development of a dedicated full-time Prostate Clinical Advisory Lead, who is supported by a wide project team.
2. Creation of 'best practice' prostate imaging protocols and referral information guidance, designed to support PIRADS-2 reporting.
3. Access to a dedicated team of subspecialist radiologists who can provide PIRADS-2 reports to supplement NHS local reporting capacity when required.

STRATEGIC LINK:
Developing specialist reporting services

Q What is your view of the current diagnostic landscape for prostate health in the UK?

A Pre-biopsy mpMRI of the prostate gland for patients in whom there is a concern for undiagnosed prostate cancer (based on a raised PSA test and/or a suspicious digital rectal examination) is now considered to be the gold standard for care in this clinical scenario. This is based on the fact that a recent study in the Lancet entitled PROMIS (PROstate MR Imaging Study) found that an unsuspicious mpMRI of the prostate gland may obviate the need for biopsy (in up to 27% of patients who would previously have undergone an untargeted TRUS guided prostate biopsy) with its associated morbidity and mortality, or, will enable Trusts to remove such patients from their 31/62 cancer waiting pathways whilst they await biopsy (NICE draft guidance to be published this year). A suspicious mpMRI of the prostate enables the most appropriate biopsy technique to be used (TRUS biopsy, which is a local anaesthetic procedure, or transperineal template biopsy, which is a longer general anaesthetic procedure) and facilitates better targeting of areas of concern at biopsy. Due to the fact that mpMRI is better at detecting significant prostate cancers that require treatment and may not identify non-significant prostate cancers (that might have been identified on random TRUS biopsy), the use of pre-biopsy MRI means that overtreatment of insignificant prostate cancer (with potential complications of impotence and incontinence) may be prevented. Regular mpMRI of the prostate gland also enables active surveillance of biopsy-detected insignificant prostate cancer. This means that potentially harmful treatments can be delayed until a cancer becomes significant with the intention of cure at that time.

There is also the potential to "fuse" the mpMRI dataset with a real-time ultrasound study, enabling an ultrasound biopsy to be guided by MRI images overlaid on the ultrasound images; fusion biopsy has the potential to reduce the demand on pathology imposed by template biopsy.

"Only 51% of men in the UK have access to mpMRI scanning with 13% of UK hospitals offering no access"

PROSTATE CANCER UK

Q How does the UK landscape compare to the rest of Europe?

A mpMRI was developed in Europe but its utilisation is variable and largely dependent on the structure of healthcare services within individual countries. The practice described above is that recommended by the European Society of Uroradiology.

Q What exactly is mpMRI?

A mpMRI, or multiparametric MRI, is the use of multiple imaging parameters – anatomy, diffusion restriction and contrast enhancement - in the acquisition of a study to increase confidence in the likelihood of malignancy within a lesion. This is distinct from dual parametric MRI which uses only two imaging parameters – anatomy and diffusion restriction – and which has been performed more widely in the past. mpMRI is the technique recommended in recent high profile papers that are currently shaping practice.

Q What is the advantage of mpMRI over more conventional reporting?

A The advantage of a well-performed mpMRI of the prostate is that it enables a Radiologist to assign a score from 1 to 5 to any abnormal area within the prostate gland which reflects how likely that abnormality is to reflect a significant cancer, using published guidelines (PI-RADS 2 criteria). A score of 1 suggests that the area is **highly unlikely** to reflect a significant prostate cancer, a score of 2 suggests that the lesion is **unlikely** to reflect a significant prostate cancer, a score of 3 suggests that the lesion is **equivocal**, a score of 4 suggests that a lesion is **likely** to reflect a significant prostate cancer whilst a score of 5 suggests that a lesion is **highly likely** to reflect a significant prostate cancer. Assigning such scores to areas within the prostate gland enables a Urologist to make a decision about whether or not a biopsy of any lesion is necessary. mpMRI is better in patients who have implanted pelvic metalwork such as total hip replacements which degrade the quality of the diffusion weighted images, it is helpful in characterising lesions at the front of the gland in some cases and it is essential in patients undergoing follow-up of treated prostate cancer in whom dual parametric studies are unhelpful.

Q Is there a cost saving for the NHS using this new method?

A Although the use of contrast media in an mpMRI study adds to the cost of that study, by reducing unnecessary prostate biopsies and their associated potential complications and avoiding overtreatment of insignificant prostate cancer, the use of mpMRI of the prostate has the potential to save the NHS money.

Q **PCUK say that only 51% of men in the UK have access to mpMRI scan with 13% of UK hospitals offering no access – why does the service vary so much for men across the UK?**

A Those men unable to access mpMRI at their local hospital are probably undergoing dual parametric MRI of the prostate at those centres instead. All the studies which are being used to direct contemporary practice have used mpMRI imaging rather than dual parametric MRI of the prostate and thus the conclusions made in these studies cannot be directly applied to the results of dual parametric imaging. Some of this lack of access will be due to radiologists lacking experience in reporting mpMRI of the prostate and some will be due to Trusts refusing to fund the contrast-enhanced element of an mpMRI study. I suspect that those hospitals offering no access to prostate MRI at all are small centres with no appropriately trained radiologists and/or no MRI scanner.

Q **What are the barriers for the Trusts using it?**

A In a centre with an MRI scanner capable of acquiring appropriate images, lack of radiologist expertise and the increased cost/scanning time of a mpMRI study compared to a dual parametric study are barriers to those Trusts implementing mpMRI of the prostate.

Q **Tell us about your work at Medica and how you are together trying to bring this service to more men across the UK?**

A I was appointed as the Medica Prostate Imaging Advisor in January 2018 with the aim of developing the mpMRI reporting offering from Medica. So far, I have recruited a panel of radiologists fully trained to deliver high quality PI-RADS 2 reports for mpMRI studies performed in NHS Trusts. This has involved scrutinising the experience and training in mpMRI of the prostate of individual radiologists through the use of a carefully designed questionnaire. For Trusts that perform dual parametric MRI of the prostate, a PI-RADS 2 standard report is delivered, as far as is possible given the limitations of those studies. I also offer advice to existing clients whose images are suboptimal or whose images do not conform to the protocol recommended in the PI-RADS 2 guidelines in how to address those limitations to improve the diagnostic quality of the images. New clients wishing to use our mpMRI reporting service are asked to follow our (PI-RADS 2) image acquisition protocol and this is a relative condition of us accepting them as a client. By providing a quality reporting service for mpMRI of the prostate and by advising on image optimisation, Medica is raising the standard of mpMRI imaging and reporting in centres that have lagged behind implementing such a quality imaging and reporting practice themselves and maintaining that standard in those centres that run a contemporary practice but are overwhelmed by the numbers of scans being requested in response to the publication of PROMIS and recent recommendations for UK practice published in the British Journal of Urology. By advocating the same imaging protocol to all our clients, Medica is trying to standardise imaging practice across multiple centres to an internationally accepted standard.

Q **What challenges are Medica hoping to help the NHS overcome?**

A The Medica prostate imaging service allows NHS Trusts to obtain mpMRI reports written in an internationally understood reporting language (PI-RADS 2) that are of a consistent quality and reported in a timely manner when their volumes of mpMRI prostate imaging exceed local reporting capacity. This prevents breaches in cancer waiting time pathways. It has been proposed that, in the future, Trusts might initiate one-stop prostate cancer clinics where patients will be seen by a urologist, undergo a pre-biopsy MRI and then undergo a prostatic biopsy based on the MRI findings, all during the course of a single clinic. Many Trusts will be unable to report the pre-biopsy mpMRI studies within an appropriate time frame to facilitate this and it may be that this is a service that Medica could offer to NHS Trusts wishing to start up such clinics.

Q **How would a Trust who is not offering this service be able to offer it?**

A A Trust that does not currently offer mpMRI of the prostate could contract Medica to report such studies following some consultation between Medica and a Trust's MR radiographers and applications specialists to optimise mpMRI prostate acquisition protocols.

"Using mpMRI to triage men might allow 27% of patients avoid a primary biopsy and diagnosis of 5% fewer clinically insignificant cancers. If subsequent TRUS-biopsies were directed by mpMRI findings, up to 18% more cases of clinically significant cancer might be detected compared with the standard pathway of TRUS-biopsy for all. mpMRI, used as a triage test before first prostate biopsy, could reduce unnecessary biopsies by a quarter. mpMRI can also reduce over-diagnosis of clinically insignificant prostate cancer and improve detection of clinically significant cancer."

2

GOVERNANCE

GOVERNANCE

BOARD OF DIRECTORS

ROY DAVIS
Independent Chairman

Roy is the Company's Chairman. Roy served as the Chief Executive Officer of Optos plc, a leading 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. During Tony's time at Medica he has played a key role in building the finance function and supporting the company through various successful transactions including the MBO in 2013 and more recently the IPO in March 2017.

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 is a Non-Executive Trustee of the College of Radiographers a position which is non-remunerated which he has held since 2017.

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

STEVE WHITTERN

Senior Independent Non-Executive Director

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

CORPORATE GOVERNANCE REPORT

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 FRC and meets the relevant information provisions of the Disclosure and Transparency rules of the Financial Conduct Authority (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 28 to 29. The Directors' report on pages 46 to 48 also contains information required to be included in the statement of corporate governance.

Statement of compliance

This report details how the Group has applied the principles of the Code. The Group has complied with the principles and provisions of the Code for the year ended 31 December 2018.

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 is 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 IS RESPONSIBLE FOR:

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

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.

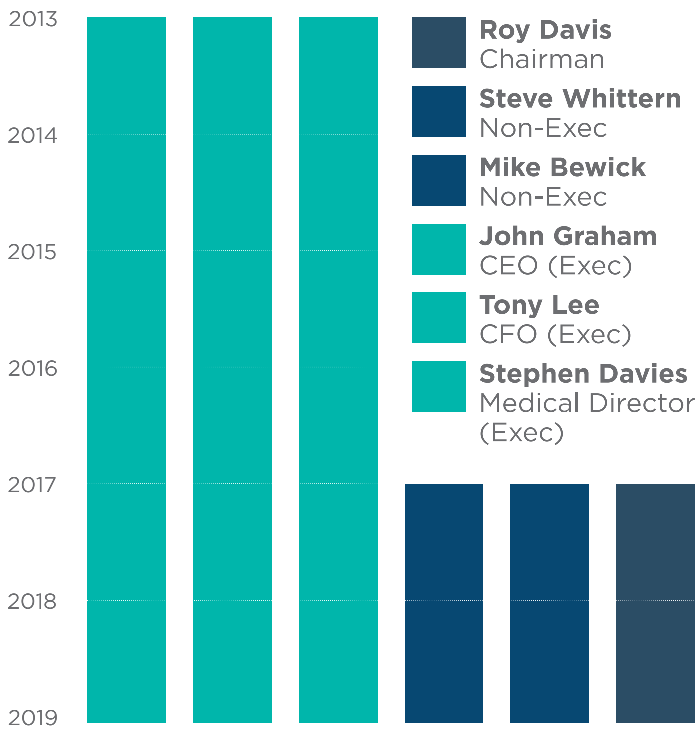
NON-EXECUTIVE DIRECTORS

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 were four Non-Executive Directors during 2018.

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Non-Executive Director provides a sounding board for the Chairman and acts as an intermediary for other Directors if needed.

Board composition and tenure



CORPORATE GOVERNANCE REPORT

Key Board activity during the year

STRATEGY AND DIRECTION

- Continued to implement established strategy of growing the core business
- Held a strategy meeting with senior management
- Reviewed and approved 2019 budget and long-term plan

SHAREHOLDER ENGAGEMENT

- Received investor feedback from the Executive Directors throughout the year, particularly following results announcements and investor roadshows
- Received monthly reports on shareholder composition and analysis of significant changes to the shareholder register
- During the year the Chairman met with a number of the Group's larger shareholders

PERFORMANCE MONITORING

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

GOVERNANCE AND RISK

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

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 50 to 59.

Board key responsibilities

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Board composition and independence

At the date of this report the Board comprises three Executive Directors and four Non-Executive Directors. The profiles of all Directors are detailed on pages 38 to 39 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.

During 2018 Roy Davis was appointed as chairman of Edinburgh Molecular Imaging Limited. There is no conflict between this role and his role with the Group and the role does not detract from his ability to execute his responsibilities as Chairman of the Board.

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

It is the Company's current intention that each of the Directors will stand for re-election each year. All of the Directors retired and were re-elected at the 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 regularly receives updates on clinical and regulatory matters from the Medical Director. The Board complies with its obligations to NHS England as a Designated Body with the Medical Director also the Group's Responsible Officer.

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

CORPORATE GOVERNANCE REPORT

Board operation continued

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

The minutes of Board meetings are taken by the Company Secretary and are approved at the next meeting.

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

Board and Committee attendance

The attendance of Board members at meetings are shown below. The attendance of Executive Directors at Committee meetings was by invitation. The Company Secretary is also Secretary to each of the Committees.

	BOARD	AUDIT	REM	NOM
Total meetings	11	3	3	4
Davis	11	3	3	4
Whittern	10	3	2	4
Bewick	11	3	3	4
Graham	10	2	2	3
Davies	9	n/a	n/a	n/a
Lee	11	3	3	4
Jain	11	2	3	4

Activities of the Board

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

STRATEGY AND DIRECTION

The Group's core strategy and direction was set out in detail in the Group's prospectus prior to admission and subsequent Annual Reports 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 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 2019 and the longer term business plan.

PERFORMANCE MONITORING

The Board reviewed monthly updates on the business performance in relation to analyst forecasts and the 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. During the year the Chairman met with a number of the Group's larger shareholders.

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 28 to 29.

Board evaluation

During the year 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 is responsible for the identification and evaluation of significant risks applicable to its areas of business together with the design and operation of suitable internal controls.

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

The principal risks and uncertainties are included in the Financial Review on pages 28 to 29.

Relationship with shareholders

The Group recognises the importance of clear communication with shareholders. Regular contact with institutional investors, fund managers and analysts is maintained by the Chief Executive and the Chief Financial Officer to discuss information made public by the Group. The Board receives reports of these meetings and any significant issues raised are discussed by the Board. Where appropriate or if requested such meetings could include either or both of the Chairman or Senior Independent Director.

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

The AGM provides an opportunity to 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 22 May 2019. 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 2018 AGM held on 23 May 2018, 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 2018 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 2019 AGM.

Substantial shareholdings of 3% or more that have been notified to the Group are disclosed in the Director's report on pages 46 to 48.

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 the Committee 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

A L LEE
COMPANY SECRETARY

22 March 2019

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 2018. 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 8 to 9.

Directors' responsibilities statement

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

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

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

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

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

The Directors confirm that:

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

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

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

To the best of our knowledge:

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

Principal risks and uncertainties

The principal risks and uncertainties are set out on pages 28 to 29.

Results and dividends

The results for 2018 are set out in the financial statements on pages 70 to 99.

An interim dividend of 0.75 pence (2017; 0.55 pence) per Ordinary Share was paid to shareholders on 26 October 2018. The Board has proposed a final dividend of 1.50 pence (2017: 1.10 pence) per share, which, subject to approval at the AGM, will be paid on 28 June 2019 to shareholders on the register at close of business on 31 May 2019.

Review of the period

A comprehensive analysis of the Group's progress and development is set out in the Strategic report on pages 1 to 35 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.

Significant shareholdings

As at 31 December 2018 and 14 March 2019, 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 2018		As at 14 March 2019	
Director	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
Prudential PLC	12,450,249	11.20%	14,451,344	13.00%
Liontrust Investment Partners LLP	12,960,650	11.67%	12,960,650	11.67%
CBPE Nominees Limited	8,220,551	7.40%	8,220,551	7.40%
Strategic Equity Capital Plc	6,728,538	6.05%	6,728,538	6.05%
GVQ Investment Management Limited	6,255,038	5.63%	6,255,038	5.63%
Standard Life Aberdeen plc	6,956,932	6.26%	5,029,392	4.53%
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 27 to the Financial Statements.

CO_2 Emissions

The Group's CO_2 emissions are disclosed on page 31 of the Corporate Social Responsibility report within the Strategic Report.

Directors' insurance

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

Corporate governance

The Directors' statement on Corporate Governance is set out on pages 40 to 45 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 2021. 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 2018, 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 2021.

DIRECTORS' REPORT

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 23 to 25.

Annual General Meeting

Medica's Annual General Meeting is scheduled to take place on 22 May 2019.

Directors

The Directors who served during the year were as follows:

Roy Davis

Professor Michael Bewick

John Graham

Anand Jain (Resigned 31 December 2018)

Steve Whittern

Dr Stephen Davies

Anthony Lee

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 22 March 2019 and signed on its behalf.

ANTHONY LEE
CHIEF FINANCIAL OFFICER

REPORT OF THE AUDIT COMMITTEE

STEVE WHITTERN

CHAIRMAN OF THE AUDIT COMMITTEE

2018 KEY ACHIEVEMENTS:

- Approval of financial statements in 2017 and 2018 Annual reports
- Review of 2018 audit plan
- Approval of 2018 interims
- Review of forecasts and going concern
- Review of independence and effectiveness of auditors

AREAS OF FOCUS IN 2019:

- Review of 2018 financial statements and 2019 interims
- Review of 2019 audit plan
- Review of company forecasts and going concern
- Review of independence and effectiveness of auditors
- Review of risk management structure and processes

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

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

- Monitor the integrity of the financial statements and other information provided to shareholders to ensure they represent a clear and accurate assessment of the Group's position, performance, strategy and prospects
- Consider the financial statements and recommend to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced, understandable and provides information necessary for shareholders to assess the performance, business model and strategy of the Group
- Review significant financial reporting issues and judgements contained in the financial statements
- Review the systems of accounting, internal control and risk management
- Monitor and review the significant risks identified by the Group as well as the management and mitigation of those risks
- Makes 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 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 2018 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 2018 the primary activities of the committee were in relation to the Group's reporting cycle.

- It reviewed the financial statements in the 2017 and 2018 Annual Report and Accounts and the 2018 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 2017 and 2018

financial statements

- The Committee discussed the annual external audit plan in advance of the year end with the external auditors, which addressed the planned audit approach to key accounting areas
- The Committee discussed the auditor's views on key judgement areas and audit findings relating to key accounting matters at the conclusion of the audit.

The committee considered the main audit risk raised by Grant Thornton in audit of the 2018 financial statements as revenue recognition and discussed with them how this was to be addressed. The committee noted the transactional nature of the business. They also noted that revenue recognition was not an area that relied on significant judgement 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 and there were no activities in 2018. The Committee ensures that the auditor's objectivity and independence are safeguarded by means of the use of separate teams of staff and by ensuring that the level of fees is not material to either the Company or the auditors.

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

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

Effectiveness and independence of external auditor

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

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

Consistent with the requirements of the Financial reporting Council's ethical Standard, Grant Thornton audit partners serve for a maximum of five years on listed clients. This is therefore the first year that Chris Smith will act as Medica's audit partner. The committee extends its thanks to Mr Maile for the support and challenge he has provided during his tenure.

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

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

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

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

Internal audit function

The committee concluded in 2018 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

22 March 2019

REPORT OF THE NOMINATIONS COMMITTEE

ROY DAVIS

CHAIRMAN OF THE NOMINATIONS COMMITTEE

2018 KEY ACHIEVEMENTS:

- Recruitment process for Chief Executive Officer
- Recruitment process for a Non-Executive Director

AREAS OF FOCUS IN 2019:

- Further review of succession planning

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

The primary functions of the Committee are:

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

Membership and meetings

Roy Davis is the chair of the committee and the other members are Steve Whittern and Mike Bewick. The Nomination Committee meets once a year in the ordinary course and more frequently as circumstances require. During 2018 the committee met four times and all members attended.

Board induction

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

Activities in 2018

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

The Committee's main task is to recruit a successor for John Graham who has advised the Board that he intends to step down as the Group's Chief Executive Officer.

The Committee has arranged for a detailed job specification to be compiled and for an external Executive recruitment company to assist with conducting a search for suitable candidates. Directors have met a number of suitable candidates and the recruitment process is at an advanced stage. An appointment is expected to be announced in the coming months.

The Board has also started the recruitment process for a new Non-executive Director to replace Anand Jain who stepped down at the end of 2018. This process involves a search using specialist advisors and is also at an advanced stage.

ROY DAVIS
CHAIRMAN OF NOMINATIONS COMMITTEE

22 March 2019

REPORT OF THE REMUNERATION COMMITTEE

MIKE BEWICK

CHAIRMAN OF THE REMUNERATION COMMITTEE

2018 KEY ACHIEVEMENTS:

- Adoption of the Group's Remuneration Policy at 2018 Annual General Meeting
- Engagement with key shareholder to discuss the 2017 Remuneration report following the 2018 Annual General Meeting

Annual Report on Remuneration

The Remuneration Report provides details of how our Policy was implemented during the financial year ended 31 December 2018 and how it will be implemented during the year ending 31 December 2019.

Committee membership in 2018

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 three times during the year to 31 December 2018. All of the Committee members attended the meetings.

The Committee is responsible for assisting the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on Medica's policy on executive remuneration (including setting the over-arching principles, parameters and governance framework of Medica's remuneration policy) and determining the individual remuneration and benefits packages of each of the Executive Directors and the Company Secretary. The Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration wherever possible and is considering the impact of the changes in 2018 to the Code with a view to making appropriate changes at the next Remuneration Policy review which will be subject to shareholder approval.

Advisers

Mercer Limited supported Medica on remuneration-related matters in the build up to the Listing. The Committee formally appointed Mercer Limited as its independent adviser. Mercer Limited reports to the Committee Chairman. Mercer Limited is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK (www.remunerationconsultantsgroup.com). Mercer Limited does not have any other connection with Medica and is considered to be independent by the Committee. Fees paid to Mercer Limited are determined on a time and materials basis, and totalled £6,000 (excluding expenses and VAT) for the year to 31 December 2018 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 Annual Report on Remuneration at the Annual General Meeting to be held on 22 May 2019. The percentage of votes cast for and against and the number of votes withheld will be reported in the next Remuneration Report.

The votes of the Annual General Meeting of 23 May 2018 were as follows:

	votes FOR	votes AGAINST
Approval of Directors' Remuneration Report	48,860,702 (54.07%)	41,498,640 (45.93%)
Approval of Directors' Remuneration Policy	89,681,853 (99.25%)	677,489 (0.75%)

The Remuneration Committee understands that the votes against are attributable, in large part, to concerns regarding the level of disclosure in relation to the long-term incentive plan targets and is committed to providing a level of disclosure that is acceptable to shareholders. The Remuneration Committee has responded by publishing the targets for the previous year's award and the performance criteria for the 2017 and 2018 awards are set out overleaf.

REPORT OF THE REMUNERATION COMMITTEE

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 2017 and 2018. As Medica listed in March 2017, part of the 2017 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.

2018 Director's remuneration

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

2017 Director's remuneration

Director	Base salary[1]	Taxable Benefits[2]	Annual bonus	PSP[3]	Pension benefit	Other	Total
John Graham	£191,250	£nil	£nil	£nil	£13,387	£nil	£204,637
Anthony Lee	£123,750	£nil	£nil	£nil	£7,425	£nil	£131,175
Stephen Davies	£193,333	£nil	£nil	£nil	£9,000	£nil	£202,333
Kevin Terrins[4]	£16,667	£nil	£nil	£nil	£1,000	£nil	£17,667
Martin Wells[4]	£16,667	£nil	£nil	£nil	£1,000	£nil	£17,667

1. Salaries for 2017 reflect the adjustments made effective on Listing in 2017. There has been no increase in salaries since Listing.
2. Medica provides death in service benefits to its executive directors.
3. PSP Awards granted in 2017 and 2018 will be shown in the Single total figure of remuneration table for the 2020 and 2021 financial year (to the extent vested)
4. Figures for Kevin Terrins and Martin Wells are to 28th February 2017 as they both resigned as Directors on 1st March 2017
5. Stephen Davies elects to receive increased salary in lieu of pension contributions.

Incentive outcomes for the year ended 31 December 2018 (audited)

Annual bonus in respect of performance in the 2018 financial year

Director	Maximum opportunity	Bonus outcome (% of max)	**Salary earned for the financial year to 31 December 2018**	**Bonus for the financial year to 31 December 2018**
John Graham	100% of salary	5%	**£200,000**	**£10,000**
Anthony Lee	100% of salary	5%	**£140,000**	**£7,000**
Stephen Davies	100% of salary	5%	**£200,000**	**£10,000**

Details of disclosure of targets

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

The Executive Directors' bonuses for the year ended 31 December 2018 provided for a payment of up to 100% of salary with a 0% pay out at threshold, 30% at target and 100% at stretch performance with a straight line between each of these points:

Financial measure	Threshold - 0%	Target – 30%	Stretch 100%	Actual performance	Bonus received
Pre-bonus EBITDA	£11.8m	£12.8m	£14.9m	£12.0m	5%

Share incentive awards awarded in 2018 (audited)

Performance Share Plan (PSP)

On 26th March 2018, 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 were granted in respect of shares with a market value equal to 150% of base salary, determined using the average closing price of Medica's shares for the three dealing days immediately preceding 26 March 2018 (141.6p). 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 3 year period, broadly subject to continued employment and the achievement of performance measures, and will also be subject to a further 2 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 2018.

Director	Date of grant	Vehicle	Number awarded	Exercise price	Face value	Vesting date	Expiry date
John Graham	26 March 2018	PSP – nil cost share options	211,864	Nil	£300,000	26 March 2021	26 March 2028
Anthony Lee	26 March 2018	PSP – nil cost share options	148,305	Nil	£210,000	26 March 2021	26 March 2028
Dr Stephen Davies	26 March 2018	PSP – nil cost share options	211,864	Nil	£300,000	26 March 2021	26 March 2028

1. The awards are performance share awards, for which no exercise price is payable.
2. The face value of the awards has been calculating using the share price at the date of grant, being the average closing share price for a Share as derived from the Official List for the three consecutive Dealing Days immediately preceding 26 March (141.6p). 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 2018

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

Measure	Weighting	Targets	Performance measurement period
Absolute TSR (share price plus rolled up dividends)	50%	0% vesting below 8% growth per annum 12.5% vesting for 8% growth per annum 50% vesting for 16% growth per annum Straight-line vesting between these points	Three-month average at the end of the three year performance period
Growth in Adjusted Earnings per Share	50%	0% vesting below 10% growth per annum 12.5% vesting for 10% growth per annum 35% vesting for 20% growth per annum 50% vesting for 30% growth per annum or greater Straight-line vesting between these points	Cumulative 3 three years
		Vesting of awards is subject to overall Committee discretion to reduce or eliminate the awards if deemed necessary	

REPORT OF THE REMUNERATION COMMITTEE

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 2017 and 31 December 2018. Each of Gordon Roy Davis, Stephen Lee Whittern and Dr 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 fee relates to the period when Medica was privately owned.

2018 Non-Executive directors' Remuneration

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

2017 Non-Executive directors' Remuneration

Director	Fees[1]	Total
Gordon Roy Davis	£75,000	£75,000
Stephen Lee Whittern	£45,000	£45,000
Dr Mike Bewick	£37,500	£37,500
Anand Jain[1]	£42,000	£42,000

1. The fees of Anand Jain together with expenses are paid to CBPE in respect of Mr Jain's services. Fees for 2017 reflect the adjustments effective on Listing and in respect of directors other than Anand Jain only reflect a partial year. There has been no increase in fees since Listing.

Percentage change in CEO remuneration

The CEO's total remuneration increased by 9% from 2017 to 2018.This is due to the increase in salary effective on Listing. There has been no increase in salaries since Listing.

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 2018 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 £4,245,000 for the same period.

	Distributions to shareholders (£000)	Total employee pay (£000)
FY18	2,056	4,245
FY17	611	3,574
% change	236%	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

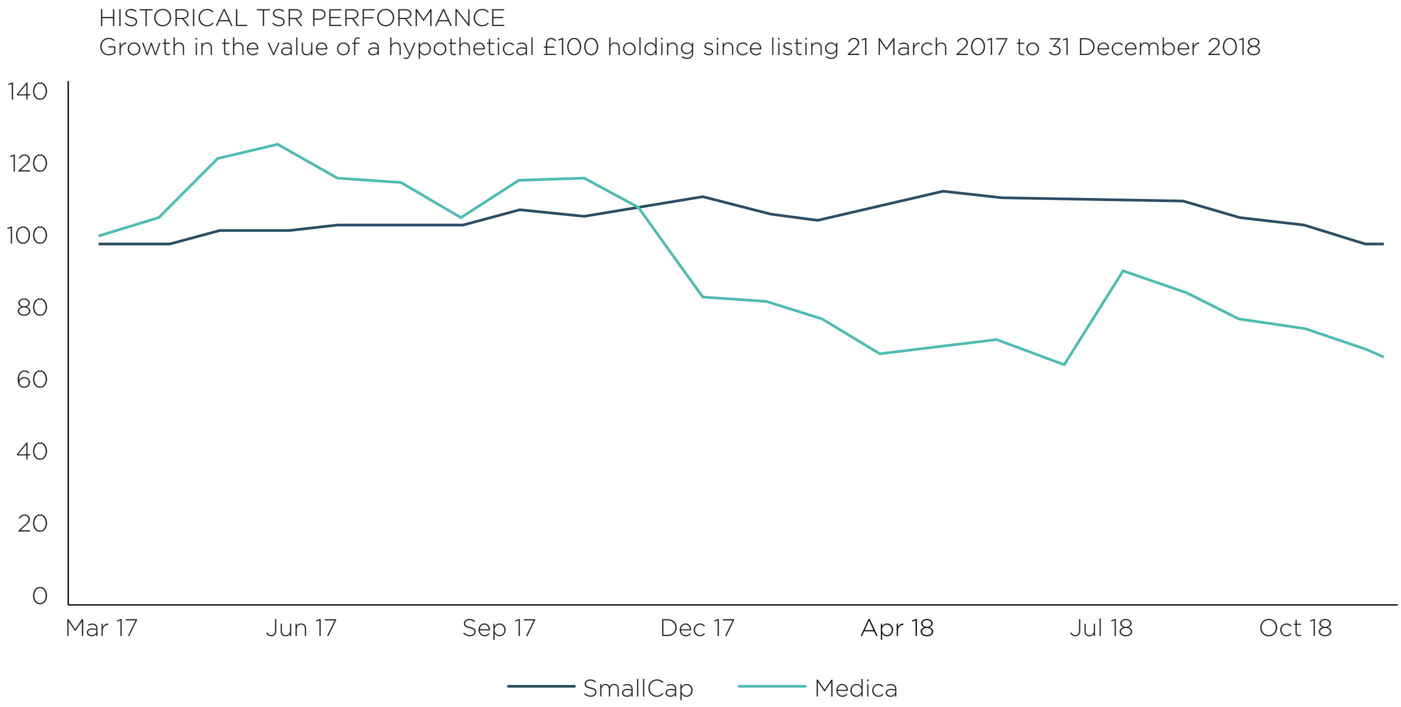
No Executive Director currently holds any external appointments.

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 2018 The FTSE Small Cap index was chosen as the comparator because Medica is part of this group and is the most comparable group of peer companies'.

TSR chart for 2018 DRR

TSR chart for Medica Group and FTSE small cap to December 2018



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

	2018
CEO	**John Graham**
CEO single figure ('000)	**£224,000**
Annual bonus (% max)	**5%**
PSP vesting (% max)	**n/a**

Implementation of Executive Director Remuneration Policy for 2019

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
Stephen Davies	£200,000

Executive Director salary levels will remain at these levels for 2019 but may be increased in future years.

REPORT OF THE REMUNERATION COMMITTEE

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 2019, the Executive Directors will have a maximum bonus opportunity of 100% of salary. No more than 75% of any annual bonus will be payable in cash and the balance will be made in the form of a Deferred Bonus Plan ('DBP') award over Shares, which will then vest after a period of not less than two years, broadly subject to continued employment. Cash bonuses will be subject to clawback provisions as will DBP awards, as set out in the rules of the annual bonus plan and DBP. The level of deferral and period for deferral may change in relation to future financial years.

The annual bonus for 2019 will be based 100% on achievement of company financial targets relating to profits. The bonus will continue to be based on EBITDA targets. 0 per cent of the maximum will become payable for achieving a threshold level of performance, rising incrementally so that 30 per cent of the maximum will be payable for achieving a target level of performance, with full pay out for significant over-achievement of target.

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

The Committee will 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. Targets have been disclosed for the 2018 award.

Performance Share Plan ("PSP")

In 2019, the Executive Directors will receive nil cost options under the Medica Group PSP, with face values of 150% of salary. The Remuneration Committee considers that the circumstances are exceptional given the lack of increase in salary for 2019 in relation to salary figures that were considered to be below market when set the previous year.

The 2019 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 on the date of award.

EPS growth has been selected by the Committee because it closely aligns with, and incentivises delivery of, Medica's strategy. The EPS growth will be measured over the three-year period commencing 1 January 2019.

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 2019

Non-Executive Director fees were set on Listing taking into account competitive practice for similar roles. The current fees payable to the Non-Executive Directors are set out below:

Role	Fee
Chairman	£100,000
Senior Independent Non-Executive Director	£60,000
Independent Non-Executive Director	£50,000

Non-Executive Director fees will remain at these levels for 2019.

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 2018 and, for Executive Directors, compares this to their shareholding guideline as set out below. The executive directors are subject to shareholding guidelines of 100% of salary, which they have met.

	Shares				Options			
Director	Beneficial ownership 2018 -Owned outright or vested	Beneficial ownership 2017 -Owned outright or vested	Unvested deferred bonus awards not subject to performance	Unvested PSP awards subject to performance	Vested PSP awards but not exercised	Unvested PSP awards subject to performance	Current shareholding (% salary)	Shareholding guideline (% salary)
John Graham	2,258,248	3,608,248	nil	nil	nil	434,086	1,358%	100%
Anthony Lee	515,464	515,464	nil	nil	nil	303,860	443%	100%
Stephen Davies	1,546,392	1,546,392	nil	nil	nil	434,086	930%	100%
Gordon Roy Davis	37,037	37,037	–	–	–	–	–	–
Stephen Lee Whittern	37,037	37,037	–	–	–	–	–	–
Dr Michael Bewick	11,111	11,111	–	–	–	–	–	–
Anand Jagdish Jain	–	–	–	–	–	–	–	–

1. Current holding measured by reference to the middle market quotation of Medica's share price on 31 December 2018 (120.25p) and as a percentage of base salary at 31 December 2018.
2. No further shares were acquired by the Directors between 31 December 2018 and 9 March 2019, 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.

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

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

MIKE BEWICK
CHAIRMAN OF THE REMUNERATION COMMITTEE

22 March 2019

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 2018 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, Company Statement of Financial Position, 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 2018 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.

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 page 28 to 29 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 47 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 47 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 twelve 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 46 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

- Overall Group materiality: £527,000 which represents 4.5% of the Group's Adjusted EBITDA as determined at the planning stage of our audit;
- The key audit matter was identified as revenue recognition, particularly the risk around the occurrence of revenue; and
- We performed full scope audit procedures over all Group entities at the sole operating location in the United Kingdom.

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

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 all performance obligations being satisfied at the point in time when the report is submitted. Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to fraud. This requires us to evaluate which types of revenue, revenue transactions or assertions give rise to this risk. We therefore identified the occurrence of revenue transactions, specifically those which have not been settled in cash by the reporting date, as a significant risk. This was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • gaining an understanding of the processes and controls implemented by the Group to identify, measure and recognise revenue, and assessing the design effectiveness of those processes and controls, particularly in relation to the accurate extraction of data from the Picture Archiving and Communications System ('PACS'), as relevant to the recognition of revenue; • considering the appropriateness of the Group's revenue recognition policy in accordance with International Financial reporting Standard 15: 'Revenue from Contracts with Customers'; • performing substantive analytical procedures, including regression analysis and trend analysis, by developing a statistical prediction of revenue for the year based on PACS volumes and comparing this prediction against recorded amounts; and • testing a sample of revenue items recognised during the year to determine the occurrence of that revenue by agreeing each item to an underlying customer contract or relationship and to PACS data. 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 3.2 and note 5. The Audit Committee identified revenue recognition as a significant matter in its report on page 51, where the Audit Committee also described the consideration that it has given to address this matter. **KEY OBSERVATIONS** Our testing did not identify any material misstatements in relation to the occurrence of revenue.

No key audit matters were identified in respect of the Parent Company financial statements.

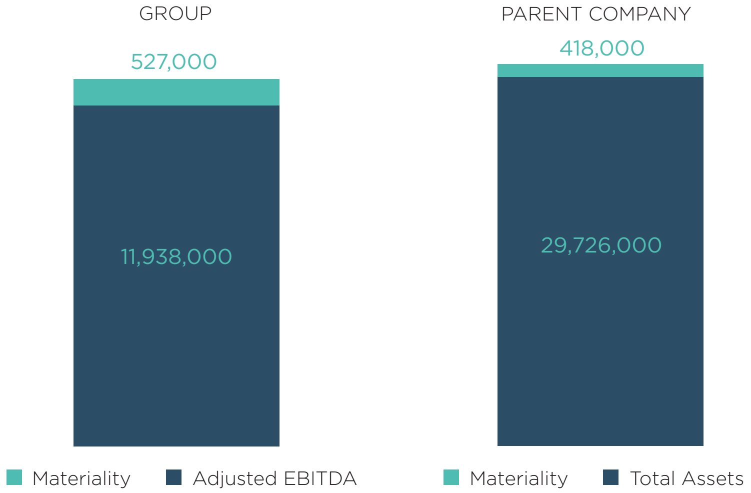
OUR APPLICATION OF MATERIALITY

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	£527,000 which is 4.5% of the Group's Earnings Before Interest, Taxes, Depreciation, and Amortisation excluding Exceptional Items ('Adjusted EBITDA'), as determined at the planning stage of our audit. 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 2017 to reflect the increase in the Group's Adjusted EBITDA in the year ended 31 December 2018.	£418,000 which is 2% of the Parent Company's Total Assets, capped at the level of component materiality which reflects the relative size of the Parent Company in proportion to the Group as a whole. Total Assets is considered the most appropriate benchmark because the Parent Company is primarily an investment holding entity. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 to reflect the reduction in the Company's Total Assets in the year ended 31 December 2018, owing primarily to dividends paid during the year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality 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	£26,000 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

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

All Group operations are based in the UK. The consolidated Group, including the Parent Company and Medica Reporting Limited, the Group's only trading component, were subject to statutory audit under a comprehensive audit approach. The Group's other two components, Medica Reporting Services Limited and Medica Reporting Finance Limited, have taken exemption from statutory audit via parental guarantee. Neither Medica Reporting Services Limited nor Medica Reporting Finance Limited were assessed as being significant to the group as a whole and consequently both were subject to an analytical response. 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;
- undertaking substantive testing on significant classes of transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks; and
- performing analytical reviews over the non-significant components of the Group: Medica Reporting Services Limited and Medica Reporting Finance Limited.

The scope of the current year audit has remained consistent with that of the prior year, with the exception that in the prior year Medica Reporting Services Limited and Medica Reporting Finance Limited did not take exemption from statutory audit and were subject to a comprehensive audit approach.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report 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 Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group 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 Group 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 47 – 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 50 to 51 – 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 40 – 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 46, 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.

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

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 six years, covering the periods ending 31 December 2013 to 31 December 2018.

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

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

USE OF OUR REPORT

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

CHRISTOPHER SMITH BA(HONS) ACA
SENIOR STATUTORY AUDITOR

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

Date: 22 March 2019

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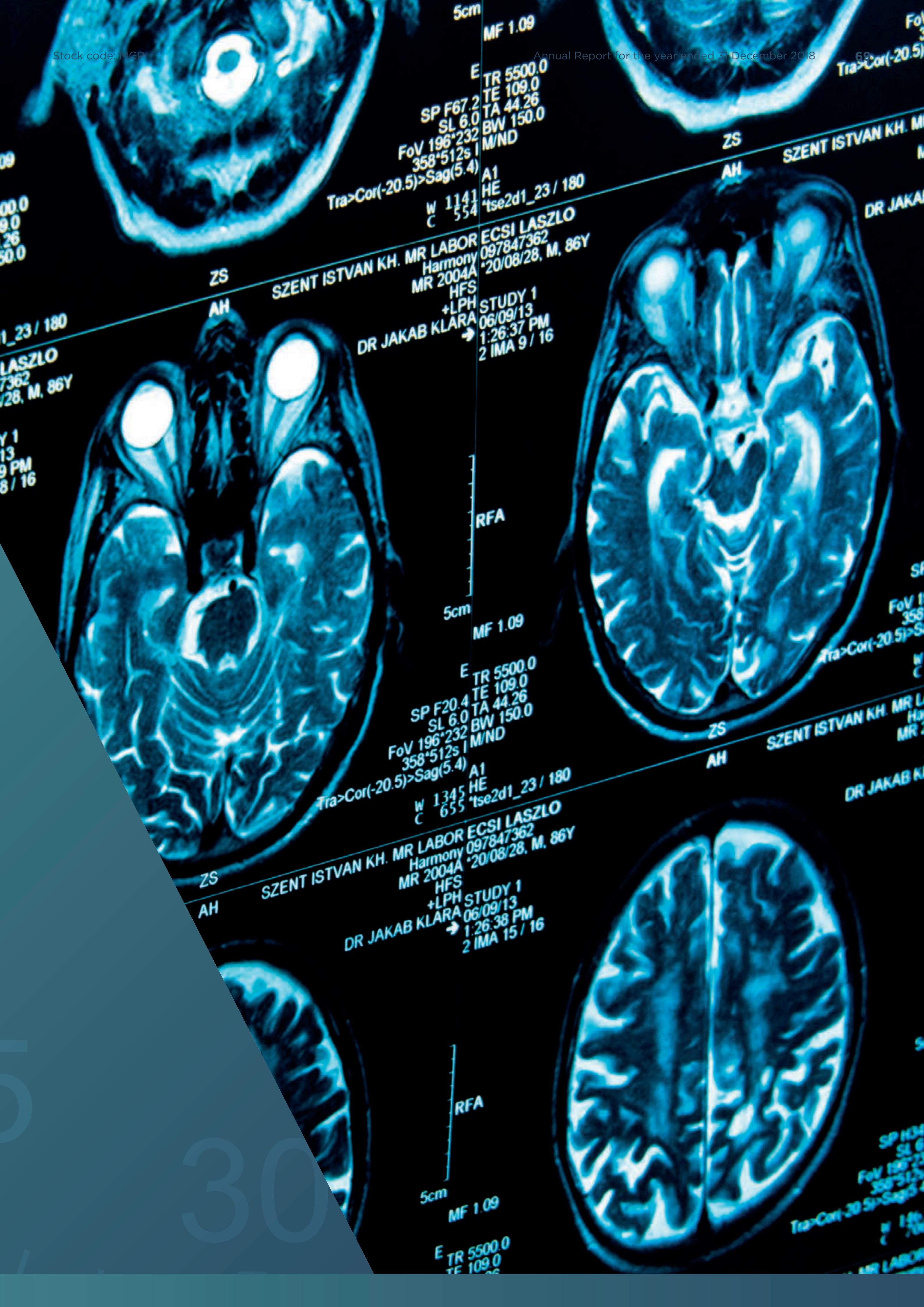
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CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 £000	31 December 2017 £000
Revenue		**38,969**	33,715
Cost of sales		**(19,883)**	(17,282)
Gross profit		**19,086**	16,433
Administration expenses		**(9,424)**	(7,917)
Operating profit	6	**9,662**	8,516
Other expenses – exceptional items	7	**(245)**	(1,661)
Operating profit after exceptional items		**9,417**	6,855
Finance income	8	**68**	50
Finance costs	9	**(329)**	(661)
Exceptional finance costs	9	**–**	(582)
Profit before tax	6	**9,156**	5,662
Analysed as			
Adjusted EBITDA		**11,938**	10,582
Share based payments charge		**(135)**	(74)
Exceptional items	7	**(245)**	(1,661)
Exceptional finance costs	9	**–**	(582)
Finance costs	9	**(329)**	(661)
Finance income	8	**68**	50
Depreciation	15	**(853)**	(775)
Amortisation	14	**(1,288)**	(1,217)
Profit before tax		**9,156**	5,662
Income tax charge	10	**(1,794)**	(1,331)
Profit attributable to equity holders of the parent		**7,362**	4,331
Statement of Comprehensive Income			
Profit for the year		**7,362**	4,331
Other comprehensive income		**–**	–
Total comprehensive profit for the year attributable to owners of the parent		**7,362**	4,331
Profit per share (basic and diluted)			
Basic profit per ordinary share (pence)	11	**6.62p**	3.99p
Diluted profit per ordinary share (pence)	11	**6.58p**	3.96p

The notes and accounting policies on pages 74 to 94 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

COMPANY REGISTRATION 08497963

AS AT 31 DECEMBER 2018

	Note	**At 31 December 2018 £000**	At 31 December 2017 £000
Non-current assets			
Goodwill	13	**15,948**	15,948
Other intangible assets	14	**8,243**	9,218
Property, plant and equipment	15	**1,938**	1,880
		26,129	27,046
Current assets			
Trade and other receivables	17	**8,634**	8,210
Cash and cash equivalents		**12,588**	6,907
		21,222	15,117
Current liabilities			
Trade and other payables	18	**(3,970)**	(3,932)
Derivative financial instruments	23	**–**	(14)
		(3,970)	(3,946)
Non-current liabilities			
Borrowings and other financial liabilities	19	**(11,912)**	(11,888)
Deferred tax	16	**(1,128)**	(1,429)
		(13,040)	(13,317)
Net assets		**30,341**	24,900
Equity			
Share capital	21	**222**	222
Share premium	21	**14,721**	14,721
Retained profit	21	**15,398**	9,957
Total equity		**30,341**	24,900

The notes and accounting policies on pages 74 to 94 form an integral part of these financial statements.

The financial statements on pages 70 to 94 were authorised for issue by the Board of Directors on 22 March 2019 and were signed on its behalf by:

JOHN GRAHAM
DIRECTOR

ANTHONY LEE
DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	12 months ended 31 December 2018 £000	12 months ended 31 December 2017 £000
Operating activities		
Profit for the year	**7,362**	4,331
Add taxation	**1,794**	1,331
Profit before tax	**9,156**	5,662
Adjustments for:		
Depreciation	**853**	775
Amortisation	**1,288**	1,217
Shared based payments	**135**	74
Finance income	**(54)**	(12)
Finance costs	**329**	661
Exceptional finance costs	**–**	582
Changes in:		
(Increase) in trade and other receivables	**(424)**	(2,138)
Increase/(Decrease) in trade and other payables	**536**	(365)
Movement of derivative financial instruments	**(14)**	(38)
Tax paid	**(2,172)**	(904)
Cash inflow from operating activities	**9,633**	5,514
Investing activities		
Purchase of property, plant and equipment	**(920)**	(820)
Purchase of software intangibles	**(725)**	(612)
Interest received	**54**	12
Cash outflow from investing activities	**(1,591)**	(1,420)
Cash flows from financing activities		
Equity funds raised	**–**	15,000
Costs of equity funds raised	**–**	(203)
Repayment of borrowings	**–**	(15,270)
Loan fees paid for refinancing	**–**	(130)
Dividends paid to ordinary shareholders	**(2,056)**	(611)
Interest paid	**(305)**	(686)
Net cash outflow from financing	**(2,361)**	(1,900)
Net change in cash and cash equivalents	**5,681**	2,194
Movement in net cash		
Cash and cash equivalents, beginning of period	**6,907**	4,713
Increase in cash and cash equivalents	**5,681**	2,194
Cash and cash equivalents, end of period	**12,588**	6,907

The notes and accounting policies on pages 74 to 94 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2017	146	1,309	4,854	6,309
Cancellation of share premium	–	(1,309)	1,309	–
Shares issued in 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 1 January 2018	**222**	**14,721**	**9,957**	**24,900**
Dividends paid to ordinary shareholders	–	–	(2,056)	(2,056)
Equity settled share based payments	–	–	135	135
Transactions with owner	–	–	(1,921)	(1,921)
Profit and total comprehensive income for the period	–	–	7,362	7,362
At 31 December 2017	222	14,721	15,398	30,341

The notes and accounting policies on pages 74 to 94 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 (including comparatives) comprise the Company and its subsidiaries (together referred to as "the Group"). The Group's principal activity is the provision of Teleradiology reporting and is the leading independent provider in the UK. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's and Chief Executive's Reports on pages 2 to 3 and 23 to 25. In addition, Note 24 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 2018 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

With effect from 1 January 2018, IFRS 15 "Revenue from contracts with customers" has been adopted as explained in the Annual Report for the year ended 31st December 2017. The new standard has not had a material impact on group revenue or earnings as previously stated. See note 3.2 for further detail.

With effect from 1 January 2018, IFRS 9 "Financial instruments" has been adopted as explained in the Annual Report for the year ended 31 December 2017. The new standard has not had a material impact on the group's measurement of financial instruments.

At the date of authorisation of these interim financial statements, IFRS 16 'Leases'.has been published by the IASB and adopted by the EU but is not yet effective, and has not been adopted early by the Group. Management anticipates that IFRS 16 will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 16 will impact the measurement and disclosure of lease liabilities, and the liabilities shown on the Group's balance sheet. Management have assessed the anticipated impact of adopting IFRS 16 and have concluded that the adoption of the standard will not impact on the Group's previously reported results significant. The Group will apply the modified retrospective approach in transitioning to IFRS 16, recognizing the cumulative effect of transition as at 1 January 2019 and taking full advantage of the practical expedients and transitional reliefs available. The Group does not have any lease agreements in which it is a lessor and the only substantial lease agreement in which the Group is a lessee is the lease of property for the Group's offices in Hastings. As at 31 December 2018, this lease was subject to a break clause within 12 months, and subsequent to the balance sheet date, the Group served notice to the lessor that the lease will not be extended past the next option to break the lease. Consequently, on adopting IFRS 16 as at 1 January 2018, the Group will recognise a right of use asset and a corresponding lease liability on the statement of financial position. The carrying value of the right of use asset and the lease liability, will equate to the present value of the remaining lease payments through to the date of the termination of the agreement. This is expected to amount approximately £60,000. It is anticipated that a new lease agreement will be entered into at a new property immediately following the vacation of the current office building and accordingly, as from the inception of the new lease, management will apply IFRS 16 accounting to that lease agreement.

Management will continue to assess the impact of IFRS 16 throughout the course of 2019.

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 2018. 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

IFRS 15 - ACCOUNTING POLICY:

The Group has adopted IFRS 15 'Revenue from Contracts With Customers', which came into effect on 1 January 2018 and replaced IAS 18 'Revenue'.

The Group's previously stated revenue recognition policy, which outlined the Group's compliance with IAS 18, and was applied during the year ended 31 December 2017, was as follows:

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.

The Group's revised revenue recognition policy, effective for the year ended 31 December 2018 is as follows:

The group recognises revenue in accordance with the requirements of IFRS 15 and in the five step model set out within the standard.

STEP 1 IDENTIFYING THE CONTRACT WITH THE CUSTOMER

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

STEP 2 IDENTIFYING THE PERFORMANCE OBLIGATIONS
At contract inception, the Group assesses the services promised within the contract and shall identifies as a performance obligation each promise to transfer to the customer either:

a. A good service (or a bundle of services) that is distinct; or

b. A series of distinct services that are substantially the same and that have the same pattern of transfer to the customer

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

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

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

STEP 3 DETERMINING THE TRANSACTION PRICE
Each contract has a detailed schedule of prices for each different type of radiology report. The pricing is based on the type of images diagnosed, the complexity of the report and the nature of the report (for example whether it is emergency or routine).

STEP 4 ALLOCATING THE TRANSACTION PRICE TO THE SEPARATE PERFORMANCE OBLIGATIONS
There is only one performance obligation and accordingly the transaction price is allocated to the delivery of the individual report.

STEP 5 RECOGNISING REVENUE WHEN PERFORMANCE OBLIGATIONS ARE SATISFIED
The performance obligation is satisfied at the point in time when the report is delivered to the client's Radiology Information System (RIS). Each transaction is recognised as a separate chargeable event.

IFRS 15 – DISCLOSURES RELEVANT TO CURRENT YEAR
All revenue recognised in the income statement is from contracts with customers and no other revenue has been recognised. No impaired losses have been recognised on any receivables or contract assets arising from a contract with a customer.

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

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

Revenue for each report is recognised when the report is provided to the client and the obligation to pay the reporter arises at the same time. Control passes to the customer once the report is submitted, at which point Group becomes entitled to consideration for the services provided. The client is charged for services provided at the end of the month and typically debtors are recovered 40 days later.

As at 31st December 2018 there were no remaining performance obligations for revenue recognised in the year. All obligations pertaining to revenue recognised has been met. No revenue was recognised relating to obligations not yet performed. No revenue has been recognised in the period relating to obligations met in the preceding period.

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

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

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

3.3. INTEREST INCOME/INTEREST EXPENSE

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

3.4. SEGMENT REPORTING

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

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

3.5. LEASING

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.

3.6. 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.

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3.8. GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

INTERNAL DEVELOPMENT COSTS

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

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

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

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

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

3.9. IMPAIRMENT OF INTANGIBLE ASSETS

GOODWILL

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

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

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

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

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

OTHER INTANGIBLE ASSETS

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

3.10. TAXATION

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

CURRENT TAX

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

DEFERRED TAX

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group 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.

3.11. 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.

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FINANCIAL ASSETS AT AMORTISED COST

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. The expected loss rates are based on the payment profile of sales over 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses expected in this period. The Group also considers future expected credit losses due to circumstances in addition to historical loss rates.

On that basis no loss allowance was identified as at 31 December 2018 or 1 January 2018.

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 23 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 Binomial model has been used to value both the non-market based conditions part of the Performance Share Plan (PSP) and 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.

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

Intangible asset	Directors' estimate of useful economic life (years)	Carrying amount as at 31 December 2018 £000	Amortisation charge for the year ended 31 December 2018 £000
Customer relationships	15	4,018	430
Software and technology*	10	1,403	324
Brand	20	1,661	116
		7,082	870

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

	Directors' estimate of useful economic life (years)	-50% change in estimate (years)	Decrease in reported profit for the year ended 31 December 2018 £000	+50% change in estimate (years)	Increase in reported profit for the year ended 31 December 2018 £000
Customer relationships	15	7.5	(430)	22.5	144
Software and technology*	10	5	(324)	15	108
Brand	20	10	(116)	30	39
			(870)		290

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

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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 Independent and specialist. The analysis of revenue by each stream is detailed below.

	2018 £000	2017 £000
NightHawk	**19,312**	16,798
Routine Cross-Sectional	**14,963**	12,542
Routine Plain Film	**3,927**	3,665
Independent and specialist	**767**	710
	38,969	33,715

6 OPERATING PROFIT AND PROFIT BEFORE TAXATION
The operating profit and the profit before taxation are stated after:

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**48**	46
The audit of the Company's subsidiaries pursuant to legislation	**3**	3
Total audit fees	**51**	49
Audit related services:		
Interim review	**13**	12
Total audit related services	**13**	12
Taxation compliance services	**-**	–
Other assurance services:		
Covenant compliance services	**3**	3
Reporting Accountants services in connection with the 2017 IPO	**-**	112
Total non-audit fees	**16**	127
Total fees paid to Company's auditor	**67**	176
Operating lease rentals – land and buildings	**78**	52
Depreciation: property, plant and equipment	**853**	775
Amortisation of intangible fixed assets on acquisition	**870**	870
Amortisation of intangible fixed assets on other assets	**418**	347

7 EXCEPTIONAL ITEMS

	2018 £000	2017 £000
Costs incurred in respect of Initial Public Offering	**-**	1,661
Costs incurred in respect of Board succession	**245**	-

The costs for 2018 are in relation to the international search and selection process for both the Chief Executive Officer and the Non-Executive Director. These are considered to be one off costs.

The costs in 2017 were incurred in respect of the Company's refinancing and listing on the Stock Exchange in March 2017. Although some of the costs were allowable for corporation tax purposes, a large proportion of the costs were deemed capital in nature and therefore not allowable for tax purposes; the tax effect was 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 was recognised in equity in 2017.

Exceptional finance costs incurred in 2017 are detailed in Note 9.

8 FINANCE INCOME

	2018 £000	2017 £000
Interest on cash and cash equivalents	**54**	12
Fair value movement on derivative financial instruments	**14**	38
	68	50

9 FINANCE COSTS

	2018 £000	2017 £000
Bank interest	**305**	414
Amortisation of loan arrangement fees	**24**	68
Exceptional loan arrangement fees expense	**–**	582
Interest on secured loan notes	**–**	179
	329	1,243

In 2017 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:	2018 £000	2017 £000
Current tax:		
UK current tax expense	**1,971**	1,544
Prior year adjustment	**125**	(45)
Total current tax	**2,096**	1,499
Deferred tax:		
Originations and reversal of temporary differences	**(215)**	(168)
Effect of rate change	**(88)**	–
Total deferred tax	**(301)**	(168)
Tax expense on ordinary activities	**1,794**	1,331

RECONCILIATION OF TAX EXPENSE:

UK corporation tax is assessed on the profit on ordinary activities for the year and is the same as (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

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

Reconciliation of effective tax rate:	2018 £000	2017 £000
Profit on ordinary activities before tax	**9,156**	5,662
Income tax using the Company's domestic tax rate 19% (2017: 19.25%)	**1,740**	1,090
Effect of:		
Expenses not deductible for tax purposes	**17**	286
Prior year adjustment – current tax	**125**	(45)
Effect of tax rate change – deferred tax	**(88)**	–
Total tax charge for period	**1,794**	1,331

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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.

	2018 £000	2017 £000
Profit for the year attributable to ordinary shareholders	**7,362**	4,331
Exceptional items	**245**	1,661
Exceptional finance costs	**–**	582
Profit for the year before exceptional items attributable to ordinary shareholders	**7,607**	6,574
Share based payments charge	**135**	74
Refinance costs	**–**	–
Amortisation of acquired intangibles	**870**	870
Adjusted profit for the period attributable to ordinary shareholders	**8,612**	7,518
Weighted average number of ordinary shares	**111,111,114**	108,675,802
Dilutive effect of share options	**681,954**	746,264
Weighted average number of ordinary shares	**111,749,191**	109,422,066
Basic profit per ordinary share (pence)	**6.62p**	3.99p
Diluted profit per ordinary share (pence)	**6.58p**	3.96p
Adjusted basic profit per ordinary share (pence)	**7.75p**	6.92p
Adjusted diluted profit per ordinary share (pence)	**7.70p**	6.87p

As at 31 December 2018 the Directors assessed the potentially dilutive effect of contingently issuable shares, which comprise share options awarded as part of the Performance Share Plan. As at the end of the year there were 1,646,357 options outstanding of which 681,954 were considered dilutive. The calculation of diluted earnings per share above takes into consideration the Group's performance against the targets within the Performance Share Plan to date. There were no further instruments that had a potentially dilutive effect.

12 DIRECTORS AND EMPLOYEES

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

	2018 Number	2017 Number
Clinical Governance	**8**	7
Business development & recruitment	**10**	9
Service delivery & NightHawk	**53**	41
IT, deployment and development	**22**	18
Finance	**7**	5
Executive team	**5**	6
Non-Executive Directors	**3**	3
	108	89

The aggregate cost of these employees was:

	2018 £000	2017 £000
Wages and salaries	**3,503**	3,015
Social security costs	**363**	330
Pension contributions	**244**	155
Share based payments charge	**135**	74
	4,245	3,574

12 DIRECTORS AND EMPLOYEES CONTINUED

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

	2018 £000	2017 £000
Emoluments	**854**	741

The highest paid Director received emoluments totaling £200,000 (2017: £191,250). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £14,000 (2017: £13,387).

During the year retirement benefits accrued to three Directors (2017: five) in respect of defined contribution pension schemes.

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

	2018 £000	2017 £000
Salaries including bonuses	**797**	793
Social security costs	**100**	100
Pensions	**36**	47
Share based payments charge	**135**	74
Key management personnel compensation	**1,068**	1,014

13 GOODWILL

	Goodwill £000	Total £000
Cost		
At 31 December 2016 and December 2017	15,948	15,948
Additions	–	–
At 31 December 2017 and December 2018	**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 £130m, providing substantial headroom over the carrying amount of goodwill and estimated selling costs.

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS

	Customer relationships £000	Software and technology £000	Brand £000	Total £000
Cost				
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
Additions	–	305	–	305
Reclassification from tangibles	–	27	–	27
At 31 December 2018	**6,461**	**5,725**	**2,317**	**14,503**
Amortisation				
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
Charge for the year	431	742	115	1,288
Reclassification from tangibles	–	19	–	19
At 31 December 2018	**2,443**	**3,161**	**656**	**6,260**
Net book value				
At 31 December 2018	**4,018**	**2,564**	**1,661**	**8,243**
At 31 December 2017	4,449	2,993	1,776	9,218
At 31 December 2016	4,880	2,630	1,892	9,402

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 2018 was as follows:

Customer relationships	10 years
Software and technology (acquired in 2013)	5 years
Software and technology (licences since 2013)	Over licence period
Brand	15 years

At the year ended 31 December 2018, £102,000 (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.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £000	Computer equipment £000	Total £000
Cost			
At 31 December 2016	97	4,148	4,245
Additions	–	820	820
Disposals	–	(121)	(121)
At 31 December 2017	97	4,847	4,944
Additions	–	919	919
Disposals	–	(21)	(21)
Reclassification to intangibles	–	(27)	(27)
At 31 December 2018	**97**	**5,718**	**5,815**
Depreciation and impairment			
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
Charge for the year	19	834	853
Disposals	–	(21)	(21)
Reclassification to intangibles	–	(19)	(19)
At 31 December 2018	**91**	**3,786**	**3,877**
Net book value			
At 31 December 2018	**6**	**1,932**	**1,938**
At 31 December 2017	25	1,855	1,880
At 31 December 2016	48	1,787	1,835

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

As referred to in Note 19, 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:

	2018 £000	2017 £000
Deferred tax liabilities		
Accelerated capital allowances	**(53)**	74
Deferred tax on share based payments	**(46)**	(38)
Deferred tax on intangible assets	**1,227**	1,393
	1,128	1,429

RECONCILIATION OF MOVEMENT IN DEFERRED TAX

	Depreciation in excess of Capital Allowances £000	Total £000
As at 1 January 2017	1,597	1,597
Recognised in the income statement	(168)	(168)
As at 31 December 2017	1,429	1,429
Recognised in the income statement	(301)	(301)
As at 31 December 2018	**1,128**	**1,128**

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17 TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Trade receivables	**8,171**	7,840
Prepayments	**463**	370
	8,634	8,210

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

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:

	2018 £000	2017 £000
More than three months but not more than six months	**327**	914
More than six months but not more than one year	**(1)**	8
More than one year	**5**	–
	331	922

18 TRADE AND OTHER PAYABLES

	2018 £000	2017 £000
Trade payables	**2,158**	1,822
Corporation tax	**1,135**	1,212
Other taxation and social security	**115**	103
Accruals	**562**	795
	3,970	3,932

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 37 days (2017: 40 days).

19 BORROWINGS DUE IN MORE THAN ONE YEAR

19.1. BORROWINGS DUE IN MORE THAN ONE YEAR

	2018 £000	2017 £000
Bank loans	**11,912**	11,888
	11,912	11,888

19.2. MATURITY OF THE GROUP'S NON-DERIVATIVE FINANCIAL LIABILITIES (INCLUDING INTEREST PAYMENTS WHERE APPLICABLE)

	Trade payables and accruals £000	Bank Loan £000
Maturity:		
Due within one year	2,719	313
Due between 2-5 years	-	12,703

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 2018.

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

The Group had available to it a revolving credit facility of £1m that as at 31 December 2018 and 31 December 2017 was undrawn.

20 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

21 EQUITY

Ordinary share capital issued and fully paid

	At 31 December 2018 £000	At 31 December 2017 £000
111,111,114 ordinary shares of £0.02	**222**	222
Total ordinary share capital of the Company	**222**	222

RIGHTS ATTRIBUTABLE TO ISSUED SHARES

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

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

VOTING RIGHTS

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

SHARE PREMIUM

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

RETAINED PROFIT

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

22 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

Subsidiary audit exemption under parent guarantee:

For the year ended 31 December 2018, Medica Reporting Finance Limited (Registered number 08497950) and Medica Reporting Services Limited (Registered number 08497952) are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

23 FINANCIAL INSTRUMENTS
Categories of financial instruments

	As at 31 December 2018 £000	As at 31 December 2017 £000
Financial assets at amortised cost		
Trade receivables	**8,171**	7,840
Cash and bank balances	**12,588**	6,907
	20,759	14,747
Financial liabilities at amortised cost		
Trade and other payables (trade payables and accruals)	**(2,719)**	(2,617)
Borrowings	**(11,912)**	(11,888)
	(14,631)	(14,505)
Derivative financial liabilities		
Derivatives held for trading at FVTPL	**–**	(14)

A description of the Group's financial instrument risks, including risk management objectives and policies, is given in Note 24.

As discussed in note 2.3 and note 3.11, the Group adopted IFRS 9 with effect from 1 January 2018. The impact of applying IFRS has not been significant and has not resulted in a change to the Group's previously stated results and the measurement requirements of IFRS 9 has not resulted in a change to the carrying amounts of any financial assets or liabilities as previously stated.

IFRS 9 has introduced new classification requirements in respect of financial instruments, replacing the classification requirements of IAS 39. This change has affected the classification of financial assets in the current year in that Trade receivables balances, previously classified as 'Loans and receivables' in accordance with the requirements of IAS 39, are now classified as 'Financial assets at amortised cost' in accordance with the requirements of IFRS 9.

There has been no change to the classification of financial liabilities arising from the adoption of IFRS 9.

23.1. 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.

24 FINANCIAL INSTRUMENTS RISK
24.1. 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 23. 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.

24 FINANCIAL INSTRUMENTS RISK CONTINUED

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 19.2.

INTEREST RATE RISK

The Group holds the majority of its cash and cash equivalents in corporate current accounts. These accounts offer a competitive interest rate with the advantage of quick access to the funds. At the end of the year all of the Group's bank loans bore a variable rate of interest of LIBOR plus 1.75%.

CAPITAL RISK MANAGEMENT

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

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes loans, other borrowings 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:

	2018 £000	2017 £000
Debt due within one year	**–**	–
Debt due in more than one year	**11,912**	11,888
Cash and bank balances	**(12,588)**	(6,907)
Net (cash) / debt	**(676)**	4,981
Total equity	**30,255**	24,900
Total capital	**29,579**	29,881
Net debt to total capital	**-2%**	17%

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.

At 31 December 2018, 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 £120,000 (2017: £53,000), arising as a result of higher interest expense on variable borrowings.

25 SHARE BASED PAYMENTS

Under the Group's share based incentive scheme the following expense was charged.

	2018 £000
Performance share plan	135
Share save scheme	–
Total charge	135

All share based payment schemes related to equity settled awards only.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 53 to 59.

	Weighted average Number
Outstanding at beginning of period	746,263
Granted during period	985,676
Dividend equivalent in period	14,418
Exercised during period	–
Lapsed during period	(50,000)
Outstanding at the end of period	1,696,357
Exercisable at end of period	–

The remaining weighted average contractual life is 3.75 years. The options that lapsed during the year were due to the departure of a scheme participant from the Company.

The Group engaged external consultants to calculate the fair value of the awards at the date of grant. The valuation model used to calculate the fair value of the awards was a binomial model for both the non-market based awards and for the market based awards.

	Weighted average Awards
Share price at date of grant	£1.38
Exercise price	£nil
Expected volatility	28.5%
Expected life	4.9 years
Risk free rate	1.3%
Expected dividend yield	1.1%
Average fair value of award per share	£0.72

Share price volatility was measured as at 1st July 2017 and 26th March 2018. As the Group had only a limited share price history at both dates the price volatility of comparable listed companies was referred to over a four year period to supplement the company’s own share price history.

SAYE SCHEME

The SAYE scheme is an all-employee HMRC approved tax-advantaged share scheme. The scheme involves employees saving a set amount from their salary for a period of three years. At the end of the three years the employee is offered an opportunity to purchase shares based on the amount saved at an option price set at the start of the period. The exercise price for awards granted in 2017 was £1.86 and 2018 was £1.35 and by the end of the year employees has saved a total of £53,000 into the schemes. In light of this the Directors have concluded that any share based payments charge arising in 2018 are not material.

26 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 were follows:

	At 31 December 2018 £000	At 31 December 2017 £000
Less than one year	**58**	78
Between 2 and 5 years	**–**	58
Over 5 years	**–**	–
	58	136

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

27 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

Included in administrative costs are £42,546 (2017: £42,600) in respect of fees payable to CBPE Nominees Limited for services of the Investor Director to the Group. CBPE Nominees Ltd are considered a related party as they had a controlling interest in the Group prior to 21 March 2017.

On 31 December 2018 Anand Jain resigned as a Director and therefore CBPE Nominees Ltd is no longer regarded as a related party.

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

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

28 CONTROLLING PARTY

There is no overall controlling party of the Group following the admission of the Company's ordinary shares onto the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities on 21 March 2017.

29 POST BALANCE SHEET EVENTS

There are no post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

30 RECONCILIATION OF NON-IFRS FINANCIAL KPIS

The Group uses a number of key performance indicators to monitor the performance of its business. This Note reconciles these key performance indicators to individual lines in the financial statements.

In the Directors' view it is important to consider the underlying performance of the business during the year. Therefore the Directors have used certain Alternative Performance Measures (APMs) which are not IFRS-compliant metrics. The 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 2018 £000	31 December 2017 £000
Reconciliation of adjusted operating profit		
Operating profit before exceptional items	**9,662**	8,516
Adjustments for:		
Amortisation of acquired intangibles	**870**	870
Shared based payments	**135**	74
Adjusted operating profit	**10,667**	9,460
Adjusted operating profit margin	**27.4%**	28.1%
Reconciliation of adjusted profit before tax		
Profit for the year	**7,362**	4,331
Adjustments for:		
Amortisation of acquired intangibles	**870**	870
Exceptional items	**245**	1,661
Exceptional finance costs	**–**	582
Share based payments	**135**	74
Adjusted profit after tax	**8,612**	7,518
Income tax charge	**1,794**	1,331
Adjusted profit before tax	**10,406**	8,849
Reconciliation of net debt		
Cash and equivalents	**12,588**	6,907
Borrowings due within one year	**–**	–
Borrowings due after one year	**(11,912)**	(11,888)
Net cash / (debt)	**676**	(4,981)

COMPANY STATEMENT OF FINANCIAL POSITION

COMPANY REGISTRATION 08497963

AS AT 31 DECEMBER 2018

	Note	**At December 2018 £000**	At December 2017 £000
Fixed asset investments			
Investments in subsidiaries	33	**1,455**	1,455
Current assets			
Debtors	36	**28,224**	30,318
Deferred tax		**47**	38
Creditors: amounts falling due within one year			
Accruals		**(10)**	(208)
Total assets less current liabilities		**28,261**	31,603
Non-current liabilities			
Borrowings	35	**(11,912)**	(11,888)
Net assets		**17,804**	19,715
Capital and reserves			
Called up share capital	34	**222**	222
Share premium account	34	**14,721**	14,721
Profit and loss account		**2,861**	4,772
Total equity		**17,804**	19,715
Parent company profit for the year		**10**	4,000

The financial statements on pages 70 to 99 were approved and authorised for issue by the Board of Directors on 22 March 2019 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 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
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 1 January 2018	222	14,721	4,772	19,715
Cancellation of share premium	–	–	–	–
Shares issued during the year	–	–	–	–
Share issue costs	–	–	–	–
Dividends paid to ordinary shareholders	–	–	(2,056)	(2,056)
Equity settled share based payments	–	–	135	135
Transactions with owner	–	–	(1,921)	(1,921)
Profit and total comprehensive income for the period	–	–	10	10
At 31 December 2018	**222**	**14,721**	**2,861**	**17,804**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31 ACCOUNTING POLICIES
The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 101, 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 101)' and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the Company.

EXEMPTIONS
The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone. In addition, the Directors have taken exemption from providing a cash flow statement and financial instruments disclosures as these are provided within the Group accounts.

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these Company financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- The effect of future accounting standards not adopted
- Disclosure of key management personnel compensation
- Disclosure in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- Share based payment disclosures required under IFRS 2

GOING CONCERN
The Directors of Medica Group PLC have assessed the current financial position of the Group, along with future cash flow requirements, to determine if the Group has the financial resources to continue as a going concern for 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.

For the year ended 31 December 2018, Medica Reporting Finance Limited (Registered number: 08497950) and Medica Reporting Services Limited (Registered number: 08497952) are exempt from the requirements of the Companies Act 2006 relating to audit of individual accounts by virtue of section 479A of the Companies Act 2006.

FINANCIAL INSTRUMENTS
See note 3.11 of the Group accounts.

SHARE CAPITAL AND RESERVES
Share capital represents the nominal value of shares that have been issued.

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

Retained earnings include all current and prior period retained profits or losses. They also include charges related to share-based employee remuneration.

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

SIGNIFICANT JUDGEMENTS AND ESTIMATES
The Directors review annually whether there have been any indicators of impairment of investments. Where an impairment indicator is identified an impairment test is carried out by comparing the carrying of the assets with its recoverable amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

32 DIRECTORS AND EMPLOYEES
The Directors and other key management personnel were the only employees of the Company during the year. The disclosures in respect of key management personnel have been provided in Note 12 of the Group financial statements.

33 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES
INVESTMENTS

	2018 £000
At 31 December 2017	**1,455**
Additions	**–**
Impairment	**–**
At 31 December 2018	**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 £130m. Given the valuation, the Board is comfortable that the investments are not impaired.

At 31 December 2018, 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

34 CAPITAL AND RESERVES
Ordinary share capital issued and fully paid

	At 31 December 2018 £000	At 31 December 2017 £000
111,111,114 ordinary shares of £0.02	**222**	222
Total ordinary share capital of the Company	**222**	222

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

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

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

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

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

35 BORROWINGS
See note 20 for details of the movement in borrowings during the year.

36 DEBTORS

The debtor balance of £28.2m 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.

37 RELATED PARTIES

See Note 27 in of the Group Financial Statements for related parties' information.

38 POST BALANCE SHEET EVENTS

There were no post balance sheet events.

COMPANY INFORMATION

The Board of Directors	G Davis S Whittern Professor M Bewick A Jain – resigned 31 December 2018 J M Graham Dr S G Davies A L Lee
Company Secretary	A L 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 medicagroup.co.uk

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