medica:

A network of specialists leading the way in teleradiology

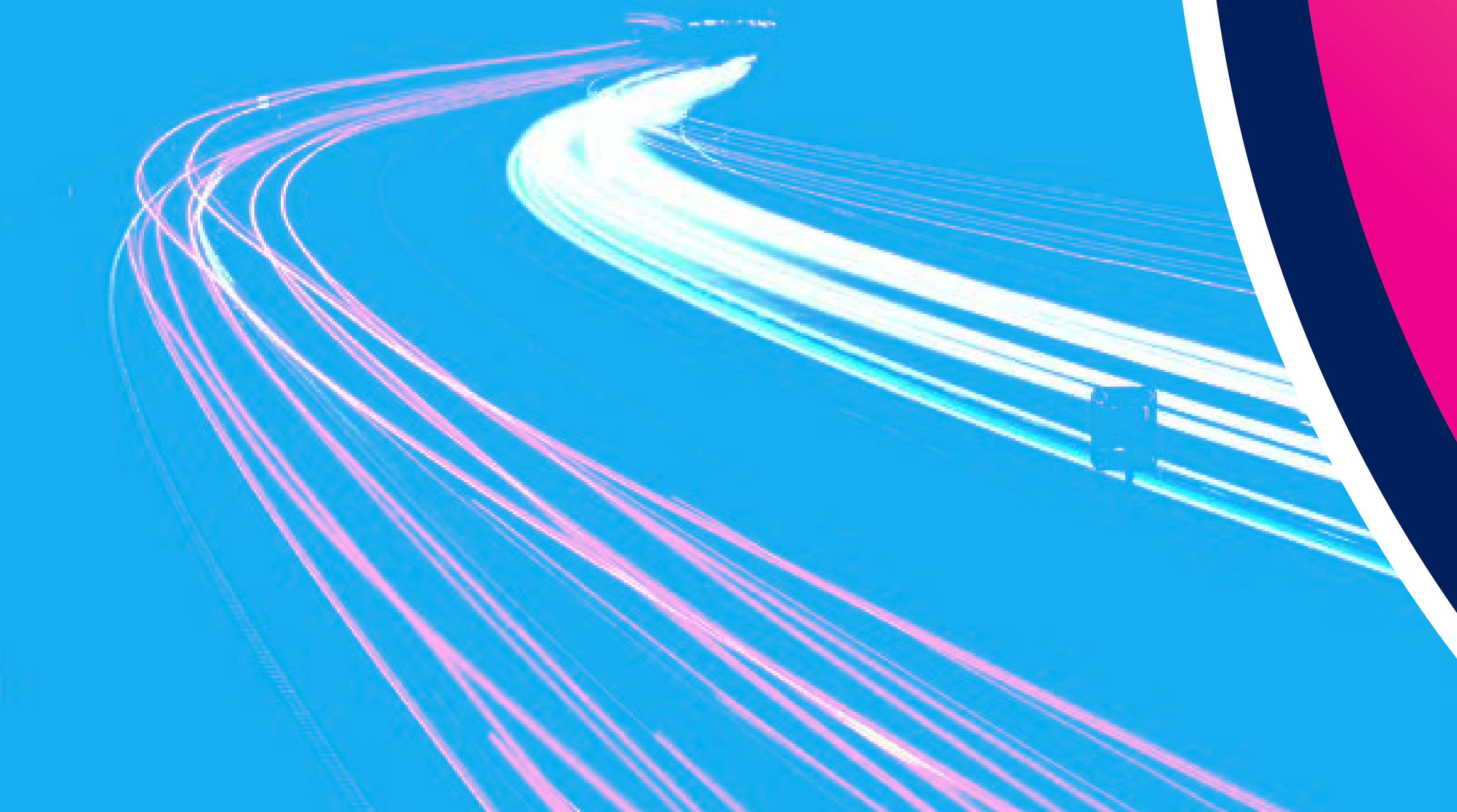
ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2020

medica:

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



Medica Group PLC is the market-leading provider of teleradiology services in the UK and Ireland.

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

Strategic report

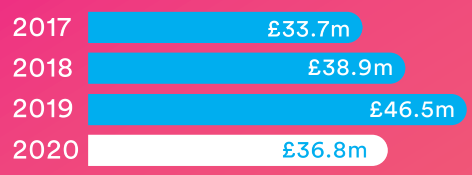
Governance

Financials

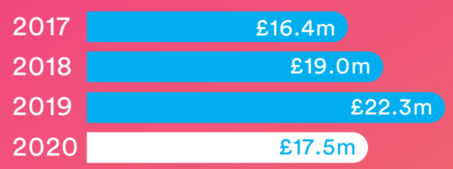
1. The Section 172 report forms part of the 2020 strategic report

Highlights

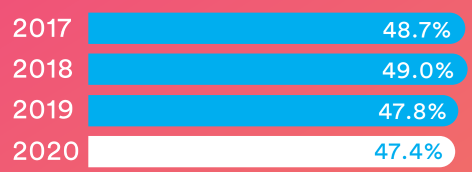
Financial highlights



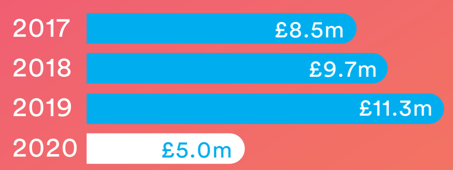
£36.8m
Revenue



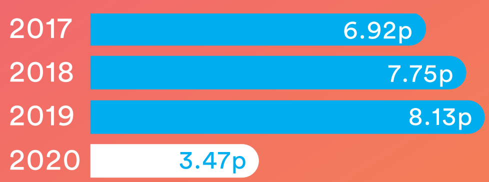
£17.5m
Gross Profit



47.4%
Gross Profit Margin



£5.0m
Underlying Operating Profit[1]



3.47p
Underlying Earnings Per Share[2]

(1) Underlying operating profit is a non-IFRS measure and is calculated as operating profit before exceptional items and one-off costs relating to the GDI acquisition and associated extension to the debt facility, share-based payments, intangible amortisation in respect of acquired assets.

(2) Underlying Earnings per share is a non-IFRS measure and is calculated based underlying operating profits less financing costs and taxation.

- Delivered sales of £36.8m representing 21% revenue decline:
  - NightHawk revenues of £23.0m (+4%) demonstrating a strong performance despite headwinds caused by the pandemic and a quick recovery from the impact of COVID-19
  - Elective revenues of £12.m (-49%) representing a material impact on volumes as a result of re-prioritisation away from elective procedures in the NHS
  - GDI contributed £1.3m in revenues following its acquisition on 3 November 2020
- Resilient gross profit margin of 47.4% (2019: 47.8%) due to careful management of both pricing and costs
- Underlying operating profit of £5.0m, a 56% decline, reflecting the COVID-19 impact on revenues and the continued planned investment in the business to best position the Group for recovery and growth in 2021 and beyond
- Net cash at 31 December 2019 of £4.6m became net debt of £3.9m at 31 December 2020 after taking into account strong positive cash generation through 2020 offset by the impact of the initial consideration of €16m (£14.4m) for the acquisition of GDI

The Board declared an interim dividend for 2020 of 0.85 pence per share and is now proposing a final dividend for 2020 of 1.70 pence per share which will, if approved, result in total dividends for 2020 of 2.55 pence per share, up 13% on 2018, the last year when a final dividend was declared.

Operational highlights

- Expanded geographic reach and diversified service offering with the completion of acquisition of GDI, a leading teleradiology and managed services provider based in the Republic of Ireland that also manages 50% of Ireland's screening and surveillance programme for diabetic retinopathy
- Improvement in reporter capacity of 13% during 2020 and an increase in Nighthawk SLA to 98% (from 97% in 2019)
- Became the first UK teleradiology provider to fully implement Augmented Intelligence (AI) into clinical practice with the successful launch of AI tool to detect brain bleeds in acute stroke patients, in collaboration with Qure.ai. Over 50,000 live clinical reports have been completed to date
- Contracted with Sectra to provide the new PACS as the first stage of the Company's ambitious FutureTech programme
- Focus on operational excellence projects as well as improvement in clinical protocol development for acute trauma and stroke reporting
- Strengthened management team with the appointment of Richard Jones as Chief Financial Officer and Rob Lavis as Clinical Director
- Successfully negotiated through the early COVID-19 pandemic by quickly transitioning to a homeworking environment whilst able to improve operational performance metrics with UK customers without needing to furlough staff or take any form of government support
- Launched an effective pro-bono service for clients to assist in the hospital to homeworking switch during the early stages of the pandemic
- Launched new corporate brand and company values aligned to the new strategy

Post-period highlights

- Launched an Australian based joint venture called MedX with one of Australia's leading radiology companies, Integral Diagnostics to grow market access, reporting capacity and expertise
- Undertook a successful and over-subscribed equity placing and subscription which together raised £16.1m, from new and existing institutions together with the Board and senior management in March 2021
- Completed the earnings-accretive acquisition of RadMD, an imaging Contract Research Organisation (iCRO) business based in the US, enabling entry into the USD 1 billion global market
- Completed a refinancing of the group's debt in early May 2021 via a new three year fully flexible £30m RCF facility with a syndicate of three banks on favourable terms

Chairman's Statement

"Progress made in 2020 despite the impact of the pandemic, demonstrates that the new management team is delivering on its strategy and the Group has a renewed focus on execution and growth which I am confident will generate benefits for our patients, reporters, employees and shareholders alike."

Roy Davis
Chairman

Resilient performance in response to the pandemic

The first quarter of 2020 started positively with continued growth in Medica's core teleradiology reporting business. Growth up until the end of March was 13% ahead of the comparable period in 2019.

However, during the last week of March 2020, the UK government sanctioned a national lockdown. This had a significant and immediate impact on Medica's performance as the NHS focused on COVID-19 related cases and ceased all non-urgent, elective procedures. Additionally, a combination of people being confined to their homes and a reluctance to attend Accident and Emergency (A&E) unless for very critical health issues meant that attendance at A&E fell considerably. Medica's Elective activity fell to c.5% of the pre-Covid (Jan-Feb 2020) levels in April and the out-of-hours, urgent reporting service (NightHawk) activity reduced by c.50%.

By May, NightHawk activity had returned to pre-pandemic levels and Elective reporting activity started to increase gradually. Subsequent regional restrictions and 'lockdowns' dampened the recovery in Elective which returned to c. 50% of pre-pandemic activity by year end.

In total, the impact of COVID-19 precipitated a reduction in reported revenue from £46.5m in 2019 to £36.8m in 2020. As a result of the impact on activity, underlying net operating profit fell by £6.3m from £11.3m in 2019 to £5.0m in 2020. Despite this and due to efforts to maximise working capital management and control costs, net cash inflow from operating activities remained strong at £8.6m compared to £9.7m in 2019 due to careful working capital management.

Medica's business model provided a hedge against this negative impact: our radiologists are predominantly consultants so are remunerated on a case-by-case basis, enabling us to easily scale costs in line with activity. Additionally, teleradiology is enabled by remote reporting from workstations based in reporter's homes. Therefore, reporters were already prepared for such a scenario. The office-based operational and technical team also migrated quickly and seamlessly to remote working ensuring that the service was able to operate without being compromised.

Whilst for most of the year the focus of the NHS was on managing the pandemic and not on procurement of services, Medica was able to record a net increase in NightHawk clients over the 12 months. Much of this increase was down to clients returning to Medica due to the difference in quality, clinical governance, breadth and depth of service that differentiates Medica's offering.

Changes to executive and non-executive directors

Medica also continued to make changes to its leadership team and Board to support the company's new strategy and phase of growth. In August, the Company welcomed Richard Jones as Chief Financial Officer and Company Secretary. Earlier this year, Dr. Stephen Davies took the decision to retire and will leave Medica at the end of May. I would like to thank Stephen for his contribution to Medica and for the impact that he had of bringing a culture of continuous clinical and quality improvement to the business. Stephen will be replaced by Dr. Robert Lavis who joined Medica in 2020 as Clinical Director. The succession plan is being executed successfully and will result in a smooth transition next month as Stephen hands over to Robert.

In April 2021, the board also welcomed Dr Junaid Bajwa as non-executive director. Junaid brings with him a background and experience in the NHS and more recently, leading digital transformation within large IT firms, that will help the company as it continues to grow and diversify into the broader telemedicine arena.

In addition, as announced separately on 11 May, Steve Whittern decided to resign and is therefore not standing for re-election at the 2021 AGM. I would like to thank Steve for his commitment to Medica since IPO, particularly for supporting the previous management team as they made the move from private equity to a fully-fledged listed business. I wish him well for the future. A search process to appoint a replacement Senior Independent Director and Chair of the Audit Committee is well progressed.

Significant progress made to deliver against new strategic priorities

In March 2020, the Company set out its strategic aims for the next five years. Despite the impact of the pandemic and the need for management to focus on provision of the service remotely and under challenging circumstances, I am pleased to report that Medica did not make use of any government funded schemes or furlough any staff and was therefore able to make significant progress with implementation of the new strategic priorities in our core teleradiology business.

Delivering on strategy to expand into new markets and diversify services

In November, Medica acquired Global Diagnostics Ireland Limited (GDI). This acquisition follows Medica's strategy of international expansion and service diversification. Since the acquisition, the team has completed the initial integration of the business and it has been rebranded as Medica Ireland. It is performing as expected and our focus is now on supporting and driving future organic growth.

Further focus on execution of strategy in 2021 and return to growth

As announced in February this year, Medica has launched a 50:50 joint venture with Integral Diagnostics Limited Pty (IDX), one of Australia's leading radiology service companies. This joint venture, MedX, aims to source UK qualified radiologists to report for Medica and, in time, bid jointly for new teleradiology contracts in Australia and New Zealand.

In March 2021, Medica was excited to announce its entry into the international market for the provision of imaging services for clinical trials. The acquisition of US-based RadMD opens up opportunities for Medica to offer a wider range of telemedicine services, expand its customer base to include pharmaceutical, biotech and medical device companies, and provides foundations for Medica in the US market.

Medica aims to continue to expand its geographic reach and diversify its telemedicine services in fast-growing market segments where Medica's experience and expertise can be brought to bear. As laid out in our strategy last year, we intend to focus on new areas of telemedicine, as well as geographical diversification of our core business into new markets.

Every year, I end by thanking our employees and the management team at Medica, as well as our reporters and central services team for playing their part to ensure continued delivery of reporting services throughout the year. However, after 2020 and the continuation of the impact of the pandemic into 2021, it is even more important to pay tribute to their achievements and dedication. It is only at times like these that a team is truly tested and I am proud that they stood up to the challenge and not only managed to deliver a robust financial performance, but also took the opportunity to accelerate development of the business in line with the new strategy.

Progress made in 2020 and so far this year demonstrates that the new management team is delivering on its strategy and the Group has a renewed focus on execution and growth which I am confident will generate benefits for our patients, reporters, employees and shareholders alike.

Roy Davis,
Chairman

10 May 2021

Business Model and Services

Our services

At its core, our business model can be summarised as identifying opportunities to improve the service available to our clients and patients using technology and a strong governance framework.

Improvements in services are demonstrated by any combination of the following:

- Higher clinical quality, leading to improved patient outcomes;
- Timely delivery, facilitating improved patient outcomes and/or improved patient satisfaction;
- Increased return on investment for our clients.

Medica Group provides teleradiology, teleophthalmology, managed imaging services, and clinical trial reading and imaging management services.

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

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

In the case of Medica, these reporters comprise consultant radiologists, reporting radiographers and rheumatologists, all specialising in their relevant field, who typically report on the images from their own home or from one of Medica's dedicated reporting centres.

Teleradiology improves patient care by enabling reporters to provide their services remotely, thereby facilitating the rapid availability of trained specialists 24 hours a day, 365 days a year.

Teleophthalmology is the secure electronic transmission of photographs of the eye from one location to another, for the purposes of diagnostic interpretation and reporting by highly qualified experts.

Teleophthalmology is particularly useful in the context of community screening for potential eye diseases.

Medica Group currently provide the Diabetic RetinaScreen service to around half of the Irish population in partnership with the Irish National Screening Service.

We provide a full end-to-end screening service, arranging appointments, taking photos of the eye in convenient community locations which are then collated centrally for review and reporting. If the images show no evidence of disease progression (or other abnormality) the service user is kept on the surveillance cycle and we will see them again after an appropriate interval. If there are signs of disease progression (or other abnormality) they will be referred to a specialist centre for further investigation or treatment.

Diabetic RetinaScreen

Managed imaging services, is the provision of end to end imaging to healthcare providers.

For Medica this includes the provision of facilities, staffing, imaging equipment, appointment scheduling, imaging, and reporting via our teleradiology service. We provide a service which is tailored to the client's requirement allowing the flexibility to provide elements of the service themselves.

We provide X-ray, CT, MRI, Ultrasound and DEXA managed services. These range from short-term contracts to aid with waiting lists or improved patient access, right through to long-term contracts where we establish lasting partnerships with our clients.

Clinical trials imaging services

Clinical trials support the development of new treatments (drugs, therapies and devices) to improve patient care and patient outcomes. A large proportion of clinical trials utilise medical imaging performed at regular intervals to provide empirical data on the impact of the new treatment. Medica provide consultancy, project management, training and reader services for clinical trial imaging. Clients include pharmaceutical and BioTech companies, device manufacturers and Contract Research Organisations.

Multi-disciplinary teams (MDT)

Medica has begun collaborating with hospitals to trial the delivery of MDT support as part of the elective reporting service. This will support clients that may have specialist radiologist capacity gaps by leveraging the large cohort of radiologists at Medica who have experience and expertise of working in an MDT environment.

Medica radiologists are engaging with the hospital's on-site clinical team to provide a clinically appropriate and high-quality service, assisting in making timely decisions that directly affect patient treatments and outcomes. The service will utilise Medica's technical platforms to provide this support via a teleradiology platform, the first UK provider to do so.

Why might a client choose Medica?

- Rapid flexible set up options, providing support to clients when they need it;
- Experts are available to discuss or clarify reports with clients;
- Experienced in-house technical team offering full support 24/7;
- Platform designed with contingency systems providing a robust and resilient network;
- Access to a network linking Medica's over 500 reporters with over 100 hospitals;
- Market-leading Emergency service delivering high quality reports in a timely manner to support critical decisions in patient care.

Key Performance Indicators

Average urgent care (NightHawk) turnaround time

Under 23 minutes

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

WHY IS THIS METRIC IMPORTANT?
In an acute environment where a patient may have had a 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
Under 23 minutes

NightHawk SLA

98+%

DEFINITION
Definition: Adherence to the target turnaround time requested by clients for NightHawk examinations.

WHY IS THIS METRIC IMPORTANT?
Emergency departments rely on NightHawk reports for the rapid assessment of patients with critical injuries.

PERFORMANCE
Up 1.7% from 2019
Expected performance is 95%+

Reporting capacity

13% increase

DEFINITION
This represents the change year on year in the contractually committed and rostered reporting hours provided by our reporters.

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. As indicated in our 2019 annual report, we now use contractually committed reporting hours as the best measure of capacity given the changing profile of our workforce.

PERFORMANCE
13% Increase (first year reporting using this metric)

ADJUSTED OPERATING PROFIT
£5.0m

PERFORMANCE
Down 55.7% from 2019

Number of reported body parts

1.16m

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
Down 40% from 2019 (COVID-19 impact)

REVENUE
£36.8m

PERFORMANCE
Down 20.9%

Market Positioning (COVID recovery)

Market review

2020 was a challenging year for many healthcare companies in the UK and Ireland. From late March onwards there was significant disruption as healthcare providers focused the majority of their efforts on dealing with patients suffering from COVID-19.

NHS England Diagnostic Imaging Datasets (DID) for 2019-20 and 2020-21 show the total Cross-Sectional exams (CT and MR) performed in England during April 2020 was 375,780 compared with 867,610 in January 2020, a fall of 57%. In the six months April - Sept 2020 over a million less Cross-Sectional exams and over 1.6 million Ultrasound scans were performed in England compared to the same period in 2019.

In Ireland diabetic screening services were paused for 15 weeks. From around July onwards, systems were established to try to return to normal service and increase capacity where possible to address the backlog of 'routine' patients. Whilst COVID-19 is still circulating logistical barriers to this will remain including reduced staff due to illness, lower productivity as a result of additional cleaning requirements and additional time required between appointments to allow for social distancing in waiting areas. DID data shows that whilst the picture had improved by the end of the year only 85% of the Cross-Sectional examinations performed in Jan 2020 were performed in December 2020.

As of April, the NHS announced that 388,000 patients are now waiting over 12 months for elective procedures and in total, a backlog of 4.7 million patients exists. This is the highest number since August 2007 and demonstrates the huge pressure that exists on the NHS to address the backlog of procedures as a result of the pandemic.

It is clear from the numbers above that there is a significant backlog of imaging to be performed. It will take many months, if not years, before the system can return to a steady state with waiting lists at pre-pandemic levels. It is impossible to accurately predict the shape of the recovery curve for healthcare providers but Medica is well positioned to support our partners as activity returns to or exceeds pre COVID-19 levels. We have solidified our relationships with many key clients through our flexible and responsive support to them throughout the pandemic

Examples include:

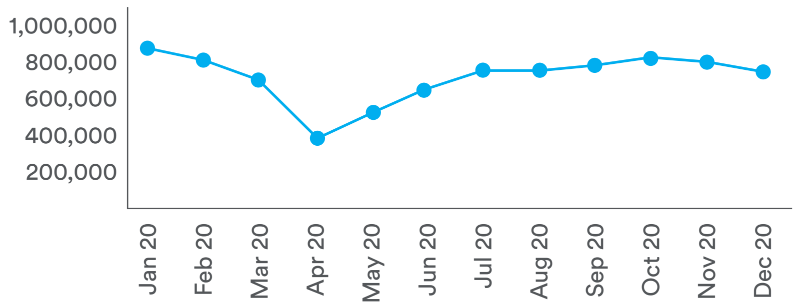
a. The introduction of 'pass through' reporting which enabled many of our clients' radiologists to undertake NHS reporting at home on a pro-bono basis leveraging Medica's expert systems, and capacity which would have otherwise been lost;

b. The rapid introduction of new emergency reporting pathways, with alerts to clinical staff where our radiologists suspected the patient was COVID positive.

When conditions allow, we will be able to offer both both responsive teleradiology services across the UK and Ireland as well as additional managed imaging services in Ireland to support our clients to tackle the huge backlog of elective cases requiring imaging.

In addition to reducing the backlog of scans that need to be taken and reported, there are a range of underlying market conditions which, when combined, result in increasing demand for our services.

NUMBER OF CT/MR SCANS IN ENGLAND PER MONTH



Underlying annual growth in 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 in the UK – three times more than the rate of workforce growth.

Healthcare providers unable to meet demand

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

Continued shortage of radiologists

Three quarters of hospitals have insufficient in-house radiologist capacity to report all of the scans conducted in their hospital. According to the Royal College of Radiologists (RCR) Workforce Census 2019 there is a radiologist shortfall of 1,100 consultants which was projected to increase to nearly 2,000 by 2023. Resourcing through traditional channels continues to fail, with the RCR reporting that one in ten consultant radiologist posts are vacant, of which 60% 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.

Growth in outsourcing

With increasing workloads, a critical shortage of radiologists, many radiologists retiring or deciding to work fewer sessions in the NHS and lack of options to recruit, 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 fact, in many hospitals, Medica will provide all of the reporting for certain sub-specialties – for example neuro radiology reporting – where it is challenging to find radiologists or where a radiologist cannot be fully utilised to just report sub-specialty cases.

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.

Definition of Telemedicine

What is telemedicine?

Medica has the ambition to lead the way in providing a range of international telemedicine services

At Medica, we define telemedicine as the remote review of patient investigations by specialist clinicians enabled by reliable and compliant technology platforms and delivered under high quality clinical governance frameworks.

Medica does not focus on remote consultations by primary care physicians, but instead focuses on providing an established, highly skilled network of specialist doctors and clinical experts to interpret diagnostic information for hospitals and clinics to allow fast, reliable, and accurate treatment of patients.

Telemedicine services include screening services where data (usually images) is captured by a clinical expert/technician and remotely interpreted by a doctor. For example, this could be remote lung screening services to detect lung cancer in 'at-risk' patient groups or screening for calcified nodules to detect breast cancer. Telemedicine services also include urgent, acute reporting of clinical cases where the expert doctor is connected to the hospital via a secure and reliable connection and can diagnose cases within a high-quality clinical governance framework. Perhaps the best example is Medica's NightHawk service which reports urgent radiology cases within a target response time of 1 hour. In 2020, our average turnaround time for this service was less than 23 minutes. In this respect, hospitals do not have to provide a range of on-call, specialist radiologists working throughout the night. By aggregating cases across a range of hospitals, one specialist can be efficiently utilised to serve a wide pool of patients across a region or country. This works particularly well where there is a chronic shortage of highly trained experts for example, in pathology, radiology and ophthalmology to name a few areas. Overall, telemedicine services include, but are not limited to, the following areas:

Teleradiology

- Is the transmission, display and interpretation of radiological images, such as CT scans and X-Rays, in a location independent of where the patient is imaged. It allows specialist doctors (radiologists) to provide an expert and timely report to allow clinicians to decide on the best treatment for their patients;
- Patient imaged in healthcare facility;
- Images transmitted to our 24/7 support team, who send them on to a specialist from our team of 500+ global reporters;
- Expert reporter reviews the images and the patient's clinical history and creates a report detailing what the images show;
- Report sent back to clinician to inform patient treatment in less than 22 minutes on average for our emergency service;
- Our platform enables the secure electronic transmission of radiological patient images from one location to another, for the purposes of diagnostic interpretation and reporting by highly qualified radiologist experts. Through teleradiology, images can be transmitted from the hospital setting, where the images are created, to a reporter who can review and report on the images remotely. In the case of Medica, these reporters comprise consultant radiologists, reporting radiographers and rheumatologists, all specialising in their relevant field, who typically report on the images from their own home or from one of Medica's dedicated reporting centres. Teleradiology improves patient care by enabling reporters to provide their services remotely, thereby facilitating the rapid availability of trained specialists 24 hours a day, 365 days a year.

The benefits:

- **Clinical support**

  Radiologists are available to discuss or clarify reports with the clients
- **Technical support**

  Experienced in-house technical team offering full support 24/7
- **Robust infrastructure**

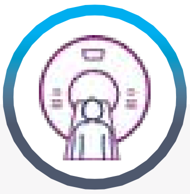
  Dual data centre and multiple contingency systems providing a robust and resilient network
- **A strong network of clinicians**

  Medica link over 500 reporters with over 100 hospitals, based on capacity and sub-specialty support.
- **Reporting with the full picture**

  Access to prior reports and images
- **Saves time**

  Our platform has the unique ability to access the client's RIS, saving the client time.

Our process



Patients imaged in healthcare facility

Images transmitted to our 24/7 support team, who send them on to a specialist from our team of 500+ global reporters

Expert reporter reviews the images and the patients clinical history and creates a report detailing what the image shows

Report sent back to the clinician to inform patient treatment in less than 23 minutes on average for our emergency service

- **Ophthalmology**
  Teleophthalmology is the transmission, display and interpretation of visible light images of the eye in a location independent of where the patient is imaged. Teleophthalmology allows imaging to be undertaken in a community healthcare setting, which is convenient for the patient, whilst also providing access to a centralised team of specialist readers. Its uses include remote monitoring and diagnosis of retinal conditions such as macular degeneration and diabetic retinopathy. Often these are diseases which need to be monitored based on a patient's clinical history or susceptibility. In such cases, highly specialist ophthalmologists do not need to be co-located at screening centres and an image can be captured, securely transferred, and reported remotely and the patient referred to see an ophthalmologist if required.
- **Pathology**
  Historically, tissue sections and liquid cytology samples have been taken, transferred to a glass slide, stained, and reported by a trained technician and/or pathologist looking down a microscope. Increasingly, digital images are being taken of the stained tissue or cellular matter and can be interpreted remotely. This has the additional benefit that pathologists can share digital images that have already been annotated by the pathologist for secondary opinions or to sub-specialist pathologists within their network. Also, digital images can be shared during multi-disciplinary team case meetings alongside digital radiology images and laboratory diagnostic results.
- **Endoscopy**
  The theme here is the same as in other areas of telemedicine where a remote endoscopy can be conducted by a highly trained clinician, but the doctor reporting and visualising the case can access the image remotely. This may be done live whilst the patient is in situ or later. Again, this allows a scarce resource such as a gastroenterologist to care for multiple patients across multiple hospitals at a time that is both convenient for the doctor and minimises the time for patients to receive results and of the intervention for the patient.
- **Cardiology**
  Telecardiology can also be delivered remotely to diagnose and treat heart disease. This includes coronary heart disease, chronic and acute, as well as arrhythmias, congestive cardiac failure, and sudden cardiac arrest. Remote diagnosis allows electrocardiographic data to be transmitted in real time, for interpretation by a specialist. It enables specialist care to be accessed by people in remote locations.
- **Clinical trials**
  Telemedicine also extends to services where a decision is made for the purposes of clinical trials. In the examples above, telemedicine is used to connect a specialist doctor to patient data or an image to enable a clinical diagnosis to be made remotely, but it can also be used to read data and images for clinical trial purposes. Many clinical trials particularly in therapeutic areas such as oncology, infectious diseases, and bone disease, all require imaging endpoints. Much like in clinical diagnosis, a specialist radiologist with considerable expertise in reading images for clinical trials, can remotely access the study and file a report at various timepoints during a clinical trial to monitor disease progression and response to therapy.

Strategy

Medica has the ambition to lead the way in delivering innovative technology-enabled telemedicine services.

Telemedicine includes any clinical service that can be delivered remotely by a clinician and enabled using technology combined with Medica's market-leading clinical governance.

Drivers of our strategy

1 Increased reporter capacity

- Increase number of rostered reporting hours and productivity of reporter network
- Reduce manual workflow processes and deliver proprietary image allocation solutions and state-of-the-art reporting systems
- Expanded network of international reporters
- Focus on reporter engagement to improve experience of working with Medica

2 Expanded core offering

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

3 Diversified service offering

- Leverage teleradiology platform to expand into new areas of radiology reporting such as clinical trial reporting
- Evaluate opportunities to diversify range of telemedicine offerings
- Develop strategic partnerships to access new markets and to strengthen capacity in our core business
- Evaluate opportunities for new market entry and international service expansion

4 Driving profitable growth

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

5 Engaged and motivated team

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

2020 and Q1 2021 Highlights

FutureTech and augmented intelligence

In December, Medica announced that it signed a partnership agreement with Sectra to deliver a new Picture Archive and Communication System (PACS); the key component of Medica's FutureTech programme. Medica expects that this new system will go live in Q1 2022.

Also, in December 2020, following two successful pilot projects, Medica deployed its Urgent Stroke AI Support Tool ("qER") into live clinical practice. This clinical application, which has been delivered in partnership with Qure.ai, is the first full implementation of AI into clinical practice by a UK teleradiology provider and acts as a decision support tool to enhance radiologist reporting of urgent stroke cases during the night-time. Within the first month of 'go live' around 15,000 radiologist reports utilised this important support tool and it has been well received by clients and radiologists

Acquisition of Global Diagnostics Ireland (November 2020)

In November, Medica acquired Global Diagnostics Ireland (GDI), the market leader for teleradiology services in Ireland, for an initial cash consideration of €16m (£14.5m) from private Irish healthcare group, Centric Health.

Transaction highlights:

- Diversifies Medica's customer base and geographical operations with Ireland's market leader in teleradiology services
- Expands service offering into ophthalmology with a 50% market share for the provision of diabetic retinopathy screening services on behalf of the Irish health service
- Brings with it a strong management team and network of expert doctors
- Expected to be strongly earnings enhancing and return on invested capital expected to be approximately twice the cost of capital

Medica remains on track to complete the integration of GDI as planned by the end of Q1.

Joint venture partnership in Australia (February 2021)

Medica has formed an exciting joint venture with Australia-based Integral Diagnostics to expand Medica's access to UK-qualified radiologists to deliver NightHawk during the Australian daytime.

In time, the joint venture called MedX, will also bring together Medica's expertise in delivering high quality out-of-hours teleradiology services with Integral Diagnostics' knowledge and reputation in delivering radiology services across Australia and New Zealand and beyond.

Acquisition of RadMD (March 2021)

In February 2021, Medica acquired RadMD, a US-based leading Imaging Contract Research Organisation ("iCRO") headquartered in the Philadelphia area with revenues of $8.9 million and EBITDA $1.2m in 2020.

RadMD provides high-value imaging expertise services and applies advanced systems to reduce costs and improve efficiency in drug and device development to pharmaceutical/biotech and Contract Research Organisations (CROs).

The acquisition completed on 25th March for an upfront consideration of USD 21.7 million (circa £15.6 million).

2021 strategic imperatives

In terms of the specific focus for 2021, this will continue to be on the three main drivers of growth:

1 Teleradiology reporting

- Focus will be to maintain improved performance in reporting ensuring that there is sufficient capacity available to support the backlog of Elective reporting in the UK and Ireland
- Continue to drive growth of both NightHawk and Elective reporting. Seize opportunities to expand the client base in both UK and Ireland. Proactively manage the impact of pricing pressure in the UK for Medica's premium NightHawk service
- Continue to expand the range of services offered by Medica. In late 2020, Medica launched its first "Multidisciplinary Team" service which is particularly valuable in cancer diagnosis and treatment. The team aims to expand the uptake of this service in 2021.

2 Wider telemedicine services

Medica has a stated aim of doubling its revenue once the Company has recovered from the ongoing COVID-19 pandemic.

This will be driven by a strong recovery from COVID-19 as our clients tackle the huge backlogs of patients awaiting imaging for elective procedures. In addition, Medica will continue to grow organically with further penetration of existing client accounts, as well as the opportunity to win new NightHawk and Elective clients.

Additional growth could be expected to come from further expansion of telemedicine services that enable remote clinical diagnosis such as ophthalmology, pathology, and cardiology, as well as entering the fast-growing market for clinical trials where remote reading of images and delivery of imaging studies as part of a clinical trial are areas that play to Medica's core strengths.

Medica aims to leverage its trusted brand and client network to offer a broader range of telemedicine services and to expand these into new geographies over time.

Diabetic Retinopathy Screening

- As part of the acquisition of GDI in Ireland, Medica acquired a diabetic retinopathy screening business called Global Vision, achieving our stated aim of diversifying services into other areas of telemedicine. The focus for 2021 is to continue to expand the number of individuals that are screened and to continue to deliver an efficient surveillance programme for patients

Image reading for clinical trials

- Building on our acquisition of RadMD, Medica will continue to expand its presence in the market for the provision of imaging services for clinical trials. This specialist area of the Clinical Research Organisation ("CRO") market is growing at mid double-digit growth rates driven by the number of clinical trials in therapeutic areas such as oncology, infectious diseases and diagnostics that required image reporting by specially trained radiologists both for clinical trial end-points and for safety analysis. This attractive market offers opportunities for Medica's network of radiologists to report clinical trials, as well as diversify Medica's client base to include global pharmaceutical, biotechnology and contract research organisations.

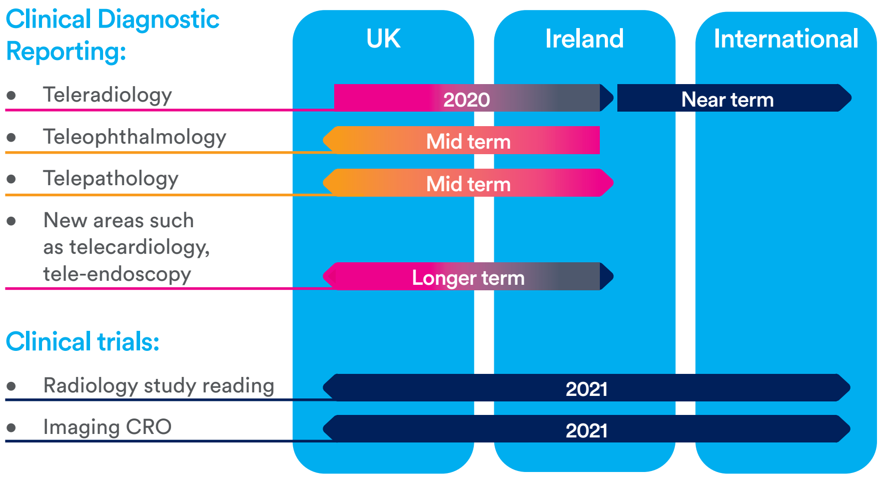
Other telemedicine Services

- In time, the Company will look at adding other telemedicine services using its established network of clients, clinical governance expertise and remote reporting systems and know-how to operationalise and market these new services.

3 International expansion

- Ireland: The strategy for Medica in Ireland is to continue to deliver a flexible model combining low capex equipment, radiographer, and sonographer staffing, as well as expanding the teleradiology services offering across both public and private hospitals. Medica will start to utilise its combined network of dual Irish and UK Medical Council certified radiologists to increase the reporting capacity in both markets. In addition, Medica will look to leverage its systems, processes, and expertise in the UK to help to drive growth in Ireland, whilst at the same time adapting its business model to take advantage of the expertise and broader range of services delivered in Ireland
- Australia and New Zealand: The focus for 2021 is to leverage the joint venture, MedX, to access additional reporting capacity during daytime hours in Australia for urgent, out-of-hours reporting in the UK. In addition, MedX will look at the opportunity to enter the Australian and New Zealand market for teleradiology, as well as to expand into other markets where there are opportunities to leverage its core offering and expertise
- United States: The focus for 2021 is to integrate and support the continued growth of Medica's imaging contract research organisation, RadMD. The company is well placed to take advantage of the fast-growing market for imaging studies as part of clinical trials. RadMD provides both reader services; specialist radiologists experienced in reading images for clinical trials, as well as expertise in the design and execution of imaging studies for clinical trials. Whilst many of the key decision makers are based at large pharmaceutical and biotech companies in the United States, Medica will also support RadMD to continue to expand service clients in other markets.
- New international markets: The MedX joint venture will also in time target markets outside our current core focus. Medica is already working with customers outside of the UK and Ireland and is in discussion to enter new markets. This focus will continue in 2021.

Telemedicine services



Delivery: People/Values

Our People Strategy

At Medica we continue to invest in our most valuable assets, our people. In 2020, we added to our growing workforce, adding 27 new employees to the team. In addition, the reporter community within Medica has grown in excess of 500 radiologists, radiographers and rheumatologists.

Learning & Development

Medica has continued to invest in developing its wider workforce during 2020 and into 2021. Our senior management team embarked on an externally facilitated learning and development programme, based around agile people principles, with the core objective of shaping the organisation's future leaders. This has led to the creation of an ongoing mentor and coaching programme initiated in Spring 2021 that will allow all our leaders to share experience and develop the wider workforce. Education has also been a priority, with the launch of our educational Seminar Series. This bi monthly programme covers topics such as the use of AI in imaging and emerging clinical developments.

In addition, we have invested in the educational tool Stat DX so all our reporters have instant access at any time to an up to date learning and clinical reference tool.

Workforce Engagement and Culture

Medica relies on its diverse and adaptive workforce to deliver our services, retain our position as the market leading teleradiology provider in terms of quality and to deliver its growth strategy. Investments in key appointments across the business strengthened our team in 2020, with the addition of a clinical engagement lead and head of reporter liaison assisting with our reporter strategy, and a head of recruitment to oversee the company's growth plans. Communication and feedback continue to help us to define our evolving culture, and this culminated in a formal rebrand for Medica in 2020 and shaping of our organisational values. Staff workshops, director led town hall events and the ongoing enagement with non-executive directors provided feedback from staff. These have been successfully embedded in both organisational development and performance and were at the forefront of our response to the ongoing COVID-19 pandemic, where Medica successfully continued to support both its clients and more fundamentally their patients during these challenging times.

2021 and beyond

Our people strategy will develop further as we enter 2021. Following the successful acquisition of GDI and Global Vision, and working closely with Managing Director Caroline Byrne, work is already under way to align our organisational approach and culture across the Medica group. As the group continues to experience growth and diversification, it is important we gain continuous feedback and we are therefore investing in an employee engagement platform that will facilitate employee communications and boost engagement, enabling employees to have a voice and engage in decision-making.

Our People, Our Values

2020 truly showcased our values in action, with many colleagues delivering on key projects and strategic activities that had a positive impact on our services and the patients they serve.

Patient first and truly collaborative

Medica's acute services provide emergency reporting around the clock for clinically and critically ill patients. Patients referred to Medica via the acute stroke and major trauma pathways are at a critical point in their care, and where every minute is crucial in terms of ongoing treatment and the impact on their eventual clinical outcome. A project led by our in-house clinical governance and service development colleagues looked at redefining the development scope for these pathways and therefore improve the referral, communication and reporting of such cases. The impact being faster turnaround times informing clinicians in under 30 minutes of the initial diagnosis.

Adaptive and pioneering

Role development within the team while managing our ambitious FutureTech Programme has allowed a long-standing member of staff to gain experience and use his technical skills within several core projects and initiatives within the programme. His creativity and understanding of our core imaging systems has been instrumental in integrating our augmented intelligence algorithms into our clinical workflow. This will aid our reporters in identifying acute stroke cases quickly and providing accurate assessment back to clinicians across our many hospitals within the UK.

Responsive and accountable

During the COVID-19 pandemic, our recruitment team have shown great flexibility in their approach. Going above and beyond to ensure we continue to recruit valuable reporting resource across the globe. Their approach in an ever-changing environment has been pivotal to exceeding our capacity targets. The team have expanded their core offering to all recruitment for both the Medica and recently acquired GDI, providing a seamless experience for candidates onboarding within the Medica Group.

Excellence in our DNA

And finally, joining Medica just a few days before lockdown, our newest recruit to the Information Security and Risk team has shown exceptional professionalism and taken on significant responsibility in a short space of time, even with the organisation all working from home for much of the year. This has resulted in continued accreditation for Medica in the form of ISO standards 9001 and 27001, demonstrating quality, safety, and excellence in our systems of work.

Delivery: FutureTech

What is the FutureTech Programme?

The FutureTech Programme comprises a series of technology –led projects that together build a new, integrated telemedicine reporting platform for Medica, its reporters and its clients that will support the future growth and scalability of our business.

The programme covers five separate functional areas. These are depicted in the schematic opposite.

The Picture Archiving Communication System (PACS)

The PACS is the cornerstone of Medica reporting. It stores and manages the images to facilitate the reporting of studies by Medica reporters

The Integration Layer

The Integration Layer is the conceptual description of the standards-based communication capability that allows Medica to connect to its clients and its reporters (for example, in technical terms this could be a Dicom or HL7 interface). This capability allows us to handle client requests, to move studies from clients to reporters and reports back to clients. This will be a proprietary development and will include a bespoke interface with the Orchestration layer.

Orchestration

The Orchestration component of the Future Tech Programme provides the facility to manage the workflow of incoming studies; ensuring the studies get to the appropriate clinician in the fastest time possible. Orchestration will consider details such as reporter specialty, availability and the Client Service Level Agreement. Furthermore, any Augmented Intelligence (AI) input that identifies a potential urgent finding will inform orchestration such that studies may be prioritised for allocation to a reporter.

Augmented Intelligence

The underlying ethos of Medica is that the reporting clinician is responsible for generating the clinical report based on his or her interpretation of the image data. AI tools can be used to augment and assist the reporter in the production of the report by highlighting areas for inspection and by flagging potential detection of issues in an image allowing the doctor to make the decision whether to prioritise review or not. AI tools are not approved to substitute the important role of the radiologist, but rather as "decision support tools". Consequently, AI in Medica relates to ***Augmented*** rather than ***Artificial Intelligence*** as it is a powerful tool used to inform diagnosis by the clinician.

Advanced Visualisation Tools

Advanced Visualisation tools are software packages that enable specialty specific viewing of images e.g Multi-Parametric Prostate studies. These tools extend the viewing capabilities of the standard PACS and allow Medica to provide an even wider range of clinical services. For example, this tool allows radiologists to rotate an organ to look at it from different perspectives or to visualise contrast media which highlights a particular area of interest for example a tumour.

The FutureTech Programme is a major step forward for Medica, enabling us to build on the services we already provide to our clients. It will deliver a proprietary 'best in class', integrated reporting platform with services listed above will facilitate Medica delivering next level reporting services.

Medica has committed an investment of up to £6 million to develop and implement the new FutureTech system. This programme is now well underway and will deliver the new PACS in Q1 2022.

Progress to Date

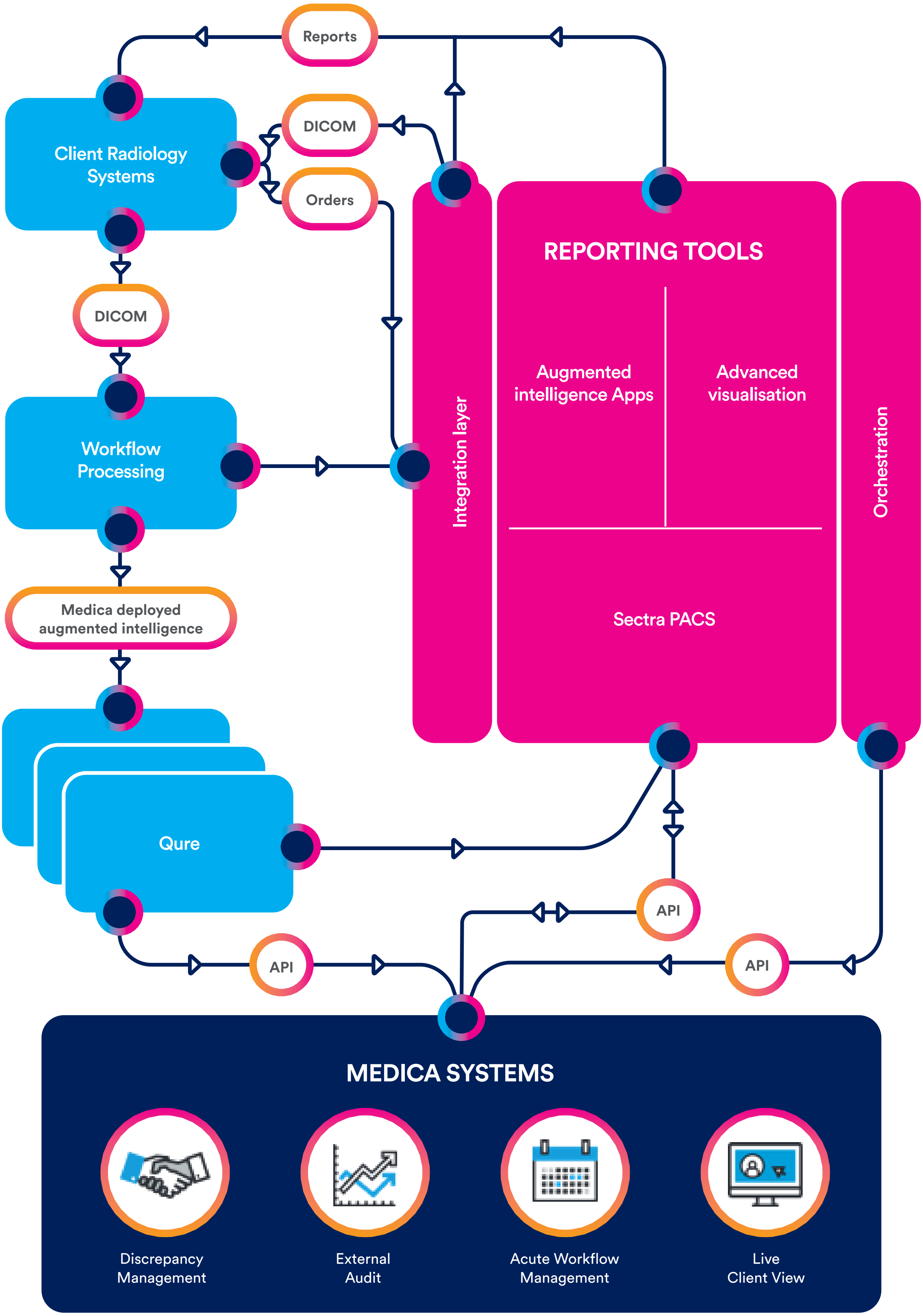
The FutureTech Programme started in earnest in early 2020.

During 2020, Medica undertook:

- A full procurement exercise to identify the provider for the new PACS system;
- An evaluation of AI providers and the type of algorithms that would best suit the Medica workflow;
- A review of the Advanced Visualisation Tools in place and future options;
- An exercise to capture the orchestration requirements for the initial phase of the programme.

Furthermore, we have:

- Assembled a dedicated team of new and existing team members with a range of project management, software development and specialised imaging software expertise focused on delivery of this exciting project;
- Evaluated and implemented the q.ER algorithm from Qure.ai for identifying intra cranial haemorrhage;
- Selected a new PACS partner and signed a contract with Sectra;
- Commenced design of the new PACS solution.


Reports
Client Radiology Systems
DICOM
Orders
DICOM
Workflow Processing
Medica deployed augmented intelligence
Qure
Integration layer
REPORTING TOOLS
Augmented intelligence Apps
Advanced visualisation
Sectra PACS
Orchestration
API
API
API
MEDICA SYSTEMS
Discrepancy Management
External Audit
Acute Workflow Management
Live Client View

Delivery: FutureTech
continued

The benefits of the FutureTech Programme

The key benefits of the FutureTech Programme are:

A greatly enhanced user experience for Medica Reporters

In the evaluation of the new PACS solution, all clinicians involved highlighted the significant improvements in the Sectra viewing technology.

Rules-based automatic allocation will mean that more studies will be allocated on a "right first time" basis, improving turnaround times for clients and productivity of reporters.

New "prior image" rules will mean reporters will be assured they have all the studies that they need, when they need them to be able to undertake the highest quality diagnostic reports.

Improved turnaround times for clients

Closer integration with clients will reduce the administration time for the client and allow Medica to extend its partnership capabilities e.g. to help clients to manage their reporting lists.

Automated allocation will mean that studies will be allocated to reporters as speedily as possible, thereby removing administrative delays in the process.

Integration with workforce management will mean that studies can be allocated to active reporters, rather than being placed in a worklist and waiting for a reporter to connect.

Better tools for reporters

The augmented intelligence and visualisation tools will provide reporters with the highest quality reporting tools available;
enabling our reporters to provide the highest quality diagnostic reports back to referring clinicians in a seamless manner.

Improved outcomes for patients

Our augmented intelligence tools will improve the prioritisation of studies to ensure that the most urgent are reported first with results being returned to referrers as quickly as possible. AI tools will also support radiologists to highlight abnormalities on scans such as very small ruptures in blood vessels that are very hard to detect. Overall, this quality improvement will provide another reason for clients to decide to work with Medica.

Plans for 2021/22:

The FutureTech Programme will continue throughout 2021 and 2022. Key deliverables will be:

- An extension of the current Advanced Visualisation Tools
- An 'abstraction layer' which forms an interface between the new PACS Application Programming Interface (API) and existing Medica systems
- The next Augmented Intelligence algorithm
- The first iteration of the new PACS product
- The first iteration of the Integration Layer.

Throughout 2022, there will be further iterations of all of the components but the key deliverable will be the second iteration of the PACS system which will include new orchestration rules, integration with Workforce Management, the first steps of automatic allocation and a much closer integration with client systems.

Delivery: GDI

Interview with Global Diagnostics Managing Director Caroline Byrne

Can you explain the background to Global Diagnostics Ireland (GDI) and how the business is positioned in the Irish market?

Global Diagnostics originated in Western Australia in 1996, providing live remote ultrasound reporting for scans taken in locally for Australia's aboriginal communities. The business model grew to encompass additional teleradiology reporting for other modalities before arriving in Ireland to form Global Diagnostics Ireland in 2007 and becoming part of Centric Health.

Centric Health at that time had launched their minor injuries clinics, Vhi Swiftcare with Ireland's leading private insurance provider Vhi and were looking for a solution to reduce the turnaround times for radiologist reporting of the X-rays and to bring the provision of the staffing and equipment in-house. The acquisition of Global Diagnostics solved those conundrums. This service now provides end to end X-ray provision, within the Swiftcare Clinics, 365 days a year, for circa 40k patients per year.

Shortly after the successful commencement of scanning and reporting plain films in Vhi Swiftcare, came Ireland's first "diagnostics in the community" tender for X-ray and ultrasound full-service provision for the Irish public health service, the Health Service Executive (HSE), in Arklow Primary Care in County Wicklow. The HSE planned to set up the service as a locally funded programme only accessible to the GP population in the local area. GDI were awarded that tender, and remain the service provider for the community 13 years later, and it has been an outstanding success for the patient population who previously had to travel to Dublin or Wexford to access any diagnostic imaging service.

As the proverb goes "great oaks from little acorns grow", and that first HSE engagement in Arklow and its success demonstrating the teleradiology model, enabled GDI to offer solutions to HSE Hospitals in Ireland struggling with radiologist access and shortages. In those early days there was no National PACS solution and in fact some hospitals had no PACS at all, often the service provided access to GDI PACS and provision of a digitiser and staffing onsite to mobilise the images for remote reporting.

This development of "bespoke, tailored solutions" became the GDI unique selling point as other providers created their own niche in full diagnostic centre and modality provision across Ireland. As the HSE programme for a National Integrated Medical Imaging System (NIMIS) became a reality in 2011-2012, GDI was positioned to become Ireland's first true teleradiology provider as we migrated from those bespoke reporting solutions in several HSE hospitals, to continuation of their "live-time" reporting on the NIMIS platform. In one hospital case study, upon commencement with GDI teleradiology reporting, their average time between examination and report for all A&E cases fell from 20 days to 45 minutes with urgent cases reported within 15 minutes. The hospital also noted the cost of running the radiology department fell by 29% whilst the hours of consultant radiologist support more than doubled (45 to 96 hours per week).

Global Diagnostics is now Ireland's largest teleradiology provider, reporting for 23 HSE Hospitals with circa 150,000 public patient reports per annum.

What do you see as the opportunity to grow and develop teleradiology services in Ireland?

The teleradiology journey in Ireland is about five years behind where the UK is currently – with the expansion into NightHawk provision in its infancy. GDI has grown its out-of-hours acute reporting services from the support of a roster in one hospital in 2015 to 365 night provision and support or fully outsourced solutions for six hospitals over the last 24 months. We see the development of the NightHawk service in Ireland, paramount to our service offering, migrating to the Medica model of dedicated pathways for stroke and major trauma.

Additionally, the undersupply of consultant radiologists in the public sector (estimated at the moment as 25% below the required per capita levels), is a problem that won't be solved in the near future, and the GDI teleradiology model allows public hospitals in Ireland to ensure faster turnaround times (TATs) allowing referring doctors access to reports sooner, enabling them

to make treatment decisions earlier, which ultimately improves outcomes for patients.

How will the partnership with Medica in the UK help you to grow your service offering in Ireland?

The acquisition of GDI by Medica was a truly exciting prospect from the start, and we could immediately see the opportunities and synergies each side could bring to the other. We see five areas as key to the Medica partnership and development of services for GDI:

1. Business Development
2. Radiologist Access
3. Systems and Readiness
4. Governance and Quality
5. Focus and Expertise

Business Development – for GDI was historically largely reactionary simply due to limited resources and we see the Medica team support and focus instrumental to developing our product and our pipeline.

Radiologist Access – is a reciprocal opportunity with both GDI and Medica having potential access to each other's consultant radiologist panel. The expanse and sub-specialty of the Medica panel will give great leverage to GDI in the further development of the NightHawk service and sub-specialty reporting. The breadth and range of radiologist support will also allow enhancement of GDI MDT, peer review, audit and collegiate support.

Systems and Readiness – the NightHawk platform, the Information Management and Technology team and project support, along with access to in-house experts all give GDI a real competitive edge in Ireland that we otherwise would have spent years and countless commercial and head count resources developing ourselves.

Governance and Quality – Key to the continued success and growth of GDI was the development of clinical audit, quality assurance and clinical governance structures; however the peaks and pitfalls in teleradiology are known extensively by the Medica Clinical Governance team and we see a huge advantage to accessing their expertise and further perfecting the GDI processes. We have learned already that this is an area where shared learning will be key and it has been refreshing to see the Medica Governance team seeking to learn from GDI systems and processes also.

Focus and Expertise – GDI are now working with an Executive Committee and a Board who are focused on telemedicine with a keen insight into what we do and how we can improve our services and our core business. We are already progressing on the development of a detailed strategic focus in Ireland that encompasses the learnings from Medica's vast experience in teleradiology in the UK.

What do you think will be the benefits to the wider Medica from GDI's expertise in managed radiology services?

GDI's formative model of developing flexible services based on bespoke hospital and client requirements, that don't solely encompass teleradiology has seen us create a niche in Ireland for being a solution focused provider. Often a short-term contract such as scanning and reporting within the hospital to eradicate a waiting list has led to GDI being poised to commence teleradiology services as that need arises and the GDI expertise in creating flexible partnerships with clients could lend itself to some strategic partnered approaches in the UK.

Global Vision – interview with Mr Mark Cahill, Clinical Director

What is your background and how did you become involved in delivering diabetic retinopathy (DR) screening services?

I started in DR screening as a trainee doctor. On completion of my training in Ireland I did a fellowship in DR at Joslin Diabetes Centre, Harvard University, Boston, where a lot of the original studies in DR screening originated.

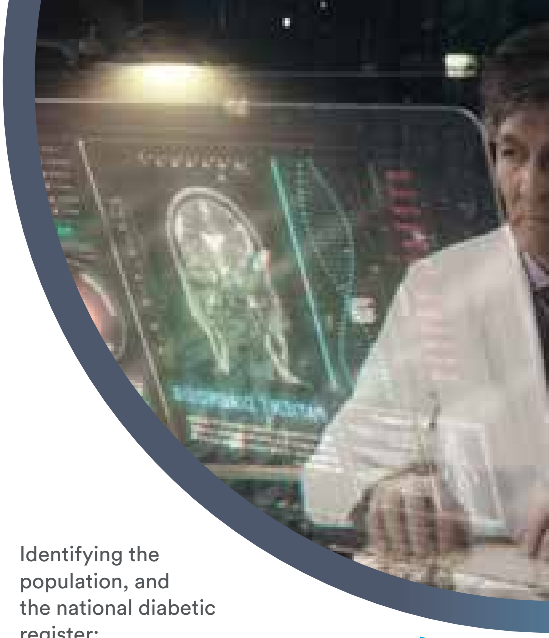
Once back in Ireland, in 2010 I helped reorganise the DR services in the Royal Victoria Eye and Ear Hospital alongside Centric Health. This service was funded by a small grant but was the start of a recognisable screening service and upon the release of the national tender for DR screening in 2012 it was a natural progression to build upon that model and put forward our vision for DR screening in Ireland to the National Screening Service (NSS). The NSS decided for continuity that they would award the national service to two providers, dividing the country geographically, and our tender for Global Vision won the wider Leinster region.

We have been delighted to work in partnership with the NSS for almost nine years now in the DR programme which extended into a DR surveillance programme in 2018. Surveillance is for diabetic patients (although they are known as service users whilst in the screening programme) who need to be monitored more closely as they have signs of potential DR. By mobilising this service within the screening programme we are further reducing the pressures on the treatment centres in Ireland's eye hospitals.

Can you explain DR screening and how this is delivered by Global Vision?

DR is a complication of diabetes, whereby high blood sugar levels damage the back of the eye (retina). There are four stages of DR, and if not treated, they can progress to blindness.

Aside from preventing blindness, the screening programme is also the most cost-effective approach to DR risk as it is relatively easy to screen for and catching the condition early reduces the likelihood of blindness by 96%. The key aspects of DR screening are:



- Identifying the population, and the national diabetic register;
- Providing a non-invasive eye photography test. We do sometimes have to administer eye drops to help capture the best quality images of the retina;
- Ensuring the screening is efficient and timely – we have a defined criteria of timelines, service users need to be appointed, photographed, and results returned to their GP;
- Once DR is detected, treatment is widely available and very effective.

How have you managed to deliver services during the pandemic?

In the first wave of COVID-19 in March 2020, in line with the HSE's measures to stop the spread of the virus and in recognition of the high-risk profile of our service user cohort, we agreed with the NSS to pause the DR programme temporarily. The service ceased for about 12 weeks, but we took that time to develop and hone our COVID-19 risk reduction measures in line with international guidelines and best practice standards.

We introduced a five-element risk reduction plan including:

1. COVID-19 Pre-screening/Risk Assessment – whereby all service users are triaged within 72 hours of their appointment and again by the screener on the morning of the appointment before entering our clinics
2. Social (Physical) Distancing – Global Vision teams introduced bespoke distancing measures for each of our 15 screening locations including the introduction of Perspex screens between our screeners and the service users at the cameras, COVID-19 signage, elimination of waiting areas that did not allow two metres distancing etc.
3. Personal Protective Equipment – we spent March and April coordinating large scale orders of the best quality PPE for our screeners and service users and training was given to all screeners on donning and doffing masks, goggles, and aprons safely

4. Infection Prevention and Control (IPC) Measures – all our screeners were trained on IPC measures including disinfecting the cameras after usage, wiping of doors, surfaces etc.

5. Social (Physical) Distancing – Appointment Capacity – to enable the four points above we had to reduce our overall appointment capacity by circa 30% per day. Screeners have the time to pre-screen the service user before entering the building, ensure IPC of all areas between service users, and to sanitise their own hands. The capacity was also reduced to minimise service users crossing over with each other in waiting or communal areas

Our teams took that paused programme time to upskill in the areas mentioned and focused on areas such as clinical audit, research and cross training in different roles. They really showed their dedication to Global Vision, the DR programme and our service users and were ready to recommence appointing and screening on 1 July 2020 which was a fantastic advancement.

We also had great support from the NSS in this period, and again the partnership approach we have built with them saw our senior teams work together towards the very successful recommencement of the programme.

What part will technological advances such as AI play in delivering services in the future?

AI can be applied in a few ways in DR screening – the first is to assist the graders by identifying whether or not DR disease is present. We have discussed this option with the NSS and have looked to international examples, but it is widely felt that the cost of the AI currently exceeds the benefit it would bring. AI is not advanced to the point that when screening for DR it can detect non-diabetic-eye-disease, whereas our graders are trained experts in detecting this. Conditions like swollen optic discs, eye cancer or the more common eye debilitating disease macular degeneration, have all been found as part of the screening programme and with GPs notified, the service users are referred on for treatment.

A number of areas we are keen to explore in the future in terms of AI support are analysis of patient “Do not attend” rates, where we can seek to get more information from AI on the reasons for non-attendance and the profile of patients in the cohort. AI analysis of surveillance photographs from the OCT images would also be a keen progression – this is a binary function – are there cysts visible on the OCT or not? Photography capture is another area in which AI could potentially support diabetic retinopathy programmes. In future, it should be possible to have your diabetic eye screen in the future in a kiosk with reduced human intervention.

Delivery: Enhanced Patient outcomes

Annual report – Delivery – NightHawk evolution

CEO Dr Stuart Quin speaks with Clinical Director Dr Robert Lavis about service quality improvement in the NightHawk service.

SQ: Robert could you outline the remit of the NightHawk (NH) service?

RL: The Medica NH service provides reporting of emergency and urgent studies for clients across the UK. During daylight hours this is badged as "DayHawk" and out of hours it is "NightHawk" (NH). A large proportion of the work is triaged straight to scan through protocol driven pathways underpinned by clinical evidence and National Institute of Clinical Excellence (NICE) guidance. The service also provides the Ionising Radiation (Medical Exposure) Regulations (IRMER) 2017 requirements for more involved studies that require discussion with and justification by a consultant radiologist (practitioner) prior to scan.

SQ: What areas of the NH service have developed in recent years?

RL: In the last two years the Clinical Governance, Service Delivery, Accounts, IT and Reporting teams have worked collaboratively to enhance two main areas for patient care under the umbrella of NH. These were chosen due to their importance in terms of individual patient time-critical disease process management.

The first area is trauma. Working with a large London teaching hospital, we have worked to ensure timely delivery of a written and verbal Seriously Injured Patient (SIP) report to the team in the clinical environment alerting them to and allowing the urgent management of significant pathology – for instance acute haemorrhage, pneumothorax, intra-cranial bleed, spinal injury.
The second aspect has been the improved conformance by reporters in the use of a structured reporting template that ensures that all aspects of the study are covered and communicated effectively to the client referral team at Medica. The combination of these two actions has resulted in a more uniform approach to the reporting of trauma cases. We have now begun to successfully roll this structure out to other clients.

The second area has been in the management of acute stroke. The Reporter Liaison team and Recruitment team at Medica have been busy improving the 24/7 coverage of our acute service by specialist neuro-radiology reporters. In concert with this we have taken a pro-active approach to reporting, setting a target of 10 minutes for the initial impression of the CT head study to be communicated verbally to the client. This allows rapid decision making as to whether or not a patient receives thrombolysis (clot-dissolving) medication to try and improve the outcome. This has involved close co-ordination of cases by the NH Administration team with the reporters, workflow development through the NH Portal and excellent communication. As the stroke services are evolving in the NHS, some sites are also including a CT angiogram (blood vessel study). This can be utilised for assessing potential interventions such as mechanical thrombectomy and to assess presence or absence of collateral blood flow to ischaemic areas that will give prognostic information on outcome.

SQ: I believe that the team have also considered human factors involved in the NH process?

RL: Yes, it is acknowledged that working in a high pressure environment such as the NH service is akin to railway and airline safety management. Therefore, it was felt appropriate to arm the NH team with the knowledge and skills developed in those arenas. This has involved analysing where communication and process can fail and developing skills such as "NATO speak (Alpha, Bravo, Charlie, etc)" and "read-back" to reduce error. The Executive team have also undergone a similar training process. In the future we will be looking at how we can share these skills and developments with the larger reporting team.

SQ: What are the challenges for the coming year in the NH process?

RL: We will continue working as a team to ensure an effective reporting service. This requires a multi-faceted approach.

Close liaison with clients will ensure correct use of the NH Portal, reducing the number of times that our team need to create proxy entries and ensuring that studies are labelled correctly if they are intended for expedited pathways (e.g. trauma, stroke).

We have worked hard this year to increase adoption by client sites of the up to date Medica NH protocols. We have already achieved roll-out of these new protocols at over three quarters of our clients and in 2021, we want to increase adoption further. This has required a co-ordinated cross-team approach with a strong clinical lead from Dr Stephen Davies, Medical Director. There are many advantages of protocol driven pathways including reduced calls for referrers, efficient transfer of patients to imaging, reduced interruption with unnecessary calls for reporters and increased reporting throughput. We will continue to encourage clients onto the updated version of our protocols during 2021.

The Reporter Liaison and Recruitment teams will continue working hard in 2021 to ensure we have the correct number of reporters with appropriate credentials covering the NH service. We have appointed many excellent reporters during 2021 in the UK, Australia and New Zealand, and we will be working with them to utilise their reporting capacity with Medica in the NH service.

SQ: What further evolutions can we anticipate for the NH service?

RL: We are developing a new pathway for acute abdominal imaging along the principles of the trauma and stroke pathways to ensure time-efficient image transfer and scan reporting. We will be developing a strategy for deploying the NH service in Ireland with our recent acquisition of GDI and their reporter capacity.

The oversight and quality management of the NH service is about to be brought under a quality framework approach to govern and drive future evolution and to assure ongoing quality of the current service.

For obvious reasons, the focus of IT developments for 2021/22 will be on the FutureTech programme. However, we would like to develop further enhancements of the NH Portal to improve communication aspects, reduce "clicks" and improve the user experience.

SQ: Thank you, Rob. I look forward to hearing how this shapes up through 2021 into 2022. You have described a collaborative approach to this service which certainly will benefit patient care and exemplifies all the Medica core values.

CSR & ESG

Environmental, Social and Governance (ESG) at Medica

The Group remains committed to embedding the three pillars of ESG within our business and have established a clear strategy that is meaningful to our employees, customers and investors. As a healthcare services organisation, we appreciate that some areas of ESG are more relevant than others. As such, we designed a clearer vision for our strategy that is governed by the ESG subcommittee of the Medica board currently chaired by Roy Davis. Our approach to ESG has been based on the established FTSE Russell model. Below we have outlined the breakdown of each area of focus within our Group framework along with commentary regarding annual progress. Lastly, the 'ESG spotlight' section of the Annual Report highlights some examples of where ESG has positively impacted our business during the year.

Our supply chain

Environmental

1. Climate change
2. Energy utilisation

Social

3. Our people and standards
4. Human rights and community
5. Social impact and responsibility

Governance

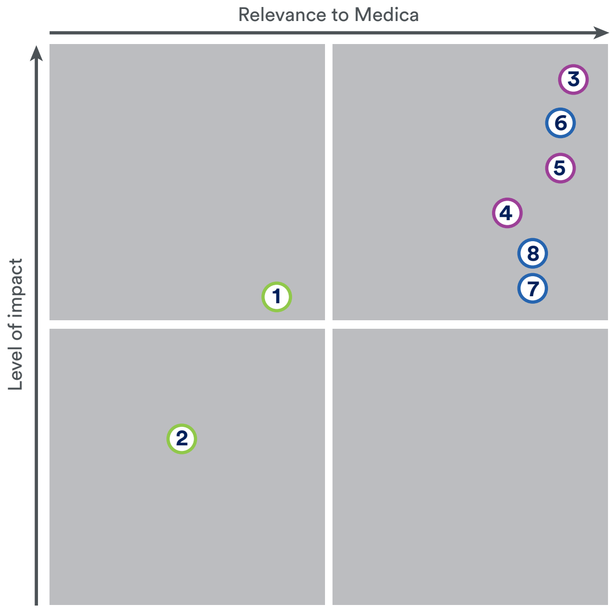
6. Governance and risk management
7. Anti-bribery and corruption
8. Tax and financial transparency

As certain areas of ESG are more relevant to Medica they therefore have a greater bearing on the current and future success of the Group. We have assessed the ESG categories and reflected the level of relevance and impact on our business as shown in the chart below:

Relevance: Of the category on the Group's activities.
Level of impact: On the current & future success of the Group.

We currently consider the following areas from the FTSE Russell model to have minimal relevance and/or impact on the current and future success of the Group based on our existing business model:

- Biodiversity
- Water use



Category	Commentary for 2020
1 **Climate change**	Medica actively considers its environmental footprint and the impact that decisions may have on the environment and particularly climate change. As a technology & services Group with most of its staff either working from home or employed in one office location and radiologists contracted mainly from their own homes, we believe our own environmental footprint remains small. In response to the COVID-19 pandemic and as a result of transitioning our staff to remote working, travel and office usage has been minimised during the year resulting in a reduction in carbon footprint. In future, we expect our teams to continue to work from home more than they did before the COVID-19 pandemic. We are likely to adopt a hybrid model of working part-time in the office and the remainder of the time at home. So, we expect this impact to have a lasting effect. We have continued to reduce our carbon footprint on travel further through strategic partnerships that leverage existing delivery networks rather than delivering reporter workstations ourselves. This has resulted in reduced lead times, quicker overall deployment of workstations and an improved reporter experience. We continue to maintain our clear approach to recycling by encouraging those in the office to use conveniently placed bins for standard paper & plastic recyclables, and separate secure confidential paper recycling. A target for 2021 will be to continue to drive recycling of higher value items such as redundant workstations, laptops, PCs and cabling etc. Medica has a process that has been adopted for equipment used internally in the office, but needs to improve the recycling of non-office based equipment.
2 **Energy utilisation**	**Energy and emissions report** Further to the energy efficiency actions detailed in section 1 above, the Group has disclosed its Streamlined Energy and Carbon Reporting, by calculating its energy usage and emissions as follows:

	2020[1]	2019 (comparative)
UK energy use (kWh)	**44,263**	60,346
Associated greenhouse gas emissions (Tonnes CO_2 equivalent)	**31.4**	42.8
Intensity ratio (Emissions per 100,000 reported body parts)	**2.71**	2.20

[1] 2020 energy usage excludes Ireland since acquisition on 3 November 2020 as this was immaterial to the group's energy use for 2020.

The Group applies the GHG reporting protocol as its method of reporting Greenhouse gas emissions:

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 emissions for the year is zero. Scope 2 emissions are limited to the Group's head office building in the United Kingdom. Note, the Group has chosen this year not to make the voluntary disclosure for Scope 3 emissions.

The calculations in the above table are derived from electricity meter readings for lighting and power and emissions have been calculated using the EPA's greenhouse gas equivalencies calculator.

CSR & ESG
continued

Category	Commentary for 2020
3 **Our people and standards**	Our people are our most valuable asset. They have been vital to our success so far and to our future story. **Diversity:** We are proud of the mixture of talent and experience the people who work for us 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 our customers. 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, ethnicity, full or part-time status, disability and marital status. We also apply these principles to the recruitment of our contract reporters. We recognise that a diverse workforce will provide a wide range of perspectives that promote innovation and business success. The Group has a formal equal opportunities policy to ensure no employee or applicant is discriminated against. In 2020, we added 25 full-time and 2 part-time employees to the team. At 31 December 2020, Medica had 113 full-time employees and 21 part-time staff of which 74 were male and 60 were female. Of the senior members of management, 5 are male and 2 are female. We also had over 500 contract reporters registered and working in our service of which 79.6% were male and 20.3% were female. **Training and development:** We have delivered a leadership programme for our management team, providing them with the skills and tools needed to deliver the Group's strategic objectives and goals. Our team has developed and deployed a suite of e-learning modules for new reporters during induction process, resulting in improved reporter engagement and streamlining of service. Medica has remained committed to providing development opportunities to its talented workforce and this has led to internal promotion on 12 occasions during the year. This enables the Group to develop a loyal and highly engaged workforce whilst reducing external recruitment costs. Medica continues to adopt a "grow your own" approach to talent and where possible, will seek to fill internal roles by offering existing team members the opportunity to grow and develop within the organisation. **Engagement and culture:** The Group defines its employee performance management by setting company-wide strategic objectives that are cascaded and aligned to all members of staff. Performance is reviewed and managed via an annual appraisal process and regular meetings between management and their teams. Our corporate rebrand introduced new company "values" and these have being embedded into our people framework, as well as our annual performance and development process. We will be further embedding the values into our performance evaluation during 2021. Having an engaged staff and reporter workforce is vital to our current and future success. Medica holds regular "town hall" style meetings to share key progress updates and good news stories. We also provide regular communications to our employed workforce and to our contracted reporters. These are also delivered through our employee and reporter newsletters along with the opportunity to highlight and introduce members of the team. Our Non-Executive Director responsible for workforce engagement, Jo Easton, hosted a number of employee forums throughout the year to hear directly from our staff on a variety of topics and to provide feedback on how our people strategy is performing. Topics addressed included working at Medica and responding to the challenges posed by the pandemic, understanding Medica's strategy, culture and newly introduced values, communication and pay and reward mechanisms. A formal Board review of the output and feedback took place in December 2020. In addition, in 2020, Medica developed a programme of regular training and education sessions both for radiologists and radiographers, but also for Medica employees. These are well attended and help to disseminate information and best practice training across the group. Finally, recognising and rewarding our staff is at the heart of what we do and at the end of 2020, colleagues and the leadership nominated individuals who embodied Medica's values and we celebrated their success at our virtual Company Awards event. **Recruitment:** The Group has continued to invest in our dedicated recruitment team who help 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, which 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. The Group have also brought the recruitment of internal staff vacancies in-house, with successful placements, increased engagement levels during the year and reduced external recruitment agency costs.

Category	Commentary for 2020
4 Human rights and community	Medica publishes a modern slavery statement in line with the requirements of the Modern Slavery Act 2015. We have a Modern Slavery Policy that reflects our commitment to act ethically and with integrity in all our business relationships. The Policy is communicated to all workers to ensure they understand our responsibility and attitude towards modern slavery. Our wider policy suite instils ethics and integrity across the organisation. We conducted a review of the hourly rate of all staff and workers in 2019 to satisfy ourselves that the National Minimum Wage and National Living Wage were being paid in all circumstances. We continue to maintain this position and obtained the National Living Wage accreditation in early 2021 as a further statement of our commitment. Our business continues to help improve the day to day reporting experience for our consultant radiologists and ultimately improving patient outcomes. There remain many ancillary benefits to the NHS of teleradiology other than reporting capacity. The fact is, that radiologists want a more flexible portfolio career that allows specialisation and teleradiology is a great way to do this. Our reporters continue to augment their expertise by focusing on particular types of reporting which benefits the NHS. Medica's clinical audit process is quite different from the NHS and is valued by our radiologists. They receive a different kind of feedback on their own reporting and we also share the best learning points from our data output. This helps develop their NHS practice and is an important benefit of working for Medica. We operate in accordance with the Universal Declaration of Human Rights and take account of other internationally accepted human rights standards. We also promote human rights through our employment policies and practices, through our supply chain and through our services.
5 Social impact and responsibility	Our Group's core business model relies on us to continually "“do well by doing good". Medica's aim is to offer the highest quality service to our doctors, customers and in turn, their patients. Through our business model and strong company values, we believe that we will have a positive impact on our people and the Group's future growth. During the year we continued on the journey with our charitable partner RefuAid to support a refugee doctor. At the time of the first national lockdown in March, we also provided a pro bono "pass through" service to our NHS customers. There are more details on this in our ESG spotlight section below. The whole team is proud to work for a company that makes a real difference to improving patient welfare and contributes to saving lives. Our core NightHawk and routine services do this by providing high quality complex reports back to hospitals quickly to direct the care of the patient. We are always looking to innovate and improve the quality of our services and recent examples of this are the investment in developing the stroke pathway and the major trauma pathway. Training mentioned above to improve critical communication is directly aimed to improve patient outcomes particularly in time-sensitive conditions such as stroke. Other examples are the development of the radiographer reporting service and the emphasis on new Specialist Services which widen the range of services provided to customers.

Category	Commentary for 2020
6 Governance and risk management	We have continued to build and develop our risk management framework and this has been further embedded into our business. During the year we aligned risk, project and performance management. Further information on this can be found in the risks & uncertainties section on pages 38 to 41. Clinical governance remains paramount to the delivery of our critical services. We have implemented clinical protocol improvements for stroke and multi trauma cases on our Nighthawk service line and rolled these out to our clients. This has streamlined the process and reduced turnaround time for patients. The Group utilises regular reporting that is consolidated by the Medical Advisory Board, led by our Medical Director. This information is shared upwards with the PLC Board and highlights potential clinical risk, enabling the board to review and manage this in line with the Group's wider risk framework. We continued to review our approach to cyber security and data protection during the year and successfully deployed some new technical controls to mitigate against internet based cyber threats. We have increased the level of protection for our staff, reporters and importantly our customer data. Cyber risk is reviewed as part of our wider risk management strategy and was regularly reported on to the senior management team and board.
7 Anti-bribery and corruption	We continue to maintain and implement policies to ensure adherence to regulations on anti-bribery, anti-corruption and anti-money laundering. We reviewed our policies and process with external auditors to ensure continued adherence with the Criminal Finances Act 2017.
8 Tax and financial transparency	Medica maintains and implements policies that demonstrate commitment to adhere to regulations on tax and financial transparency. We refrain from using offshore jurisdictions for tax planning and our tax payments are aligned with revenue generating activity.

CSR & ESG
continued

In the ESG Spotlight

Pass Through Service for the NHS

5 6

In response to the increased strain that COVID-19 placed on NHS hospitals, Medica has worked in collaboration with radiology departments to leverage our network of reporting capabilities. We offered our clients a "pass through" service to facilitate the home reporting of their own work by their staff on our infrastructure. This was provided on a pro bono basis during 9am - 5pm weekday NHS contracted hours throughout the year.

The service has enabled NHS hospitals to utilise their radiologists or reporting radiographers who contract with Medica, to continue to report from home when required to self-isolate due to COVID-19. As a result, Medica has strengthened its relationship with clients and continues to demonstrate our core values.

RefuAid Partnership

4 5

Medica continued its partnership with RefuAid by sponsoring a refugee doctor from Syria. In November, our staff embarked on a challenge to collectively cover a distance of walking, running and cycling over 3,000 miles. This increased engagement with our employees who fundraised £16,000 after successfully completing the challenge. The fundraising efforts by the team are helping the individual to work towards a GMC registration and long-term goal of working for the NHS. More information on our partnership with RefuAid and an interview with Dr Mohammed Jalaleddin can be found opposite on page 31.

Flexible Working

1 2 3

Medica has always adopted a flexible approach to our workforce and we continue to do so. The vast majority of our reporters work from their homes and this continues to remain one of the attractions of our remote working model. The Group has existing policies in place for staff and enables flexible working arrangements that support both the company and the individual. In early 2020 we shifted our entire workforce to remote home working ahead of the first national lockdown and the majority of staff continued to work in this way throughout the year. We have begun developing a flexible working policy that we plan to deploy after the COVID-19 pandemic has come under control. This will further offer our workforce the opportunity to balance their own needs whilst we continue to provide our critical services to clients, our reporters and patients.

Human Story: Charity Partnership with RefuAid

In November, the Medica team devised a virtual challenge of collectively walking, running, cycling, and swimming the distance between Latakia in Syria – the home of Dr. Mohammed Jalaleddin – and Dublin – the home of Medica's recent acquisition – an impressive total of 3,064 miles. The team raised over £14,000 much-needed funds for RefuAid; Medica's charitable organisation partner.

We live in a country where highly skilled medical staff, fleeing war and persecution, find themselves forced to work in low-paid survival jobs such as cleaning or waiting tables, due to the highly requalification costs. Medica has teamed up with RefuAid to help support refugees in the UK to return to their highly skilled profession. Many of the healthcare professionals supported have extensive experience in very challenging environments and have skills vitally needed within the UK healthcare sector. Not only can we provide financial support and advice, but we also hope to leverage our network of clients and reporters to help radiologists and radiographers back into work within healthcare.

In 2020 we sponsored Dr. Mohammed Jalaleddin, a refugee and experienced radiologist from Syria. Dr. Jalaleddin is currently working towards his GMC registration with the goal of practising as a radiologist in the NHS. He obtained his primary medical qualification in 2005 and worked in radiology between 2009 and 2012 when he was forced to stop working because of the war.

Since arriving in the UK he has successfully completed his Professional and Linguistic Assessments Board (PLAB) Part One and is currently studying for PLAB Part Two.

Philip Bradley
Head of Reporter Liaison
met with Dr Jalaleddin

Q Could you share with us your journey from Syria to the UK?

A Our story started in 2012 when we had to move from my home city, Latakia, to the countryside where we lived for more than a year, until ISIS took control over the area. We had to make a difficult decision and leave Syria. As a woman, my wife was a higher risk, so we urgently arranged for her to leave for Turkey, and then apply for asylum in the UK. My children then joined her in 2016. For me, I had to take a difficult journey from Syria to Jordan, travelling through many dangerous places. I then lived in Georgia for about 6 months until my visa application was approved, and I was able to join my family in the UK.

Q Could you share with us how your interest in radiology started?

A I decided to specialise in radiology when I was in my fifth year of medical school. I realised that the most rewarding part of the job is the diagnostic process, finding out what is wrong with the patients. Being a radiologist allowed me to make this diagnosis and help the clinician decide the treatment plan.

Q What do you like most about the NHS?

A I think the NHS is one of the best things about the UK, because the system allows anyone to have access to the best possible healthcare regardless of wealth or position. I also like the values of the NHS, especially how the patient always comes first.

Q What are your goals?

A My initial goal is to start my career as a radiologist, but this has been slowed down because of COVID-19. My next step is to pass my PLAB 2 exam so I can then become GMC registered and a qualified radiologist in the UK.

Q How has RefuAid supported you?

A RefuAid has supported me in many ways, starting with enrolling me into a very good English school. They covered almost all my expenses, so I could focus on my study. They later introduced me to different organisations that could help me progress into my career and provided me with the materials I needed. I cannot put into words how helpful they have been to me and how grateful I am for their support.

Q How can Medica help radiologists like yourself and how can we leverage our extensive network of radiologists at such a tough time?

A I think Medica can make a real difference by providing funding for radiologists to be able to requalify in the UK, but more than that, Medica has a huge network of NHS clients who could potentially help newly UK qualified radiologists, who are also refugees, to find posts within their hospitals.

Q How have you settled into life in the UK?

A I moved to the UK in 2017 to join my wife and children, who moved here in 2016 and settled in West London. When I first moved here, I faced some difficulties such as learning a new language. I volunteered for Oxfam to improve my language skills and learn about the culture. It is also how I learnt about RefuAid and how they could support me.

Q What is your favourite thing about the UK?

A Before coming to the UK, I liked many things about this country such as the history, english films and the education system. When I moved here, I was most impressed about how much diversity there is, as you can meet people from different backgrounds to learn about the traditions from their cultures. Which is, I think, really difficult to find in any other place in the world.

CEO Review

“Medica has demonstrated the resilience of its business model in the face of a global pandemic and is emerging well-placed to support its clients as their elective services recover. A broader range of telemedicine services coupled with a more international business will provide Medica with additional opportunities to drive future growth and diversify its revenue base.”

Dr Stuart Quin
Chief Executive Officer

Medica has the aspiration to lead the way in telemedicine. Whilst Medica remains the market leader in teleradiology reporting in the UK, in 2020, Medica added market leadership in the Republic of Ireland and in 2021 has already expanded into the clinical trials field via an acquisition in the US and also took the strategic decision to establish a joint venture partnership in the Australian market.

Medica has demonstrated the resilience of its business model in the face of a global pandemic and is now well-placed to support its clients as their elective services recover. A broader range of telemedicine services, coupled with a more international business, will provide Medica with additional opportunities to drive future growth and diversify its revenue base.

Growth impacted by pandemic, but elective procedure backlogs building up

Medica was fast to react to the unfolding pandemic in March 2020. As lockdown loomed, the Company had already tested its home working contingency plans. Whilst Medica reporters by virtue of the systems and processes the Company deploys, are set up to work from home, the central services team is office-based and so needed to react quickly. This shift to remote working was testament to the agile behaviour and ‘can do’ attitude of the team at Medica and I would like to start my report by recognising the speed at which the team responded to the challenge of COVID-19 and how well they were able to adapt and provide support to clients who in turn can do the same for their patients.

Medica was also fast to assist clients as the COVID-19 outbreaks occurred in hospitals. The Company was able to leverage its installed base of well over 500 workstations to enable radiologists working for our clients to report from home, rather than risk going into the hospital to do so. Over 20,000 reports were allocated by Medica’s team on a pro bono basis during the initial COVID-19 outbreak – a service which extended throughout the pandemic into 2021. Medica was also fast to deploy a specialist COVID-19 chest X-ray protocol to enable accurate and rapid reporting. In addition, we liaised with the NHS Nightingale hospitals to provide imaging reporting on standby, but thankfully our services were never required.

Whilst radiology activity reduced across the NHS last year due to a combination of focus on seriously ill patients, staff shortages, a need to socially distance patients and to disinfect scanners between appointments, most procedures for which imaging was requested have been deferred rather than been cancelled.

Based on NHS statistics published in April this year, there are now a total of 4.7 million people waiting for hospital treatment. That number is set to rise to what the NHS Confederation believes could be as many as 6.9m cases by the end of the year as people finally visit a GP. According to the most recent figures, the number of people who have been waiting for at least a year has increased from 1,613 before the pandemic struck to 304,044. This represents an unprecedented demand for NHS imaging services. Medica expects there to be a significant focus on scanning these patients in 2021 to reduce the backlog. This will be dependent on controlling viral epidemiology and increasing immunisation across the population. Once these are under control, then we can expect the NHS to accelerate activities and expand imaging capacity to address the huge demand on its services.

In anticipation of this, the Company continued to recruit radiologists in 2020 for both our NightHawk and Elective reporting work and increased its rostered reporting hours (the Group’s revised measure of true radiologist capacity) by 13% YoY. Medica has close relationships with its clients’ radiology departments and will ensure that it has sufficient capacity to meet this anticipated demand when it materialises into images that require interpretation.

FINANCIAL METRICS

Revenue of
£36.8m

Underlying operating profit of
£5.0m

Underlying EPS of
3.47p

OPERATIONAL

Increase in reporter hours of
13%
year-on-year

Number of reported body
£1.16m
Down 40% on 2019 (COVID-19 impact)

NightHawk turnaround time of
23 minutes

NightHawk SLA
98%
Up 1.7% from 2019

Progress against strategy

Launch of FutureTech programme – on track to deliver

In March 2020, I announced a new programme that will replace the current PACS, as well as automate and improve many of the currently manual legacy processes involved in allocation and reporting of images. In December 2020, Medica signed a contract with Sectra, an expert in delivering PACS solutions. This ambitious programme will deliver a new PACS in Q1 2022 and is expected to require up to £6 million investment over the period until 2024. This will be the platform upon which Medica can deliver improvements in the automated allocation of cases to reporters and more easily deploy Augmented Intelligence (AI) and Advanced Visualisation solutions to enhance the quality of reporting.

Medica has invested in a dedicated team to deliver the FutureTech programme. Delivery of the new reporting system will improve the experience for reporters and over time, drive operational efficiencies and operating leverage in the business.

Successful pilot and launch of Augmented Intelligence tool to detect brain bleeds in stroke patients.

Also in March 2020, I set out Medica's approach to Augmented Intelligence and announced a partnership with Qure.ai, a leading expert in AI solutions for radiology based in Mumbai. I am pleased to announce that within nine months, Medica has been able to conclude two detailed pilots of the AI algorithm for stroke called "qER" and launch into live clinical practice in December 2020. To date over 50,000 live clinical reports have been completed using this decision support tool and feedback from radiologists and our clients has been overwhelmingly positive. Radiologists are finding that the "qER" tool enhances their own diagnoses, but occasionally, and importantly, highlights evidence of bleeding that is hard to detect by human eye. This tool, the first launched into clinical production by a teleradiology company in the UK, therefore further differentiates Medica's NightHawk service and is another reason for clients to choose Medica to handle their urgent, out-of-hours reporting.

Medica is planning to deploy further AI decision support tools to improve quality and increase efficiency once the first stage of the FutureTech programme has been delivered.

Allied to this is the investment that Medica made in 2020 to revise and roll-out new protocols for reporting stroke and major trauma. Medica has trained its specialist radiologists to report using these best practice protocols and again, these quality improvements have been well received by clinicians and clients.

Entry into Ireland and diversification of service offering

In 2020 and into 2021, Medica accelerated its strategy to internationalise its core business and made progress to diversify the range of telemedicine services it offers.

In November 2020, Medica acquired GDI, the market leader in the nascent, but fast-growing teleradiology market in the Republic of Ireland. This exciting acquisition was conducted during the initial recovery from the first COVID-19 lockdown. Whereas Medica's core Elective reporting business was heavily impacted by the pandemic, GDI's business was less impacted since as well as conducting radiology reporting services, GDI also provides a wider 'managed service' offering which includes scanning patients. This means that GDI is better able to capture reporting activity. Additionally, GDI was successful in negotiating with the HSE (Health Service Executive, the national health service in Ireland) to manage the costs of service delivery. This is particularly true for the ophthalmic screening service provided by GDI called Global Vision. This service provides 'back of the eye' retinal screening services to diagnose diabetic retinopathy in around half of the Irish population. This represents a new telemedicine service and revenue diversification for Medica.

I am very pleased that the management team of GDI is equally excited by the prospect of joining Medica and with the initial phase of integration complete, the combined team is now focused on driving growth and ensuring sufficient capacity to support the anticipated demand that will come as the backlog of elective cases are managed in Ireland. Integration of the company is advanced and should be completed by the end of the first half of 2021.

CEO Review
continued

Strategic approach to access radiologist capacity and new opportunities in Australia, New Zealand and beyond

In February 2021, Medica established a 50:50 Joint Venture with Integral Diagnostics Limited Pty (IDX); a leading provider of radiology services in Australia and New Zealand that is listed on the Australian stock exchange. This innovative partnership, MedX, will have multiple benefits for both IDX and Medica:

1. Working in collaboration with the joint venture, Medica will be better able to source UK certified radiologists to support its growing NightHawk service that remains predominantly supported from the UK during the night-time. This offers more flexibility as Medica grows, but also means that a contingent of urgent out-of-hours reporting is conducted during daytime hours in Australia and New Zealand.

2. In time, the joint venture will jointly bid to run teleradiology reporting services in Australia and New Zealand. Clients will benefit from the local knowledge and expertise of IDX coupled with Medica's experience of delivering teleradiology reporting at scale.

3. Further, the joint venture aims to target new markets where the expertise of both partners can be leveraged to unlock new opportunities.

Acquisition of RadMD and associated equity fundraising

In March 2021, Medica announced the acquisition of RadMD, a high-quality US based imaging Contract Research Organisation ("iCRO") business based in Conshohocken, Pennsylvania.

The company was established in 2006 by two leading experts in imaging clinical trial design and execution, Dr Richard Patt and Dr Kohkan Shamsi, and the company has growth to become a key quality provider of iCRO services to Pharmaceutical and Biotech clients and to other CRO's. RadMD offers a broad spectrum of imaging clinical research services including the full management of all imaging aspects of clinical trials, expert image review and consulting services with expertise particularly in design of early-stage trials with imaging. Medica and RadMD both focus on providing specialist interpretation of CT, MRI and X-ray images. However, whereas Medica focuses often on highly time sensitive diagnostic reporting of images from patients in hospital, RadMD's radiologists and medical experts read images under strict regulatory protocols as part of multi-phase clinical trial studies. The business also includes an institute focused on the training of clinical trial sites and sponsors.

The company has grown rapidly and now counts a wide range of pharmaceutical, biotech, medical device and contract research organisations (CROs) among its clients, with an excellent reputation in the market. The business employs a team of 16 full-time employees, a full-time consultant and 1 part-time employee in the US working alongside more than 250 radiologists specialised in reading scans for clinical trial purposes who are contracted to provide these services as required. Whilst the business covers a range of therapeutic areas including Central Nervous System (CNS), cardiovascular and medical devices, its particular expertise is in early-stage Oncology imaging studies.

Medica will support the Principals, Dr. Patt and Dr. Shamsi, as well as the wider team at RadMD to build on their success to date by providing more operational and strategic support.

To fund the $16.3m (£11.7m) initial consideration, in March 2021 we completed a 9.9% combined equity placing and direct subscription from the Board and senior management, which raised £16.1m gross proceeds with strong existing and new investor support.

Outlook

New corporate brand and company values aligned with the new company strategy

In September, Medica launched a new corporate identity that reflects the ambition to grow and diversify the business. Alongside this, the team conducted focus groups to establish company-wide values that set out a clear framework in terms of how Medica expects employees to conduct business, interact with stakeholders and harness the creativity and ambition that we have within the company to grow and continually improve. These values are central to how Medica delivers its services and all employees are assessed against their ability to deliver their objectives within a framework that includes the new Company values.

Senior Leadership training programme and alignment of incentives with business strategy

Alongside the actions taken to execute Medica's new strategy, investment was made in 2020 to train our senior management as part of a bespoke "Medica Senior Leadership Training" programme. The first of its kind at Medica, this programme encouraged greater interaction and opportunities for management to grow and develop in their current roles and prepares the ground for individuals to take new opportunities as they arise. In parallel, management incentives and terms have been aligned and revised such that there is strong alignment now across the management team with the new strategy and it is clear how each member of this team can be rewarded for their contribution. Changing culture takes time, but the pandemic accelerated the need for change and this cultural shift is now well under way at Medica.

Whilst 2021 started where 2020 left off with strong NightHawk performance and lower Elective activity in the UK and Ireland, we are already starting to see an improvement in Elective as the year progresses and the government's accelerated immunisation programme reduces pressure on the NHS/HSE and allows a resumption of Elective backlog procedures.

While the Company is not able to re-initiate full guidance at this time, we are very encouraged by the current trajectory of the recovery and expect to see continued improvement in performance as the year progresses.

Medica's focus in 2021 will be divided between i) ensuring that the UK business is well prepared to support recovery in Elective activity, ii) accelerating growth in NightHawk and continuing to execute on our strategy to integrate, expand and iii) internationalise the new areas of our business.

i. We are seeing a very positive month on month improvement in levels of Elective teleradiology activity. As the NHS in the UK and HSE in Ireland will remain capacity-constrained for some time, Medica does not expect a short-term spike of reporting, but rather expects a sustained period of increased reporting until such time as the backlog of Elective cases is processed.

ii. The focus for NightHawk activity will be to continue to grow the service based on 2020 outturn and capture market share, as well as proactively manage the impact of pricing pressure on gross margin.

iii. Medica continues to focus on delivering robust growth with the aim to double its revenue within five years once the impact of the pandemic subsides. The plan remains to deliver strong organic revenue growth in the core business with increased scalability and operating leverage, with upside potential from new business lines and selective M&A.

Continued focus on new areas of business

- **Ireland:** The strategy for Medica in Ireland is to continue to deliver a flexible model combining low capex equipment, radiographer and sonographer staffing, as well as expanding the teleradiology services offering across both public and private hospitals. Medica will start to utilise its combined network of dual Irish and UK Medical Council certified radiologists to increase the reporting capacity in both markets. In addition, Medica will look to leverage its systems, processes and expertise in the UK to help to drive growth in Ireland, whilst at the same time adapting its business model to take advantage of the expertise and broader range of services delivered in Ireland.
- **Australia and New Zealand:** The focus for 2021 is to leverage the joint venture to access additional reporting capacity during daytime hours in Australia for urgent, out-of-hours reporting in the UK. In addition, Medica will look at expansion into other markets where there are opportunities to leverage its core offering and expertise.
- **United States:** The focus for 2021 is to ensure successful integration of RadMD and develop the team further to manage the fast growth of clinical trial imaging studies.

Despite COVID-19, significant progress has been made in 2020 and early-2021 to underpin the growth of our core teleradiology business in the UK, as well as to diversify and internationalise the business to position Medica to take advantage of opportunities in adjacent markets. I continue to be excited by the future potential of the Company and the markets in which it operates today and could expand into in the future.

This focus and drive to execute on our growth strategy will continue in 2021 alongside existing efforts to focus on underpinning future expansion of the core UK and Ireland teleradiology business, as well as our new entry into the exciting imaging for clinical trials market in the US. In so doing, I fully expect that Medica's profile in the market will continue to evolve over the year in our pursuit to become a leader in international telemedicine services.

I am grateful to the whole team at Medica for their efforts to respond to the pandemic and to position Medica favourably for future growth and expansion. I remain very confident that we will emerge stronger from the pandemic and well-placed to take advantages of the many opportunities that this will bring.

Dr Stuart Quin,
Chief Executive Officer

10 May 2021

Financial Review

"Medica delivered a resilient performance in 2020 with strong cash generation and a good performance in NightHawk. GDI is included in the results from its acquisition on 3 November 2020."

Richard Jones
Chief Financial Officer

Revised segmental analysis

Following the acquisition of GDI during the year, we have made changes to the way we manage and report on Group operations. From 3 November 2020 we report our results in two geographic segments, the UK and the Republic of Ireland.

Revenue

In the UK, NightHawk, our urgent out-of-hours reporting service, had a very resilient performance and recovered quickly from the impact of COVID-19 and saw revenues increase 4% from £22.1m in 2019 to £23.0m in 2020. Elective encountered a material impact on volumes during the year as a result of re-prioritisation away from Elective procedures in the NHS, with revenue down 49% from £24.4m to £12.5m.

In Ireland, GDI contributed £1.4m in revenues in the period from its acquisition on 3 November 2020 in line with expectations.

Gross Profit and GPM

Gross Profit is stated after the cost of reporting radiologists, internal audit costs required to deliver contractual commitments and other cost of sales such as framework costs. In 2020, Gross Profits reduced by £5.5m from £22.3m in 2019 to £16.7m in 2020 in line with the reduction in revenues. Gross Profit Margin at 47.4% remained in line with 47.8% in 2019.

Underlying Operating Profit

For 2020, consistent with prior years we have reported underlying operating profits that consider the impact of non-underlying and exceptional items to provide a more representative depiction of underlying activity. Underlying operating profits reduced from £11.3m in 2019 to £5.0m in 2020. This reflected both a reduction in revenues, as well as the continued impact of our investment in people and infrastructure to support our growth plans. Operating costs increased £1.1m from £9.2m in 2019 to £10.3m in 2020 largely due to the annualised increase in staff-related costs.

Non-underlying costs and exceptional items

Non-underlying costs after tax including exceptional costs increased by £1.3m from £1.2m in 2019 to £2.5m in 2020. These costs included £0.8m (2019 £nil) relating to the acquisition of GDI, £1.0m (2019 £1.0m) relating to the amortisation of acquired intangible assets, £0.2m (2019 £nil) relating to the write-off of certain assets, £0.2m (2019 £0.2m) relating to share-based payments and exceptional costs relating to Board succession of £0.3m (2019 £0.4m). The income tax credit on these non-underlying costs was £0.1m (2019 £0.3m).

Net finance expense

Finance costs net of finance income were £0.3m for the year (2019: £0.3m). In November 2020, we extended our revolving credit facility (RCF) from £1.0m to £6.0m and drew this down as part payment for the acquisition of GDI. Interest on the RCF is charged at LIBOR +3% and therefore interest costs increased accordingly from November 2020.

Profit before Tax

Underlying profit before tax reduced by £6.3m from £11.0 in 2019 to £4.7m in 2020 reflecting the reduction in revenues and gross profit, as well as the increase in operating costs. Total profit before tax, after taking account of non-underlying and exceptional items reduced by £6.7m from £7.9m in 2019 to £1.2m in 2020.

Taxation

The Group has incurred a tax charge of £0.7m in the year ended 31 December 2020 (2019 £1.7m). The effective rate of tax for 2019 is 19.0%.

Earnings per share

Underlying basic earnings per share (EPS) reduced by 4.9% from 8.13 pence per share in 2019 to 3.47 pence per share in 2020, reflecting the reduction in profits. Total basic EPS, after taking account of non-underlying and exceptional costs reduced by 5.91 pence from 7.12 pence in 2019 to 1.21 pence in 2020.

Dividends

In 2019, due to uncertainty during the early stages of the COVID-19 pandemic, the Board decided not to declare a final dividend for 2019. Total dividends for 2019 were therefore 0.85 pence per share. In 2020, an interim dividend of 0.85 pence per share was declared and the Board are proposing a final dividend for the year of 1.7 pence per share with the total dividends of 2.55 pence representing a 13% increase on 2018, the last year when a final dividend was declared. The final dividend will be paid on 23rd July 2021 to shareholders on the register as at 25th June 2021.

Capex

Total capex for 2020 was £2.0m in 2020 compared to £2.8m in 2019. This included £1.0m (2019 £0.7m) expenditure on equipment for contracted radiologists reflecting the significant increase in radiologist recruitment in 2020 compared to the prior year. Additionally, £0.9m of intangible assets that were acquired have been included in capex compared to £0.5m in 2019.

Cash and debt at 31 December 2020

Operating cash generation in 2020 reduced slightly from £9.7m in 2019 to £8.6m in 2020 despite the significant reduction in revenues due to careful working capital management and control of costs. Free cashflow, after taking account of capex was £6.6m in 2020 compared to £6.9m in 2019.

After taking account of the acquisition of GDI, gross cash at 31 December 2020 was £13.9m (2019 £16.6m) and net debt was £3.9m (2019 net cash of £4.6m).

Gross bank borrowings at 31 December 2020 were £17.8m (2019 £12m) and included term debt of £12m, in place since the IPO in 2017, together with the RCF which was extended from £1m to £6m of which £5.8m was utilised as at 31 December 2020.

Acquisition of GDI

On 3 November 2020, the Company acquired GDI for an initial consideration including customary adjustments for working capital of €16.8m (£15.1m). The fair value of assets acquired was £11.1m and after taking account of the fair value of the deferred consideration of £3.5m, goodwill of £7.5m was attributed to the acquisition.

Post Balance sheet events

Joint Venture

On 22 February 2021, the group announced an equal joint venture (JV) partnership with Integral Diagnostics Limited, a leading provider of medical imaging services across Australia and New Zealand. The joint venture, MedX, aims to provide teleradiology reporting services and increased reporting capacity in Australia, New Zealand, the UK and Ireland. The initial equity investment by both parties into this joint venture was AUD 100,000 each (£50,000). The joint venture will be reported on an equity accounting basis going forward.

Acquisition of RadMD

On 22 March 2021, the group acquired RadMD LLC, a company incorporated in the United States of America. RadMD is a leading Imaging Contract Research Organisation ("iCRO") providing services to the fast-growing clinical trials market. The initial cash consideration paid was $16.3m (£11.7m) with total potential cash consideration after taking account of future potential deferred consideration of up to a maximum of USD 21.7 million (circa £15.6 million).

Equity placing and subscription

On 23 March 2021, a total of £16.1m was successfully raised on the public market through a combined equity placing (£15.6m gross proceeds) and company subscription (£0.5m gross proceeds). Total costs in connection with the fundraise were £0.5m. A total of 11,111,110 Ordinary shares were issued including 10,727,666 Placing Shares and 383,444 subscription shares which represented, in aggregate, approximately 9.98 per cent of the issued ordinary share capital of the Company.

Refinance in May 2021

On 6 May 2021, the group entered into a new three year fully flexible £30m RCF facility with a syndicate of three banks, including previous lenders Lloyds, together with NatWest and Silicon Valley Bank. The facility is extendable for up to two years. Variable interest is calculated on utilised facilities based on leverage with initial interest at Sterling Overnight Index Average (SONIA) + 2% and non-utilisation fees of 35%. Key banking covenants remain the same with maximum net debt to EBITDA of 2.5x and interest cover of 4x.

Richard Jones

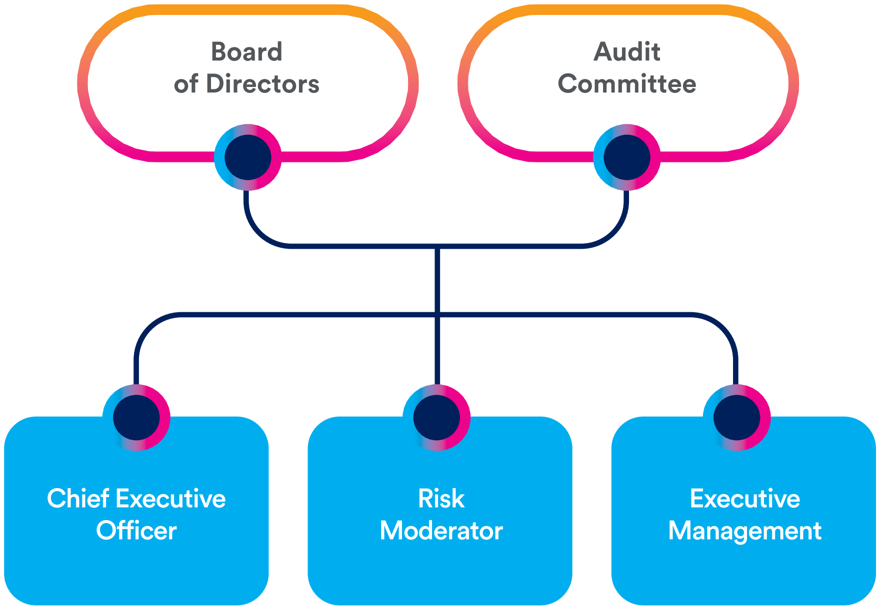
Chief Financial Officer

10 May 2021

Risks and Uncertainties

Managing risk is integral to the success of our business and is a differentiator in terms of offering a safe and compliant critical clinical service to customers. The Group reviewed its comprehensive risk management framework previously in 2019 to ensure that the processes in place support business and strategic decision-making and are clearly defined and quantified across our business. Through the risk management process, significant risks faced by the Group continue to be identified, assessed and managed appropriately.

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



Risk assessment process

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

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

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

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

Medica's main strategic risks include the post-acquisition integration of GDI into the Group and also the ongoing risk of emerging technology, including AI which is being addressed through Medica's FutureTech investment programme launched in 2020.

The Group's risk management process continues to evolve and develop as the level of risk maturity increases within the Group.

The impact of and response to the COVID-19 pandemic in 2020

The coronavirus outbreak had a material impact both on Medica's operations and on its financial performance.

In terms of operational performance, Medica activated its contingency plans at the start of the pandemic in March 2020 and demonstrated that the Company could continue to provide its operational service remotely from home. This did not impact on client facing service levels, which improved during the year. Medica's entire business model is focused on reporters working from home and, as a result, we were and continue to be well-placed to deliver services efficiently despite the challenges that continue with the new lockdown measures introduced at the end of 2020, which are expected to continue through early 2021.

In addition to Medica reacting quickly to the situation, we worked closely with our NHS clients to invoke contingency planning and offered a pro bono 'pass through' service to enable their radiologists to report from home. This allowed reporters to report hospital cases using their Medica systems during daytime hours, as well as to continue to fulfil their reporting sessions with Medica.

In terms of revenues, as previously announced, COVID-19 had a material initial impact on revenues as customers focused on managing the pandemic and hospital activity was severely curtailed. Following the initial lockdown, our UK NightHawk service in particular recovered quickly and now continues to trade above pre-Covid levels. Our UK Elective revenues were more heavily impacted but we are pleased to see continued month-on-month improvement in 2021 to date. We will continue to work with our clients and remain very well placed to capitalise on the strong recovery in demand expected later in 2021 as the impact of the pandemic recedes from normal hospital activity.

Further details on the impact of COVID-19 are included in the CEO's report on page 32.

EU withdrawal (Brexit)

A detailed risk analysis of the UK withdrawal from the European Union was carried out by the Group in 2019 and further reviewed throughout 2020 including the recent acquisition in Ireland. Our view remains as very low impact.

Details of Medica's key risks, how they have changed compared to the prior year and our mitigation strategy for each risk are set out below:

Strategic Risk

Description	Change	Commentary for 2020
Integration of GDI In November 2020 the Group acquired GDI for initial consideration of €16m. There is a risk that the integration of GDI is more difficult than envisaged and that the performance of the business post acquisition does not meet expectations.	New risk identified	The initial trading results of GDI have been in line with expectations and the Group has completed the first stage of a full integration plan which reflects that GDI was relatively self-sufficient prior to being acquired.
Advances in technology There is a risk that technology advances reduce our ability to offer a market-leading and best in class service to our clients. This could be in areas such as PACS (the platform for the reading and reporting radiology scans), AI, client connectivity and other areas.	Improving risk environment	The Group launched its FutureTech strategy in 2020 to upgrade its technology and systems to create a more efficient and advanced platform for future growth. We selected a new PACS provider in late 2020 and we expect this system to go live in early 2022. In addition, we have focused on Augmented Intelligence (AI) solutions and introduced the UK's first live decision support tool for radiologists in partnership with QureAI that has already been used in over 10,000 live reporting cases.

Financial Risk

Description	Change	Commentary for 2020
Ongoing COVID-19 pandemic In FY 2020 we reported a reduction of 20.9% in our revenues as a result of COVID-19 and the impact continues into 2021. There remains a risk that the impact could be prolonged and the recovery in volume demand from our clients slower than we expect.	Static risk environment	We were able to manage the business carefully through the impact of COVID-19 in 2020, with the group returning to profitability within three months of the initial impact in March 2020. By mid-2020, Nighthawk revenues had recovered to pre-COVID-19 levels and Elective revenues had also started to recover. Management continue to expect strong demand for its services as the impact of COVID-19 reduces on our clients and the NHS starts also to tackle the significant backlog in diagnostic testing and treatment. The recent success with the roll out of vaccinations in both the UK and Ireland should reduce the impact on healthcare systems from COVID-19 allowing focus to resume on Elective procedures requiring image reporting. Throughout 2020 the Group has continued to generate positive cashflow and enters 2021 with a strong balance sheet and cash balances of £14m.

Risks and Uncertainties
continued

Financial Risk

Description	Change	Commentary for 2020
Loss of key contracts As an attractive sector, the growth and new appearance of competition who are prepared to undercut pricing on key service lines could adversely impact the Group's business, financials, and future growth prospects. Disruptive technologies such as AI could also see other companies enter the sector with different business models.	↔ Static risk environment	Continued focus on cost improvements by our clients means that Medica needs to focus on delivering the highest quality service at a competitive price. The Group continues to employ pricing strategies that focus on its key strengths in quality, service offering and value. The Company creates and maintains good communication with clients through its business development function. Medica remains the market leader in both the UK and Ireland and continues to innovate and invest in factors that differentiate its service offering going forward.
Insurance The Group could become subject to litigation during the course of its business activities. This could lead to costs relating to defence and/or prosecution and damages.	↔ Static risk environment	The Group reviews and maintains insurance to mitigate the possibility of a major loss. The adequacy of its insurance cover is reviewed each year with insurance brokers. In addition, reporters who are independent contractors need to take out and maintain their own primary insurance policies to cover medical malpractice and the Group closely monitors this as part of their reporter oversight.

Compliance Risk

Description	Change	Commentary for 2020
Compliance and regulation The Group and its clients operate in a highly regulated landscape. This includes operating and complying to the standards and regulations set by CQC, NHS and the ICO (in particular UK & EU GDPR). Failure to comply could lead to reputational and financial loss.	↔ Static risk environment	The Group maintains internal processes, management systems, certifications and accreditations to ensure it operates within compliance of regulation. This includes QSI accredited status, a registered manager for CQC purposes, a certified ISO 9001 quality management system and appropriate internal data protection policy and process in relation to the ongoing requirements of UK and EU GDPR. The Group monitors changes in regulation on an ongoing basis.

Operational Risk

Description	Change	Commentary for 2020
Clinical quality The Group's radiology reporting forms an integral and essential part of clinical management for patients. Inaccurate reporting could lead to patient harm and reputational damage to the Group. This risk will always remain very high, due to the inherent nature of the industry.	↔ Static risk environment	Medica continues to maintain and strengthen comprehensive clinical governance, quality assurance and continuous improvement processes including having a Medical Advisory Board. Our reporters hold personal indemnity insurance, and the Group maintains secondary insurance cover. As part of our ongoing management of clinical quality we regularly audit the work of our radiologists and develop and implement individual quality improvement plans where necessary.
IT The Group's service offerings are founded on technology-driven workflow solutions. A major failure or disruption would result in reduced service levels and loss of revenue. Enhancements in reporting systems and workflows offer opportunity to further develop the Group's services and reduce risk of failure and disruption.	↓ Improving risk environment	The Group announced a major investment in its technology systems known as FutureTech that commenced in 2020 and is expected to deliver significant efficiency and capability benefits in the short to medium term. In addition, the group continued to invest in in-house technology, software development and project delivery capabilities. The FutureTech investment programme is expected to further reduce technology risk whilst enabling the Company to achieve its future ambitions and to remain at the leading edge with its clients. The Group also continues to maintain robust continuity plans and invest in its core data storage and transmission architecture. The continuity plan was effective in the initial response to the COVID-19 pandemic disruption and the switch to home working.

Operational Risk

Description	Change	Commentary for 2020
Cyber threats The Group's business could be significantly disrupted, and security compromised if a cyber incident results in the loss of the confidentiality, integrity or availability of the information it processes. A successful cyber-attack could expose the Group to litigation, commercial, financial, and reputational damage. In addition, our clients have several requirements in respect of data integrity.	↔ **Static risk environment**	Cyber-attacks within the UK and on healthcare organisations have intensified during the pandemic with a focus on increased home working. The Group has increased its headcount in its information security team and continues to maintain an ISO 27001 certified management system. Recertification against Government approved Cyber Essentials was achieved along with further investment on internet security technologies. The information security team continues to deliver a human focused security awareness programme.
Reporter availability and capacity The longer-term performance of the Group depends on its ability to grow reporting capacity in line with client demand. Failure to do so may result in reduced ability to provide timely reports, in particular for the critical NightHawk service line. Failure to deliver a timely service could result in loss of client(s). In addition, if reporters are not positively engaged and supported, the Group could see a decrease in the retention of reporters.	↓ **Improving risk environment**	Despite the short-term reduction in demand due to COVID-19, the Group has continued to invest significantly in reporter capacity using its experienced in-house reporter recruitment team. This puts the Group in an excellent position when client demand fully returns. In addition, the Group continues to invest in overseas reporting capacity, albeit from a modest base, to add additional flexibility and capacity. This will be enhanced by the Australian JV that was announced in February 2021.
People The Group's executive and senior management team is critical to its continued performance. Loss of key personnel or lack of people investment may lead to failure of the Group's strategic objectives.	↓ **Improving risk environment**	The Group remains committed to the ongoing support and development of its staff and leadership team including the new team acquired in November 2020 with GDI. Led by the chief executive officer, the Group ensures its strategic objectives are cascaded down and clearly communicated to the wider leadership team and to the rest of the business. The Group ensures that staff receive appropriate incentives and have employment packages in line with market conditions. A tailored leadership programme commenced in 2020 for its wider leadership team and demonstrated its commitment to develop the next generation of leaders. The launch of the Group's new brand also included a set of values that were the result of significant internal consultation and which have been incorporated into the people strategy including annual assessments of performance.

Board of Directors

Roy Davis
Independent Chairman

Roy is the Company's Chairman (having joined at the IPO in 2017). He is also Chairman of Edinburgh Molecular Imaging, a cancer theragnostic imaging company, Foster & Freeman, a leading forensic imaging manufacturer and RAIR Health Ltd, an applied AI and health data company. Prior to these roles Roy served as the Chief Executive Officer of Optos plc, a leading ophthalmology medical device business, from 2008 until June 2016 when he stepped down following the company's acquisition by Nikon Corporation. 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 and a Non-Executive Director since flotation in 1997. Prior to this, Roy was CEO of NTERA, a nanotechnology company, and before that 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. His early career included experience in the connector, oil and automotive sectors. Roy holds a mechanical engineering degree from the University of Southampton and an MBA from the London Business School.

Dr Stuart Quin
Chief Executive Officer

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

Prior to joining Synlab, Stuart worked in private equity as a Director at August Equity and at 3i plc in Munich and London where he focused on investing in fast-growing healthcare businesses across Europe and the US. Stuart also spent four years at Accenture in the US, UK and Japan as a Manager in the health and life sciences strategy consulting practice. Stuart holds a BSc (Hons) in Immunology from the University of Edinburgh, a PhD in Immunology from Imperial College, London and an MBA from INSEAD.

Stuart is a member of the Investment Committee of Alta Semper Capital, a frontier markets private equity firm focused on investing in consumer and healthcare companies in Africa. He is a Fellow of the Royal Society of Medicine and the Royal Geographical Society.

Steve Whittern
Senior Independent Non-Executive Director

Steve joined at the IPO in 2017 and is the Group's Senior Independent Non-Executive Director and Chair of its Audit Committee.

He has many years of public company experience, having served as Dignity plc's Finance Director for 11 years until December 2020.

Steve is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a mathematics degree from Warwick University.

Jo Easton
Independent Non-Executive Director

Jo served as Group Director of HR for De La Rue PLC for six years until she stepped down in March 2020. De La Rue provides products and services in the supply of Cash and Product Authentication & Traceability and works with governments and commercial organisations across the world. Jo was a member of De La Rue's Executive Leadership Team focused on driving growth and reshaping the business involving a significant level of change and including disposal and acquisition transactions.

Prior to joining De La Rue, Jo spent six years at Associated British Foods PLC working in the Twinings business in an international HR role with responsibilities across the UK, Asia and Europe.

Previous experience includes HR roles involving major change and business transformation with Aviva PLC and Zurich Insurance and in telecommunications at BT PLC where Jo started her career.

Board of Directors
continued

Richard Jones
Chief Financial Officer

Richard Jones joined Medica on 3 August 2020. Richard has extensive experience in the healthcare sector, both from his more recent career as a CFO in two UK quoted companies and also from his prior experience in healthcare Investment Banking initially as a healthcare sector analyst and then in corporate finance latterly as Head of Healthcare at Investec.

Richard joined Medica from AIM listed Mereo BioPharma Group PLC, a clinical-stage biopharmaceutical company focused on oncology and rare diseases that dual listed in 2019 where he was CFO from January 2017.

Prior to Mereo, Richard was CFO and Company Secretary of AIM listed Shield Therapeutics plc from early 2011. At Shield he had a leading role establishing the finance and other operations and guiding Shield through its 2016 IPO.

Richard is also a non-executive Director and head of the Audit Committee at AIM listed Alliance Pharma PLC, having joined the board in January 2019. Richard qualified as a Chartered Accountant with PwC in 1991.

Dr Stephen Davies
MA, FRCP, FRCR

Medical Director and Responsible Officer

Stephen joined Medica in May 2013 as Medical Director and GMC Responsible Officer for Medica. He has responsibility for clinical governance and oversight of the Clinical Strategy. Stephen was a NHS consultant radiologist at Cwm Taf University Health Board from 1991 until 2016. Stephen is a non-executive trustee of the College of Radiographers, a position which is non-remunerated and which he has held since 2017. Stephen is retiring from the Board in May 2021

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 Postgraduate Medical School, University of Wales and an Educational quality assurance role with the Royal College of Radiologists. He is an accredited Expert Witness and holds a Postgraduate Certificate in Medical Education.

Junaid Bajwa
Independent Non-Executive Director

Junaid is a practising physician in the NHS, and the Chief Medical Scientist at Microsoft; having previously been the Global Lead for Strategic Alliances and Solutions for the Global Digital Centre of Excellence at Merck Sharp & Dohme (Merck & Co). Over the past 15 years, Junaid has worked across primary care, secondary care, and public health settings in addition to acting as a payer, and policy maker within the UK, where he specialised in informatics, digital transformation, and leadership.

Junaid is a Visiting Scientist at the Harvard School of Public Health and attained his MBA from Imperial College Business School. He is a member of the Royal College of General Practitioners and the Royal College of Surgeons, and a Fellow of the Royal College of Physicians.

Corporate Governance Report

Key achievements in 2020

- Review and recommendation to the Board of approval of the Annual Report for 2019
- Review and approval of the 2020 audit plan and fees proposed by the auditors
- Review and recommendation to the Board of approval of the 2020 interim financial statements
- Review of the accounting treatment of the acquisition of GDI Ltd
- Review of the group structure from a VAT and taxation perspective
- Review of independence and effectiveness of auditors and recommendation of their re-appointment for 2021
- Regular of risk management, the risk register and internal contols
- Background and scope of the Committee's activities

Introduction

Dear Shareholder

I am delighted to introduce this section on governance, which describes the activities of the Board and its Committees during 2020 and how we have ensured governance remains a pivotal part in the strategic development and day-to-day running of this business.

Compliance with the Corporate Governance Code (the "Code")

As a main market quoted company, our governance framework is underpinned by the Corporate Governance Code (the 'Code') further details of which can be found on our website at www.medica.co.uk/investors/corporate-governance. During the year the Company complied fully with the code with the exception of a small number of provisions. Areas of non-compliance are explained in more detail on page 48 and relate to remuneration matters that have been addressed in the three-yearly review of Remuneration policy as set out on page 55 of the Remuneration Report with proposed changes being put to shareholders for approval at the forthcoming 2021 Annual General Meeting ("AGM").

Changes to the Board during the year and since the year-end

During the year and since the year-end, we have seen a number of changes to the composition of the Board. I am confident the new Board will provide the leadership and oversight to help the Company in the next stage of its growth.

In August 2020 we were delighted to welcome Richard Jones as our new CFO. Richard joined Stuart Quin as an Executive Director creating a good balance with the non-Executive team who provide independence and who have greatly assisted with managing the Board's activities through their careful and diligent approach to Board matters and their work Chairing and sitting on the Committees. In January 2021 Dr Stephen Davies announced his decision to retire from the Company and step down as an Executive Director from the Board at the 2021 AGM. As part of the succession process we decided to separate the day to day and Board responsibilities of Stephen's role. We announced the appointment of Dr Robert Lavis to succeed Stephen as Group Medical Director responsible for day to day clinical business management. We were delighted to announce the appointment of Dr Junaid Bajwa on 1 April 2021 as our fourth independent NED. Junaid is a practising clinician within the NHS and brings both clinical and digital healthcare experience to the Board. Junaid will also chair the newly created Clinical & Risk Governance Committee which will ensure the Board oversight of all aspects of Medica's clinical activities. Finally as Steve Whittern has resigned from the Board, he will not be standing for re-election at the 2021 AGM. The Nomination Committee are progressing well in the search for Steve's replacement as Senior Independent Director and Chair of the Audit Committee and will provide an update in due course.

Our 2021 AGM

Due to the continued situation with COVID-19 and in line with the Government's guidance, the Board has taken the decision again to hold this year's AGM on the 16 June 2021 at our offices in Priory Square, Hastings, with the Chairman, CEO and CFO and certain other Non-Executive Directors attending in person and the rest of the Board attending via video conference. Shareholders will not be permitted to attend the AGM in person. Your Board understands that many shareholders who would have liked to attend in person and ask questions of the Directors will not be able to. The Company has therefore arranged for a conference facility to allow shareholders to dial in to the meeting and to ask questions for which details are included in the notice of AGM. It should also be noted that all voting will be conducted on a poll. Only those votes received by proxy or cast in person will count and, as such, if you are planning on dialing in to the AGM then you should cast your votes by post or online for them to be validly counted.

Thank you for your continued support and the Board would like to thank all shareholders in advance for your co-operation around the arrangements for this year's AGM.

Roy Davis
Chairman

Our Corporate Governance Framework

Shareholders

Our shareholders delegate to the Board collectively, the responsibility for the long-term success of the Company within a framework of good governance. The Board seeks to understand the investor base through regular dialogue and engagement.

The Board

The Board's role is to set the vision and strategy of the Company. By putting in place the business model, the Board aims to deliver value to its shareholders. There is a collective responsibility for the Group's corporate governance arrangements to achieve the Company's purpose. This includes taking account of the risks and opportunities and building and maintaining on healthy relations with its stakeholders. To assist in discharging its duties, some areas of responsibility are delegated to the Committee of the Board.

More information on the activities of the Board can be found on pages 48 and 49.

The Nomination Committee

The Nomination Committee leads on succession planning the process for recruitment of new Board members; and evaluating composition and diversity to ensure Board effectiveness.

More information of the work of the Nomination Committee can be found on **pages 52 and 53.**

The Audit and Risk Committee

The Audit and Risk Committee leads on reviewing the Company's integrity of the financial results and other reporting; challenging external auditors; and has oversight of the effectiveness of risk management and systems of internal control.

More information of the work of the Audit and Risk Committee can be found on **page 50.**

The Remuneration Committee

The Remuneration Committee leads on designing remuneration policy, determining Board and senior executive remuneration; and takes account of the wider Group pay and associated policies.

More information of the work of the Remuneration Committee can be found on **pages 54 to 75.**

The Clinical Quality and Governance Committee

This new Committee, formed in March 2021, provides oversight to all of our clinical activites across the Group.

Environmental, Social and Governance ("ESG") Committee

This Committee, formed in December 2020, provides a focus for the Board's oversight of all ESG matters across the Group.

Executive Leadership Team

The ELT meets on a regular basis. It is led by the Chief Executive; comprises the senior leadership who have management responsibility; and has responsibility for business operation and its support functions.

Corporate Governance Report
continued

Compliance with the Code

The Company is committed to achieving and maintaining the highest standards of corporate governance. During 2020, the Group was compliant with the Code except for:

Provision 21 – as noted in more detail below, the formal external evaluation of the Board which, under the Code, should take place at least every three years, and was therefore due in 2021. The Board has decided to delay this formal external evaluation until the end of 2021 to give the new Board time to work together through 2021.

Provision 36 – the Group did not comply with the requirement to develop a formal policy for post-employment shareholding requirements. The Remuneration Committee have addressed this as part of their three yearly review of remuneration policy due for implementation in 2021 subject to shareholder approval at the 2021 AGM.

Provision 38 – the Group did not comply with the requirement that pension contribution rates for Executive Directors, or payments in lieu of pension, are aligned with those available to the workforce. Employer pension contributions for Medica staff range from 4% to 10% of base salary (dependent on seniority) and are set at 10% for the CEO. The remuneration committee recognises the importance of aligning pension contributions for Executive Directors with those of the wider workforce and it has proposed alignment as part of the revised remuneration policy due to be adopted in 2021.

Details and explanations of the application of the principles of corporate governance are set out in the following sections of this corporate governance statement.

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's key responsibilities include:

- 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.

To assist the Board in their responsibilities, 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 at https://medicagroupplc.com/investors/corporate-governance/.

The Audit Committee

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

The Audit Committee's report for 2020 is set out on pages 50 to 51.

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.

The Remuneration Committee report for 2020 is set out on pages 54 to 75.

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.

The Nomination Committee's report for 2020 is set out on page 52 to 53..

Clinical Governance Committee

The Clinical Quality and Governance Committee (CQG) was formed on 1st March 2021 and is Chaired by Dr Junaid Bajwa. The Committee provides oversight for clinical quality and governance at Medica, ensuring that the Clinical service is appropriately governed and is meeting expected regulatory standards in relation to the Responsible Officer regulation (2010 rev. 2013) and Care Quality Commission. Furthermore, the committee provides oversight for the wider governance of clinical services, providing reassurance to the board that the service is well-governed with effective policies.

Environmental, Social and Governance ("ESG") Committee

In December 2020, the Board formally established an ESG Committee to provide a greater focus of the Company's initiatives and approach to ESG matters. The Committee currently consists of all Board members and is chaired by Dr Junaid Bajwa. Details of our approach to ESG and activity during the year is set out on pages 26 to 30 of the Strategic Report.

Board composition and independence

During the year, The Company regarded Roy Davis, Steve Whittern, Jo Easton and Dr Mike Bewick (until he stepped down at the AGM) as all having 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 was the Company's senior independent director during the year.

Directors are subject to election or re-election at each AGM. As set out in the Nomination Committee report on pages 52 to 53 at the 201 AGM Dr Stephen Davies and Steve Whittern do not intend to stand for re-election and the Committee is proposing that Dr Junaid Bajwa as well as Richard Jones are elected to the Board with Roy Davies, Jo Easton and Dr Stuart Quin standing for re-election.

Board and Committee attendance

There were 10 Board meetings in 2020, including one meeting dedicated to the consideration of the Group's strategy. In addition to scheduled Board meetings, there is a regular informal dialogue between all directors.

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

	Board	Audit	Rem	Nom
Total meetings	**10**	**3**	**9**	**4**
Roy Davis	10	3	9	4
Steve Whittern	10	3	9	4
Mike Bewick	4	1	4	2
Jo Easton	10	3	9	4
Stuart Quin	10	n/a	n/a	n/a
Stephen Davies	8	n/a	n/a	n/a
Tony Lee	4	n/a	n/a	n/a
Richard Jones	4	n/a	n/a	n/a

(1) Tony Lee attended all relevant Board and Committee meetings until his resignation in May 2020
(2) Dr Mike Bewick attended all relevant Board and Committee meetings until he stepped down at the AGM in May 2020
(3) Richard Jones attended all relevant Board and Committee meetings following his appointment as director on 3 August 2020

Strategy and direction

During 2020 the Board reviewed and monitored the Group's performance against the core strategy outlined in detail in the Group's prospectus prior to admission and subsequent Annual Reports.

In November 2020 the Board, together with members of the senior management team, held a meeting to review and assess the business strategy and the wider opportunities and risks for the business. In December 2020, the Board reviewed and approved the budget for 2021 and in February 2021 approved the longer-term business plan.

Stakeholder engagement

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 Board continued the process of engagement with other stakeholders through the work of Jo Easton, the non-executive responsible for workforce engagement.

Board evaluation

Due to the significant changes to the Board announced earlier in 2021 and due to be ratified by shareholders at the forthcoming AGM, the Nominations Committee postponed an independently commissioned review of board effectiveness which is now due to take place at the end of 2021 once the new Board has had a chance to work together. However in the meantime the Board did conduct an annual internal survey regarding board effectiveness to identify opportunities for improvement.

Risk management and internal controls

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

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

The Audit Committee reviews the scope of audits, the half yearly and annual financial statements (including compliance with legal and regulatory requirements) and reports to the Board on financial issues raised by the audit reports. Financial control is exercised through an organisational structure which has clear management responsibilities with segregation of duties, authorisation procedures and appropriate information systems. The system of annual budgeting with monthly reporting and comparisons to budget is a key control over the business and in the preparation of consolidated accounts. The principal risks and uncertainties are included on pages 38 to 41.

Report of Audit Committee

Key achievements in 2020

- Review and recommendation to the Board of approval of the Annual Report for 2019
- Review and approval of the 2020 audit plan and fees proposed by the auditors
- Review and recommendation to the Board of approval of the 2020 Interim Financial Statements
- Review of the accounting treatment of the acquisition of GDI Ltd
- Review of the Group corporate structure
- Review of independence and effectiveness of auditors and recommendation of their re-appointment for 2021
- Regular review of risk management, the risk register and internal controls.

Dear Shareholder,

I am delighted to present the 2020 Audit Committee report. This year, in addition to its usual activities, the Committee managed the transition process from the outgoing CFO, Tony Lee in May 2020 with the new CFO, Richard Jones, who was appointed in time for the release of the Group's 2020 Interim Financial Statements.

Since his appointment, Richard has undertaken a number of specific projects to review the structure of the finance team and the Group's financial controls, to review financial reporting and to consider the most effective Group structure to enable it to deliver its strategic objectives. The Committee has taken time to review and approve these activities as part of its regular oversight.

In addition to the approval of the regular financial reporting and audit process, this year the Committee also considered the impact of the acquisition of GDI in November 2020 and approved the accounting treatment for the transaction under IFRS as part of the approval of the 2020 Annual Report.

Background and scope of the Committee's activities

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

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

- Monitor the integrity of the financial statements and other information provided to shareholders to ensure they represent a clear and accurate assessment of the Group's position, performance, strategy and prospects;
- Consider the financial statements and recommend to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced, understandable and provides information necessary for shareholders to assess the performance, business model and strategy of the Group;
- Review significant financial reporting issues and judgements contained in the financial statements;
- Review the systems of accounting, internal control and risk management;
- Monitor and review the significant risks identified by the Group as well as the management and mitigation of those risks;
- Make recommendations in relation to the appointment of the external auditors, including their remuneration and the provision by them of any non-audit services;
- Oversee and maintain an appropriate relationship with the Group's external auditors and review the effectiveness, independence and objectivity of the external audit process;
- Monitor and review the arrangements by which employees can, in confidence, raise concerns about any possible improprieties in financial and other matters and consider internal processes to comply with UK legislation including the UK Bribery Act and The Criminal Finances Act 2017.

Membership and meetings

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

The Committee met three times in 2020. The CFO and CEO attended all the Committee meetings in 2020 by invitation.

Principal activities for the year

During 2020 the key activities of the Committee were as follows:

1. **Activities relating to the Group's regular reporting cycle**
   Review and recommendation to the Board of approval of the 2019 Annual Report including the Financial Statements. As part of this review the Committee received reports from the external auditors on their audit for 2019. It also reviewed the Preliminary Announcement made to the London Stock Exchange and also reviewed and recommended for approval by the Board the going concern statement together with the supporting forecasts and assumptions.

   Review of the effectiveness and independence of the external auditors, Grant Thornton following the 2019 audit and the recommendation to the Board to propose their re-appointment at the 2020 Annual General Meeting.

   Approval of the 2020 audit plan prepared by the external auditors.

   Approval of the audit fees for 2020. The Committee carefully considered the proposals from the auditors including a detailed review of the proposed scope, including the need to expand the scope to include the audit of the acquisition of GDI and also the expected time required to complete the work. The Committee approved the audit fees as set out in Note 6 which, whilst representing a significant uplift on 2019 reflect the increased scope both in respect of the acquisition but also in respect of going concern and other matters including more detailed review of management estimates and judgements.

   Review and recommendation to the Board the approval of the 2020 Interim Financial Statements including the going concern statement together with the supporting forecasts and assumptions.

2. **Activities relating to the acquisition of GDI in November 2020**
   Review and approval of the accounting treatment for the acquisition including detailed consideration of the estimates and judgements used in determining the accounting treatment for the transaction, its valuation of the initial and deferred consideration and appropriate disclosures in accordance with IFRS.

3. **Non-audit services provided by the external auditor**
   Non-audit services provided by the Company's auditor are kept under review by the Committee. Non-audit work is only awarded to the auditors after due consideration of matters of objectivity, independence, costs, quality of service and efficiency.
   In 2020 the auditor undertook limited non-audit services, as set out in Note 6 of the Financial Statements..

4. **Effectiveness and independence of external auditor**
   The Committee is also responsible for advising the Board on the appointment of the auditor and assessing their independence.

   Independence:
   There are no contractual obligations that restrict the Audit Committee's choice of external auditor. Grant Thornton UK LLP has been external auditor to Medica Group PLC since 2013. The Committee has considered the latest guidance from the Financial Reporting Council on auditor rotation. The Committee has also considered the tenure of the reporting audit partner, Chris Smith who has been audit partner since 1 January 2018.

   In addition, the report from Grant Thornton UK LLP confirming their independence and objectivity was reviewed by the Committee on 11 December 2020.

   The Committee is responsible for regularly reviewing the effectiveness and performance of the external auditors and considering and agreeing appropriate fees for the audit. At the end of the 2019 audit, the Committee reviewed and were satisfied with the performance of the external auditor and recommended their re-appointment for 2020 to the Board.

   Following the review of the auditor's activities as outlined above, the Committee has recommended to the Board that Grant Thornton LLP are reappointed as external auditors by shareholders for 2021 at the 2021 Annual General Meeting.

5. **Committee feedback from the auditors without management present**
   The chair of the Committee meets with the external auditors without management present at least twice a year. There were no matters of concern raised during these meetings in 2020.

6. **Internal audit function**
   The Committee noted that the Group had a well developed clinical audit function but concluded that there was no immediate requirement for the Group to have an internal financial audit function, due to its current 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

10 May 2021

Report of Nominations Committee

Dear Shareholder,

This was a busy year for the Committee, as we focused on succession for the Chief Financial Officer, recruitment of a new Non-Executive Director and the planned retirement of the Medical Director.

We were delighted to welcome Richard Jones as CFO and believe that with Dr Stuart Quin, CEO we now have a strong management team to drive the business forward.

We were also pleased to announce the appointment of Dr Robert Lavis, as Group Medical Director in January 2021 to take over day to day clinical responsibilities from Dr Stephen Davies who is retiring from Medica and will be stepping down at this year's AGM. I would like to take this opportunity to thank Stephen for his outstanding service and contribution to Medica. During his tenure he has driven the implementation of the clinical standards and processes at Medica to support 'best in class' service delivery for patients and our NHS partners with an absolute focus on quality. We wish him well in his retirement!

We were also delighted to announce in March 2021 the appointment of Dr Junaid Bajwa as a Non Executive Director. Junaid will be joining the Board on 1st April and his clinical and digital healthcare experience will be particularly valuable as the business develops in the coming years.

The Committee also continued its broader work on succession planning, diversity and the mix of skills and experience on the Board, this will remain a key aspect of our focus in the year ahead.

Roy Davis
Chairman of Nominations Committee

10 May 2021

Key achievements in 2020

- Recruitment of Richard Jones as Chief Financial Officer
- Succession planning for the retirement of Dr Stephen Davies, with Dr Robert Lavis appointed Medical post period-end
- Recruitment of Dr Junaid Bajwa post period end as a replacement Non-Executive Director following Dr Mike Bewick's retirement from the Board in 2020

Introduction

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

The primary functions of the Committee are:

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

The Committee has recognised the requirement of the new UK Corporate Governance Code 2018 (the 'Code') in its decision-making.

Membership and meetings

In line with the provisions of the UK Corporate Governance Code 2018 the Nomination Committee is made up of the Non-Executive Directors of the Company. Roy Davis is the chair of the Committee and the other members during the year were Stephen Whittern, Jo Easton and Mike Bewick until his retirement from the Board at the AGM.

Only the members of the Nomination Committee have the right to attend meetings. Executive Directors, other Board members and advisers may be invited to contribute on specific agenda items as appropriate. The Company Secretary acts as secretary to the Nomination Committee. The Nomination Committee updates the Board following its meetings and invites contributions and views from the Board.

The Nomination Committee meets once a year in the ordinary course of business and more frequently as circumstances require. During 2020 the Committee met formally four times and all members attended. In addition to the formal Nomination Committee meetings, ad hoc meetings and calls were held during the year between members of the Nomination Committee, and at times with contributions from other members of the Board.

Role and responsibilities

The Nomination Committee's main priorities are to ensure that the Group has the best possible leadership and to plan for both Executive and Non-Executive Director succession. Its key focus is therefore on the composition of the Board, for which appointments will be made on merit against objective criteria. The Nomination Committee advises the Board on these appointments, oversees the recruitment processes, and also considers retirements and resignations from the Board and its other committees. The Nomination Committee regularly examines succession planning based on the Board's balance of experience, overall diversity and the leadership skills required to deliver the Company's strategy.

Process for Board appointments

When considering a Board appointment, the Nomination Committee draw up a specification for the relevant position, taking into consideration the specific role as well as the balance of skills, knowledge and experience of its existing Board members, the diversity of the Board and the independence of continuing Board members, together with the ongoing requirements and strategic development of the Group. Care is taken to ensure that proposed appointees have sufficient time to devote to the role and that there are no conflicts of interest.

The Nomination Committee utilises the services of an executive search firm to identify appropriate candidates, ensuring that the search firm appointed does not have any other conflicts with the Group. In addition, the Nomination Committee will only use those firms that have adopted the Voluntary Code of Conduct addressing gender diversity and best practice in search assignments. A long list of potential appointees is reviewed, followed by the shortlisting of candidates for interview based upon the objective criteria identified in the specification. Committee members interview the shortlisted candidates together with other Directors as appropriate, and identify a preferred candidate. Following these meetings, and subject to satisfactory references, the Nomination Committee make a formal recommendation to the Board on the appointment.

Board induction and training

All Board members undertook relevant training on their responsibilities and duties as directors as part of their induction and onboarding to the company. Updates on changes in corporate governance as well as additional training is provided as required.

Diversity policy

The Company makes all Board appointments on individual merit, while recognising the benefits of Board diversity. Our diversity policy aims to ensure that we consider diversity in its broadest sense. A diverse Board has members with different skills, backgrounds, regional and industry experiences, races, genders and other qualities.

Activities in 2020

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

The Committee's main task was to recruit a successor for Tony Lee who mutually agreed with the Board that he would step down as the Group's Chief Financial Officer during the year. On behalf of the Board I would like to thank Tony for his contribution to Medica during his tenure. The recruitment process for his replacement was conducted by Spencer Stuart, who have no other connection with the Group or other individual directors. The search process identified Richard Jones as the outstanding candidate, based on his track record of financial management, previous experience in healthcare services and of operating at scale in listed international businesses as well as strong personal qualities. The Committee was therefore pleased to recommend to the Board that Richard should be appointed as Chief Financial Officer. The process was formally completed with Richard's appointment on the 3 August 2020.

The Committee undertook a succession planning process for Dr Stephen Davies, the Medical Director, who will be retiring from the company in 2021. As part of this process it was decided that the position would not be replaced as a main Board director but that the day to day clinical responsibilities would be undertaken by a newly appointed Group Medical Director, Dr Robert Lavis. This appointment was completed successfully and announced in January 2021 post the period close.

The Committee also undertook the recruitment process for a new non-executive director to replace Dr Mike Bewick who stepped down at the 2020 AGM. On behalf of the Board I would like to thank Mike for his contribution to the Board since IPO. The search process for a replacement was conducted by Ridgeway Partners, who have no other connection to the Group or to individual Directors. We were delighted to appoint Junaid who will join the Board from 1st April 2021 and will stand for election at the upcoming AGM in June 2021. Junaid was the outstanding candidate for the role and brings both clinical and digital healthcare experience to the Board which are key to our future development. As part of his role, Junaid will also chair the Clinical & Risk Governance Committee which will oversee the medical and clinical aspects of Medica's business from a Board perspective.

Post the period, on 10 May 2021, Stephen Whittern, Senior Independent Director and Chair of the Audit Committee, informed the Board of decision to step down from the Board and not seek re-election at this year's AGM. The Committee has therefore instigated a search process for a replacement and will update the market in due course.

Performance evaluation

Given the changes to the makeup of the Board during the year we decided to undertake an internal Board evaluation and postpone the external evaluation until 2021 when the new members of the Board will have been in post for a reasonable period.

The Committee completed the performance evaluation which was designed to bring about debate on relevant issues and assist in identifying potential areas of improvement in the Board's processes as well as ensuring the Board operates efficiently and effectively.

The themes covered by the internal evaluation included:

- The role of directors and the board
- Performance of the Non-executive directors
- Performance of the Executive directors
- Board meeting effectiveness
- Performance and effectiveness of Committees
- Effectiveness of monitoring performance
- Leadership and culture
- Corporate governance

A number of improvement opportunities were identified for implementation and the internal evaluation concluded that the Board, its Committees and each of its Directors continue to be effective.

Re-election of Directors

The Committee met in early 2021 to review the continuation in office and potential reappointment of all members of the Board. Following this review, the Committee recommended to the Board that all current and new Directors with the exception of the Dr Stephen Davies, Medical Director and Stephen Whittern be appointed or reappointed, and these Directors will seek election or re-election at the annual general meeting.

Roy Davis

Chairman of Nominations Committee

10 May 2021

Report of the Remuneration Committee

Key achievements in 2020

- Approval of remuneration for the new CFO
- Appointment of new remuneration advisers to the Committee following a selection exercise
- Approval and introduction of a new annual activity cycle
- Completion of the triennial review of the Directors' Remuneration Policy subject to shareholder vote at the 2021 AGM

Dear Shareholder,

As Chair of the Remuneration Committee, I am pleased to present the Director's Remuneration report, approved by the Board for the year ended 31 December 2020. This is my first report as Chair of the Committee, and I would like to extend my thanks to Mike Bewick, who stepped down from the role in May 2020, for his efforts and commitment during his tenure as Chair.

The report is focused on two key themes and is divided into two sections; the changes we are proposing to make to our remuneration policy which will apply for the next three years, including 2021, if approved by shareholders at the next AGM and the annual report on remuneration which sets out the remuneration paid to Directors in 2020 including bonus payments and long-term incentives.

Two separate resolutions will be put to shareholders for their vote at the AGM on 16 June 2021:

(1) the binding triennial vote on the Directors Remuneration Policy as set out on pages 57 to 66; and

(2) an advisory vote on the Annual Report on Remuneration as set out on pages 67 to 75 detailing Directors remuneration for the performance period ending 31 December 2020.

Corporate performance in 2020

As noted earlier in the annual report, Medica performed well in a very difficult year which was heavily impacted by the COVID-19 pandemic. Overall revenues declined 21% but UK NightHawk revenues increased 4% despite the challenges of COVID-19 and UK Elective revenues have seen strong month on month improvement so far in 2021. Adjusted operating profit declined 56% and EPS declined 57% reflecting the decline in revenues but also the investment in operating overheads towards future growth. However, operating cash generation in 2020 remained strong at £8.6m (compared to £9.7m in 2019) despite the reduction in adjusted operating profits due to careful working capital management. Operationally Medica significantly improved its operating metrics with a strong increase of 13% in rostered reporting hours and NightHawk has continued to maintain its strong operational performance with turnaround time of under 23 minutes and SLA performance increasing from 97% in 2019 to 98% in 2020. Medica also launched its new FutureTech strategy and completed its first acquisition of Global Diagnostics (GDI) in November 2020.

Medica was fast to react and successfully completed a move to full homeworking in the early stages of the pandemic and has not needed to participate in any government funding schemes, taking advantage of the reduction in workload to accelerate progress on its new strategy. Medica has not furloughed any staff, made any reductions to pay or taken any government support and no jobs have been lost as a result of COVID-19. Having decided it prudent not to declare a final dividend in 2019, Medica paid an interim dividend of 0.85 pence per share for 2020 which together with the proposed final dividend of 1.7 pence per share represents an increase of 13% on 2018, the last year both interim and final dividends were paid.

The Committee has taken overall performance into consideration when determining remuneration matters for 2020.

Remuneration Outcomes and awards made in 2020

For 2020, annual bonus was based on revenue, profit, free cash and operational objectives. All four components of the annual bonus were weighted equally at 25%. Whilst neither the revenue nor profit financial performance met the threshold for payment, targets were met in relation to cash generation and operational objectives. The Committee used the formulaic outcome, did not apply any discretion and approved the payment of a bonus of 32% of basic salary for 2020 to Stuart Quin, Stephen Davies and Richard Jones, the latter pro-rata from his date of joining.

Awards under the 2017 PSP were subject to a three-year performance period and were based on EPS growth and growth in absolute TSR weighted equally at 50%. The growth in EPS over the performance period was c. 18% and therefore the portion of the Award subject to the EPS performance condition vested at c. 60%. The TSR increased over the performance period by c. 4% and therefore the portion of the Award subject to the TSR performance condition did not vest.

In 2020 the Committee granted an exceptional PSP award to Stuart Quin in accordance with the terms of his appointment in 2019 representing 200% of base salary.

An exceptional award was also granted to Richard Jones representing 200% of base salary in accordance with the terms of his appointment in August 2020.

Both awards were made under the terms of the current policy and were based on EPS and absolute TSR targets approved in 2018 by shareholders and subsequently used as the basis for the 2018, 2019 and 2020 PSP awards.

Review of Remuneration Policy from 2021 to 2023

During 2020 the Committee carried out the first triennial review of the policy since it was introduced in 2018. Whilst the review confirmed that there was no requirement for radical redesign, the Committee recognised that there was a need to provide a more competitive total package to ensure the retention of our executive directors; with an increase in quantum focused on variable pay to support the execution of the strategy, drive growth and create value for shareholders. We have also taken the opportunity to ensure that our policy reflects the changes to the UK Corporate Governance Code since 2018 when the policy was first introduced.

In addition to the changes related to compliance with the UK Corporate Governance Code as set out in the following paragraph, the key proposed changes to policy include an increase to the maximum bonus opportunity under the policy to 125% from the current 100% of base salary and an increase to the normal maximum PSP opportunity to 150% from the current 100% of base salary. Whilst the Committee intends to make a PSP award of 150% of base salary in 2021 to support the rapid alignment of interest with shareholders and retention of our executives, there is an expectation that after 2021 awards will be made equivalent to 125% of base salary.

Further detail on changes to the policy and how it will be implemented is included in more detail on page 57.

UK Corporate Governance Code

The Committee has reviewed the provisions of the Code and is proposing to make changes to ensure that executive pensions are aligned with the wider workforce by 2023, and minimum shareholding guidelines and post-employment shareholding periods are put in place. Therefore, our new proposed Remuneration Policy will be fully compliant with the Code during the next three-year subject to shareholder approval at the 2021 AGM.

The Committee undertook a comprehensive and active consultation exercise on the proposed changes to the policy and there was a high level of engagement with the major shareholders we consulted with. We appreciate the constructive feedback and were pleased with the level of support received. We thank all the shareholders who put forward their views which have been taken into consideration in the final proposals.

Looking ahead to 2021

For 2021, base salaries will be increased by 1% for Executive Directors to align with the increases for the wider UK workforce. Company pension contributions will remain unchanged from 2020 levels and will remain so during 2022 after which, contributions will be aligned to those of the wider UK workforce from 2023. In line with the proposed changes to our Remuneration Policy set out above, the maximum 2021 annual bonus opportunity will be increased from 100% to 125% of base salary and the maximum 2021 LTIP opportunity will be increased from 100% to 150% of base salary with the expectation that the LTIP opportunity for subsequent years will be set at 125% of base salary.

Details of the proposed targets for 2021 PSP awards are set out on page 62 of the remuneration report. The Committee is cognisant of the need to ensure the proposed increase in incentive quantum is accompanied by corresponding stretch in targets. We have taken care, therefore, to set challenging and stretching targets that carefully align the interests of the shareholders and Executive Directors towards delivering the strategic plan for the Group and thereby creating strong value creation for shareholders over the next three years and beyond. These principles of aligning shareholders and the Executive Team have also been applied in the tri-annual review of the overall Remuneration Policy. We believe that we will achieve this aim though the changes we are proposing, and we hope that our shareholders will support the policy, and the Remuneration Report at the 2021 AGM.

Ongoing dialogue with shareholders and other stakeholders is valued, and as always, we welcome your feedback on this Directors' Remuneration Report.

Jo Easton
Chair of the Remuneration Committee

10 May 2021

Report of the Remuneration Committee
continued

Key committee activities in 2020

Triennial Remuneration Policy review	• Conducted a thorough review of the policy and undertook consultation with our major shareholders • Set out new three-year performance criteria for 2021 LTIP awards for consideration by shareholders at the 2021 AGM
Director's remuneration	• Approved remuneration for the new Chief Finance Officer • Reviewed the 2019 remuneration report prior to its approval at the 2020 AGM • Agreed Director's remuneration for 2021
Executive remuneration	• Approved the 2020 LTIP and CSOP awards • Approved the bonus targets for 2021
Governance	• Conducted a tender process to appoint Willis Towers Watson as new independent remuneration advisors to the Committee • Established an annual Remuneration Committee activity cycle • Reviewed and updated the Remuneration Committee Terms of Reference • Reviewed market trends and latest developments in governance • Considered compliance with the Code in the three-year Remuneration Policy review

Remuneration Policy Report

Changes to Remuneration Policy and implementation

The table below summarises the main proposed changes to the Policy, the intended changes to implementation of the policy in 2021 and rationale for each change.

The full policy that shareholders will be asked to approve is detailed in the following table:.

Element	Proposed change to policy	Implementation for 2021	Rationale for change
Base salary	No change		
Pension	Any newly appointed Executive Directors will receive pension contributions in line with the majority of the wider UK workforce. From 1 January 2023 pension contributions for current Executive Directors will align with the majority of the wider UK workforce.	The pension contributions of the current Executive Directors will remain unchanged in 2021 and reduce from 1 January 2023 to align with those of the wider UK workforce.	Aligns Executive Director pension contributions with the wider workforce.
Annual Bonus	Increase maximum opportunity from 100% to 125% of base salary. Proportion of bonus earned deferred into shares increasing from at least 25% to 40%.	Maximum bonus opportunity for CEO and CFO for 2021 will be 125% of base salary.	Recognise the need to retain recently recruited Executive Directors, provide meaningful alignment with shareholders, and ensure that they are incentivised competitively and appropriately to drive growth.
Performance Share Plan ("PSP")	Increase normal maximum opportunity from 100% to 150% of base salary. Exceptional maximum unchanged at 200% of base salary.	PSP award for CEO and CFO for 2021 will be 150% of base salary, and thereafter expected to be 125% salary.	
Shareholding ownership guidelines	Increase shareholding guideline from 100% to 125% of base salary. Introduce post-employment shareholding guideline.	Increase shareholding requirement to mirror the expected normal annual PSP opportunity of 125% for CEO and CFO. Executive Directors are required to hold 100% of their shareholding requirement for two years after leaving office.	Ensures alignment with shareholders during and post-employment.

Report of the Remuneration Committee
continued

2021 Remuneration Policy for Executive Directors

This section of the report sets out the main elements of the proposed Policy for approval by shareholders at the Company's AGM in 2021.Subject to shareholder approval, the Policy is intended to remain in effect for three years from the 2021 AGM. The previous page summarises how the policy differs from the policy approved by shareholders in 2018. The table below also sets out how the main elements of the Policy link to the strategy and how each element will operate in practice.

Other than the changes identified in the table and in the Notes to the Policy Table section, all other elements of the policy in relation to Exit Payments, the Treatment of Awards on Cessation of Employment/Change of Control, the Approach to Remuneration on Recruitment for both external and internal appointments, External Appointments held by Executive Directors, Consideration of Conditions Elsewhere in Medica and Consider of Shareholder Views remain unchanged.

Element	Purpose and link to strategy	Operation
Base salary	Set at levels to attract and retain talented Executive Directors with the skills and experience to deliver Medica's strategy. Base salaries and the implied total package informed but not led by market practice and competitive by reference to companies of a similar size and complexity.	Base salaries will be reviewed by the Committee annually and benchmarked periodically against relevant competitor companies. The Executive Directors' salary is positioned to reflect each individual's professional experience and level of responsibility in their role. In deciding base salary levels, the Committee considers personal performance including the individual's contribution to the achievement of Medica's strategic objectives. The Committee will also consider employment conditions and salary levels across Medica, and prevailing market conditions. Base salary increases for the Executive Directors will normally be aligned with those of the wider workforce, but may be made above this level in exceptional circumstances such as a material change in responsibilities, size or complexity of the role, or if a Director was intentionally appointed on a below-market salary. The Committee will consider increasing salaries over time subject to strong personal and company performance and considering levels of salaries in the market.
Pension	To provide an appropriate level of post-retirement benefit for Executive Directors.	Executive Directors may receive a contribution to a personal pension plan, a cash allowance in lieu, or a combination thereof equivalent to that received by the wider UK workforce. Salary is the only element of remuneration that is pensionable.
Other benefits	To provide market competitive non-cash benefits to attract and retain talented Executive Directors.	Medica provides death in service and private medical insurance benefits to its executive directors. Medica may provide benefits in kind where the Remuneration Committee considers appropriate. Executive Directors may also be provided certain other benefits to take account of individual circumstances such as, but not limited to, payment of tax, financial, and/or legal adviser fees, relocation expenses and housing allowance (including associated interest, penalties or fees plus, in certain circumstances or where the Committee consider it appropriate, any tax incurred on such benefits). Executive Directors may also be offered any other future benefits made available to all senior employees. This may include participation in any Share Incentive Plan that is offered to all employees (or all employees who meet certain qualifying criteria) on the same terms.

Opportunity	Performance measures
There is no maximum salary payable to Executive Directors. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual. Base salaries for the year under review and the following year, as well as the rationale for any increases, will be disclosed in the relevant year's Directors' Report on Remuneration in the Annual Report.	Not applicable.
Newly appointed Executive Directors will receive a contribution to a personal pension plan, a cash allowance, or a combination thereof equivalent to that of the wider UK workforce at the date of appointment. Details of the pension contributions made to Executive Directors during the year are disclosed in the Directors' Report on Remuneration in the Annual Report.	Not applicable.
There is no maximum value of annual benefits which will be market competitive and will take into account individual circumstances. It is not anticipated that the costs of benefits provided will increase significantly in the financial years over which this Policy will apply, although the Committee retains discretion to approve non-material increases in cost. In addition, the Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside Medica's control have changed (e.g. market increases in insurance costs). Benefits in respect of the year under review are disclosed in the Directors' Report on Remuneration in the Annual Report.	Not applicable.

Report of the Remuneration Committee
continued

Element	Purpose and link to strategy	Operation
Annual Bonus	To incentivise Executive Directors to deliver strong financial and non-financial performance on an annual basis and reward the delivery of Medica's strategic aims that will underpin the longer-term health and growth of the business. Deferral into shares enhances alignment with shareholders and aids retention of Executive Directors.	Performance measures, targets and weightings are set by the Committee at the start of the year. After the end of the financial year, the Committee determines the level of bonus to be paid, taking into account the extent to which these targets have been achieved. To the extent that the performance criteria have been met, at least 40% of the annual bonus awards will be deferred into awards in shares in Medica under the Deferred Bonus Plan ("DBP"). The remainder of the bonus will be paid in cash. Awards under the DBP are not subject to further performance conditions and vest after 2 years, broadly subject to continued employment. Dividend equivalents may be awarded in respect of DBP awards (as set out in the Notes to the Policy Table). Malus and clawback provisions apply to the annual bonus and DBP awards in certain circumstances (as set out in the Notes to the Policy Table). The Committee may exercise discretion and make either upward or downward adjustments to the formulaic outcome to either short term or long-term bonus pay-outs in the event that there is misalignment with shareholder interests or strategy (as set out in the Notes to the Policy Table).
Performance Share Plan ("PSP")	To align the interests of Executive Directors and shareholders in growing the value of Medica over the long-term.	Executive Directors are eligible to receive annual awards of an option to acquire shares in Medica for nil consideration. Prior to awards being granted each year, the performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to Medica's strategy. Awards granted under the PSP to Executive Directors will normally have a performance period of not less than three years and a minimum normal vesting period of three years. They will normally be subject to an additional holding period of two years after the normal vesting period. Dividend equivalents may be awarded in respect of PSP awards (as set out in the Notes to the Policy Table). PSP awards granted to Executive Directors will be subject to malus and clawback provisions, as set out in the Notes to the Policy Table. The Committee may also exercise discretion and make either upward or downward adjustments to the formulaic outcome to either short term or long-term bonus pay-outs in the event that there is misalignment with shareholder interests or strategy (as set out in the Notes to the Policy Table).
Company Share Option Plan (CSOP)	To align the interests of employees and shareholders in growing the value of Medica over the long-term.	All employees, including Executive Directors, are eligible to receive annual awards of an option to acquire shares in Medica for an amount that is not less than the market value of the Medica shares at the date of grant. Awards granted under the CSOP will normally have a vesting period of not less than three years. Awards may, but do not need to be, subject to performance conditions and targets.
Save-As-You-Earn (SAYE) plan	To align the interests of employees and shareholders by encouraging all employees to buy and own Medica shares	Executive Directors are entitled to participate in Medica's all-employee SAYE plan on identical terms as other eligible employees. All employees, including Executive Directors, may make monthly savings over a period of three or five years (or other period set out in the relevant legislation). Each employee who participates is also granted an option to acquire shares at a price that is not less than 80% of the market value of the shares on the date that invitations to participate are issued. The number of Shares subject to each option will be the number of Shares which have an aggregate option exercise price as near to, but not exceeding, the projected proceeds of the SAYE savings contract (i.e. the accumulated savings plus any bonus/interest payable). The operation of the SAYE plan will be in line with the legislative requirements that apply to plans of this type. Executive Directors will not receive any preferential terms compared to the wider employee group.

Opportunity	Performance measures
The normal maximum annual bonus opportunity is 125% of base salary. The pay-out for on-target performance is up to 50% of maximum; below threshold performance on any of the financial or strategic functional measures results in nil pay-out. The current maximum bonus opportunities for each of the Executive Directors are disclosed in the Directors' Report on Remuneration in the Annual Report.	Bonuses are based on achievement against Company financial performance targets and strategic functional targets over the financial year. Malus and clawback provisions apply to the annual bonus and DBP awards in certain circumstances Further details, including the performance targets, will be disclosed retrospectively in the relevant Directors' Report on Remuneration in the Annual Report.
The normal maximum annual PSP opportunity is 150% of base salary. The Committee may determine not to make awards at this maximum level each year and anticipates that awards made will not normally exceed 125% of base salary after 2021. The Committee has discretion to award up to 200% of base salary in exceptional circumstances. Further details of the PSP awards granted to each of the Executive Directors will be disclosed in the relevant Directors'. Remuneration Report in the Annual Report.	Vesting of the PSP is subject to continued employment during the normal vesting period and the achievement of performance conditions aligned with Medica's strategic plan and shareholder value creation. PSP awards granted in 2021 will be based on a combination of EPS growth and Total Shareholder Return. Regular reviews of the performance conditions and targets are undertaken to ensure alignment with the strategy and shareholder interest. The Committee retains discretion to make changes to the measures and their weightings to ensure continued alignment with strategic goals and shareholder interests. Further details, including the performance targets attached to PSP awards in respect of each year, will be disclosed in the relevant Directors'. Remuneration Report in the Annual Report.
Approved CSOP options cannot be granted to any individual over shares exceeding £30,000 market value as at the date of grant (or such other figure as is permitted by the relevant legislation).	Vesting of CSOP options may be (but does not need to be) subject to the achievement of performance conditions.
Employees are limited to saving a maximum in line with the maximum monthly savings limit imposed by the Committee (which will not exceed the limits imposed by legislation, currently £500 per month) at the time they are invited to participate.	Not applicable.

Report of the Remuneration Committee
continued

Notes to the Policy Table

Approach to target setting and performance measure selection.

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

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

PSP performance measures are selected to ensure they reward delivery of Medica's strategy and growth and create value for shareholders over a multi-year period and are intended to align Executive Directors' interests with those of shareholders. The performance measures applicable to the PSP awards to be granted in 2021 (subject to shareholder approval of the Policy) will be based as to 50% on EPS growth and 50% on Total Shareholder Return over a three year period. The Committee considers these measures align executive incentives to Medica's strategy and shareholder interests.

PSP awards are expected to be granted in May 2021. The PSP award to be granted to Stuart Quin and Richard Jones will be equivalent to 100% of base salary. Subject to the approval of the policy changes and Directors' Remuneration Report at Medica's AGM on 16th June 2021, a further PSP award will be granted to both Stuart Quin and Richard Jones equivalent to 50% of base salary and using the same grant price as the May award, bringing the total PSP award for to 150% for 2021 only.

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

The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short and long term incentive plans if there is a lack of alignment with the Group's strategic goals or shareholder interests. Any use of discretion will be carefully considered by the Committee and fully disclosed in the relevant Directors' Remuneration Report in the Annual Report.

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

Malus and clawback provisions apply to DBP and PSP awards:

- If the Award Holder has engaged in misconduct which, in the sole opinion of the Committee, would or could justify the Award Holder's summary dismissal;
- there has been a material misstatement and/or significant downward revision in the financial results of the Company announced to the public and/or its audited accounts in respect of any Financial Year;
- an error was made in assessing or calculating the extent to which any condition imposed on the Award has been satisfied which has resulted either directly or indirectly in the number of Shares in respect of which the Award was or is capable of exercise, being greater than it would have been but for such error; and
- any other circumstances exist that in the sole opinion of the Committee have (or would have if made public) a sufficiently significant impact on the reputation of any member of the Group or the business in which the Award Holder is employed to justify Malus and Clawback applying. For the avoidance of doubt, such circumstances need not relate to any Financial Year during which the Award Holder held an Award under the Plan.

Details of the Executive Directors' current personal shareholdings are provided on page 74.

In developing these scenarios the following assumptions have been made

Minimum

- Base pay that is applicable in 2021
- Benefits as included in the single figure table for 2020
- Pension based on % contribution of salary for 2021

Target

- Annual bonus is 62.5% of base salary (representing 50% of maximum award)
- PSP share award vesting at 37.5% of base salary (representing 25% of the face value of the PSP award)

Maximum

- Annual bonus is 125% of base salary (representing 100% of maximum award)
- PSP share award vesting at 150% (representing 100% of the face value of the PSP award)

Share price appreciation

- The potential impact of share price appreciation on PSP award values is illustrated assuming a 50% increase on the share price at grant

Share ownership guidelines

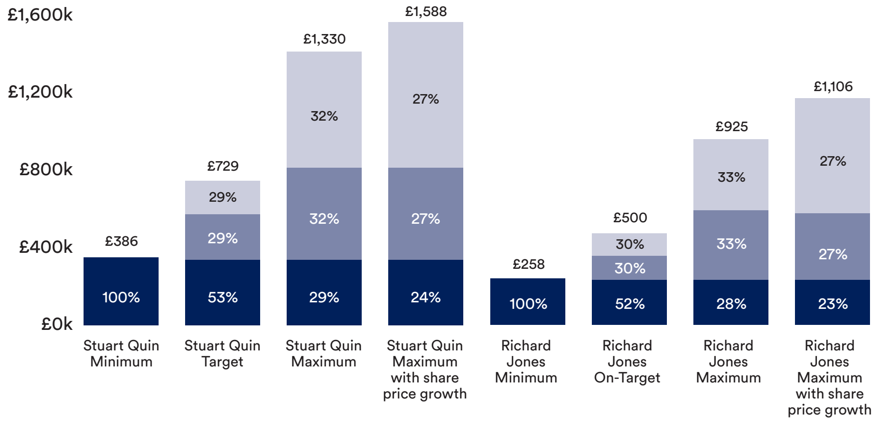
The Committee recognises the importance of aligning Executive Directors' and shareholders' interests through significant shareholdings in Medica. Medica's shareholding policy is 125% of base salary for Executive Directors. The Executive Directors will have five years in which to build up the required ordinary shareholding after commencing employment.

Post-employment shareholding guidelines will require Executive Directors to hold 100% of their in-employment shareholding guideline, or shareholding at cessation if lower, for a period of two years post-cessation.

Pay-for-performance: scenario analysis

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

Potential reward opportunities are based on the forward-looking policy applied to 2021 base salaries and incentive opportunities. Note that the PSP awards granted to Executive Directors will not normally vest until the third anniversary of the date of grant, and will then be subject to an additional two-year holding period before the awards can be exercised.



Executive Director service contracts

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

Executive Director	Position	Date of appointment	Date of service agreement
Stuart Quin	CEO	1 September 2019	1 September 2019
Richard Jones	CFO	3 August 2020	1 August 2020
Stephen Davies	Medical Director	14 May 2013	15 March 2017

Exit payments policy

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

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

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

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

Report of the Remuneration Committee
continued

Treatment of awards on cessation of employment/change of control.

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

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

Approach to remuneration on recruitment

External appointments

In cases of hiring or appointing a new executive director from outside Medica, the Committee may make use of all existing components of remuneration set out in the policy table, up to the disclosed maximum opportunities (where applicable). When determining the remuneration package for a new executive director, the Committee will take into account all relevant factors based on the circumstances at that time to ensure that arrangements are in the best interests of Medica and its shareholders. This may include factors such as the experience and skills of the individual, internal comparisons and relevant market data. The Committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the maximum limits on incentive opportunities set out in the policy table. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the time over which they would have vested. The intention is that the expected value of any buy-out award would be no higher than the expected value of the forfeited arrangements, and that the structure will replicate (as far as reasonably possible) that of the awards being forfeited. The Committee may consider it appropriate to structure 'buy-out' awards differently from the structure described in the policy table, exercising the discretion available under UKLA listing Rule 9.4.2R where necessary to make a one-off award to an executive director in this context. The Committee may also permit Medica to indemnify a new appointment as executive director for any claims that may be made against him by a previous employer in connection with a breach of restrictive covenants or similar restrictions that the new appointment may have breached by taking up employment with Medica.

Report of the Remuneration Committee
continued

Internal promotion

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

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

External appointments held by Executive Directors

Executive Directors may accept up to one external appointment subject to approval by the Board, there being no conflicts of interest and the appointment not leading to deterioration in the individual's performance.

Executive Directors may retain the fees paid for such roles. details of external appointments and the associated fees received will be included in the Annual Report on Remuneration.

Consideration of conditions elsewhere in Medica

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

Consideration of shareholder views

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

Remuneration policy for the Non-Executive Directors

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

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

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

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

Non-Executive Director letters of appointment

None of the Non-Executive Directors has a service contract with Medica. They do have letters of appointment for an initial period of three years, subject to retirement and re-election at the 2021 AGM and continuing thereafter subject to termination upon at least three months' notice (six months' notice in respect of Gordon Roy Davis). The dates relating to the appointments of the Chairman and Non-Executive Directors who served during the reporting period are as follows:

Director	Role	Date of appointment	Date of letter of appointment
Gordon Roy Davis	Independent Chairman	1 March 2017	15 March 2017
Stephen Lee Whittern	Senior Independent Non-Executive Director	1 March 2017	15 March 2017
Professor Michael Bewick	Independent Non-Executive Director	1 March 2017	15 March 2017
Joanne Mary Easton	Non-Executive Director	22 April 2019	2 April 2019

Annual Report on Remuneration

This section of the report provides details of how our Policy was implemented during the period ending 31st December 2020.

Single total figure of remuneration for Executive Directors (Audited)

The table below sets out a single figure for total remuneration received by each Executive Director for the year ended 31 December 2020 and the prior year. This includes the vesting of PSP awards from 2017 following the three year performance period. In respect of Stephen Davies these were subject to a further two-year holding period. The element of PSP awards relating to TSR was not met and therefore £Nil of total pay was attributable to share price appreciation:

2019 & 2020 £000	Base salary[1]	Taxable Benefits[2]	Annual bonus	PSP	Pension benefit	Other	Total	Total fixed	Total variable
Stuart Quin									
2020	£340	£8	£94	–	£34	£nil	£476	£382	£94
2019	£121	£3	£11	–	£3	£nil	£138	£127	£11
Stephen Davies									
2020	£200	£nil	£55	£85	£12	£nil	£352	£212	£140
2019	£200	£nil	£20	–	£nil	£nil	£232	£212	£20
Richard Jones									
2020	£100	£1	£28	–	£6	£nil	£135	£107	£28
Former Directors									
Anthony Lee									
2020	£63	£nil	£nil	£59	£4	£nil	£283	£224	£59
2019	£140	£nil	£14	–	£8	£nil	£162	£148	£14
John Graham									
2020	–	–	–	–	–	–	–	–	–
2019	£133	£nil	£nil	–	£9	£nil	£143	£143	£nil

1. John Graham salary shown until departure date of 31 August 2019. Stuart Quin salary shown from commencement date of 1 September 2019. Anthony Lee resigned as a Director on 31 May 2020. Richard Jones salary shown from commencement date of 3 August 2020.
2. Medica provides death in service benefits to its executive directors. Stuart Quin and Richard Jones receive private medical insurance.

Incentive outcomes for the year ended 31 December 2020 (Audited)

Bonus awards for 2020

Report of the Remuneration Committee
continued

	2020			Bonus for the financial year to 31 Dec 20		
	Maximum opportunity	**Bonus outcome (% of max)**	**Salary earned for the financial year to 31 Dec 2020**	Bonus payable in cash	Bonus deferred into shares	Total bonus awarded (% of maximum)
Stuart Quin	**100% of salary**	**32%**	**£340**	£82	£27	£109
Stephen Davies	**100% of salary**	**32%**	**£200**	£48	£16	£64
Richard Jones	**100% of salary**	**32%**	**£100**	£24	£8	£32
Anthony Lee	**100% of salary**	**0%**	**£140**	-	-	

Disclosure of 2020 Annual Bonus targets

The Executive directors' bonuses for the year ended 31 December 2020 were based on a maximum payment of up to 100% of base salary for maximum achievement of financial and operational targets. Executive Directors were awarded bonuses of 32% of maximum. The table below shows the outcome.

For the financial targets, 75% of the available 100% of annual bonus was based on three financial targets each worth 25% at maximum as per the table below. The remaining 25% of the available 100% of annual bonus was based on the achievement of operational measures.

Bonus outturn	Weighting	Target	Maximum	Actual performance	Bonus received
Revenue	25%	£53m	£58m	£37m	0%
Adjusted net operating profit	25%	£11m	£13m	£5m	0%
Free cash	25%	£7m	£9m	£7m	12.5%
Sub-total for financial measures	***75%***				***12.5%***
Sub-total operational measures	25%	See table below			19.5%
Total	**100%**				**32%**

Following a review of achievements against the financial targets, the Committee concluded that Stuart Quin, Richard Jones and Stephen Davies should receive a payment of 12.5% of the maximum bonus opportunity of 75%.

The remaining 25% of the available 100% of annual bonus was based on the achievement of operational measures as follows:

Operational Measures	Commentary	Outcomes
Growth	Sales growth was adversely affected with opportunities limited to those tendered in the market and the deployment of new contracts won was delayed due to COVID-19. Despite these pressures, a net increase in NightHawk clients was achieved in the year.	Partially met
Efficiency	A 13% increase in rostered reporting hours of capacity were delivered for routine reporting through the recruitment of radiologists ready for deployment ahead of the recovery of Elective volumes.	Met
	Changes to process and systems contributed to the improvements in SLA achievement across both NightHawk and Elective service lines. SLA targets were achieved with a 98% average for NightHawk.	Met
Strategy development	The first augmented intelligence (AI) pilot was successfully completed and introduced into mainstream clinical flow. A new corporate partner, IDX in Australia, was selected and a formal agreement entered into to form a joint venture to deliver reporting services via a different model.	Met

Following a review of achievements against the operational targets, the Committee concluded that Stuart Quin, Richard Jones and Stephen Davies should receive a payment of 19.5% of the maximum bonus opportunity of 25% for operational measures.

In accordance with the directors' remuneration policy approved in 2018, 25% of the total bonus awarded to Stuart Quin and Richard Jones will be deferred in Medica shares under the Deferred Bonus Plan (DBP) to be granted during 2021. Awards under the DBP are not subject to further performance conditions and vest after two years, subject to continued employment. Dividend equivalents will be awarded in respect of the DBP awards on vesting.

Deferred Bonus Plan ("DBP")

Director	Date of grant	Vehicle	Number awarded	Face value[2]	Vesting date	Expiry date
Stuart Quin	15-Apr-20	DBP – nil cost share options	2,564	£2,833	14-Apr-22	15-Apr-30
Dr Stephen Davies	15-Apr-20	DBP – nil cost share options	4,525	£5,000	14-Apr-22	15-Apr-30
	25-Apr-19	DBP – nil cost share options	1,610	£2,500	24-Apr-21	25-Apr-21
Anthony Lee	15-Apr-20	DBP – nil cost share options	3,167	£3,500	14-Apr-22	15-Apr-30
	25-Apr-19	DBP – nil cost share options	1,127	£1,750	24-Apr-21	25-Apr-21
John Graham	25-Apr-19	DBP – nil cost share options	1,610	£2,500	24-Apr-21	25-Apr-21

1. The awards are structured as nil cost options, for which no exercise price is payable.
2. The face value of the 2020 awards has been calculated 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 15 April 2020 (110.50p). The face value of the 2019 awards has been calculated using the share price at the date of grant, being the average closing share price for a Share as derived from the Official List for the three consecutive Dealing Days immediately preceding 25 April 2019 (155.25p).

PSP vesting in 2020

On 21 March 2021, options granted under the 2017 PSP vested as follows:

Executive Director	2017 options granted	2017 options vesting in 2020[1]	Value of vested shares £'000	% vested
Stephen Davies	222,222	68,828	£85	3%
Anthony Lee	155,555	48,179	£59	3%

[1] The Growth in EPS over the performance period was 17.75% and therefore the portion of the Award subject to the performance condition vested at 59.87%. The TSR increased over the performance period by 3.78% and therefore the portion of the Award subject to the TSR performance condition did not vest.

Other Executive Directors did not have any options vesting in 2020 as they were not in position at the time of the 2017 awards.

PSP awards in 2020

On 15 April 2020, Executive Directors were granted awards under the PSP, comprising a grant of options to acquire shares at nil cost. The following awards were granted under the PSP.

Awards granted to Stephen Davies under the PSP were granted in respect of shares with a market value equal to 100% of base salary, determined using the average closing price of Medica's shares for the three dealing days immediately preceding 15 April 2020 (110.50p).

Awards granted to Stuart Quin under the PSP were granted in respect of shares with a market value equal to 200% of base salary, determined using the average closing price of Medica's shares for the three dealing days immediately preceding 15 April 2020 (110.50p).

On 10 November 2020, Richard Jones was granted an award under the PSP, comprising a grant of options to acquire shares at nil cost. The award granted under the PSP was granted in respect of shares with a market value equal to 200% of base salary, determined using the average closing price of Medica's shares for the three dealing days immediately preceding 10 November 2020 (108.33p). This award was agreed as part of the arrangements for recruiting Richard Jones to align his variable pay with interests of shareholders' via a link between a material level of reward and the performance of the Company's shares over the medium term. These awards will vest after a three year period, broadly subject to continued employment and the achievement of performance measures and will also be subject to a further two year holding period after the end of the normal vesting period.

A summary of the performance conditions for the 2020 awards is included below (these were not disclosed prospectively in our 2019 Annual Report and Accounts):

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

Report of the Remuneration Committee
continued

LTIP awards 2020 (with 2019 comparative) for Executive Directors

Director	Date of grant	Vehicle	Number awarded	Exercise price[1]	Face value[2]	Vesting date[3]	Expiry date
Stuart Quin	15-Apr-20	PSP – nil cost share options	615,385	Nil	£680,000	15-Apr-23	15-Apr-30
	16-Sep-19	PSP – nil cost share options	533,682	Nil	£680,000	16-Sep-22	16-Sep-29
Dr Stephen Davies	15-Apr-20	PSP – nil cost share options	180,995	Nil	£200,000	15-Apr-23	15-Apr-30
	25-Apr-19	PSP – nil cost share options	193,236	Nil	£300,000	25-Apr-22	25-Apr-29
Richard Jones	10-Nov-20	PSP – nil cost share options	443,077	Nil	£480,000	10-Nov-23	10-Nov-30

1. The awards are performance share awards, for which no exercise price is payable.
2. The face value of the awards has been calculated 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 15 April 2020 (110.50p), 10 November 2020 (108.33p), 16 September 2019 (127.42p) and 25 April 2019 (155.25p). 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 2020.

Single total figure of remuneration for Non-executive Directors (Audited)

The table below sets out a single figure for total remuneration received by each Non-Executive Director for the year ended 31 December 2020 and the prior year:

Single total figure for remuneration for NEDs

Director	**2020**	2019
Gordon Roy Davis	**£100**	£100
Stephen Lee Whittern	**£60**	£60
Dr Mike Bewick[1]	**£31.8**	£50
Joanne Mary Easton[2]	**£50**	£34.7

1. Dr Mike Bewick resigned on 20 May 2020
2. Joanne Easton appointed on 22 April 2019.

Percentage change in Remuneration

The table below shows the percentage change in remuneration for the role of chief executive between 2019 and 2020 (and the table encompasses part year figures for the departing and new chief executive) and other directors compared to the average for all employees of Medica Group PLC:

	% change from 2019 to 2020		
	Salary/fees	Benefits	Annual Bonus
Executive Directors			
Chief Executive Officer[1]	33%	–	754%
Chief Financial Officer[2]	16%	–	200%
Medical Director and Responsible Officer	0%	–	176%
Non-Executive Directors			
Gordon Roy Davis	0%	–	–
Stephen Lee Whittern	0%	–	–
Dr Mike Bewick[3]	-36%	–	–
Joanne Mary Easton[4]	44%	–	–
Average of other Medica employees	24%	14%	40%

1. A new chief executive was appointed in September 2019
2. A new CFO was appointed in August 2020 with the previous CFO leaving in May 2020.
3. Dr Mike Bewick resigned on20 May 2020
4. Joanne Mary Easton was appointed on 22 April 2019

CEO Pay Ratio

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

Year	Method[2]	25th percentile ratio	Median ratio	75th percentile ratio
2020	Option A	8.7:1	15.7:1	18.4:1
2019[1]	Option A	7.6:1	12.4:1	16.4:1

1. The total remuneration figure for the chief executive is based on the total pay (as disclosed in the single total figure table) for John Graham and Stuart Quin for 2019.
2. Option A was used (ranking employees by their year end annual pay, benefits and annual bonus) because it is the most transparent method available.

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

	2020		2019	
	Salary	**Total pay**	Salary	Total pay
25th percentile	**£41,769**	**£44,840**	£37,080	£41,316
Median	**£23,172**	**£25,344**	£22,660	£25,011
75th percentile	**£19,754**	**£21,410**	£17,112	£18,758

- The increase in the pay ratio from 2019 to 2020 reflects the hiring of the new CEO in September 2019.
- There was no change to the Company's general policy on pay and in 2020 no staff were placed on Furlough and the Company did not take advantage of any other COVID-19 related government schemes.
- The company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the company's UK employees taken as a whole.

Relative importance of spend on pay

There were no share buybacks implemented or other significant distributions, payments or other uses of profit or cashflow in the 2020 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 £7,336,000 for the same period (2019: £5,177).

	Distributions to shareholders £'000	Total employee pay £'000
FY20	946	7,336
FY19	2,612	5,177
% change	-64%	42%

Leaving arrangements for Stephen Davies (Audited)

On 18 January 2021 the company announced that Dr. Stephen Davies has decided to retire and to step down from his position as Group Medical Director and as an Executive Director on the Board effective 31 May 2021. Any payments made to Stephen Davies will be in line with the shareholder approved remuneration policy and the terms of his service agreement and will be disclosed in the Directors Remuneration Report for year end 31 December 2021.

Leaving arrangements for Anthony Lee (Audited)

The Company announced on 11 March 2020 and subsequently that Anthony Lee would remain as the Company's CFO and on its Board of Directors until 31 May 2020.

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

His leaving arrangements included the following:

- A payment of 12 months' salary and the value of benefits in accordance with Anthony Lee's contractual terms was paid monthly from June 2020 with the last payment to be made in May 2021.
- There was no eligibility for bonus for 2020.
- The PSP option award over 135,265 shares granted on 25 April 2019 under the Company's share incentive plans forfeited on 31 May.

Report of the Remuneration Committee
continued

Appointment of Richard Jones

The new chief financial officer was recruited on the following package:

- A salary of £240,000 per annum of which a part was paid from August 2020 to 31 December 2020;
  - A performance linked bonus of up to 100% of salary - with a corresponding proportion paid out subject to performance for 2020. 25% of any bonus earned is deferred into shares under the Company's deferred bonus plan
  - An award of PSP options representing 200% of basic salary on joining under the same terms as the existing directors and subject to performance targets as described above
  - A contribution of 6% of salary to the CFO for pension arrangements
- No awards were made relating to the buy out of previous employment benefits or options.

Payments for loss of office (Audited)

A payment in lieu of notice for Anthony Lee on his departure in May 2020 of £157k was agreed, of which £87k was paid in 2020.

Payments for past directors

Other than as disclosed in respect of Anthony Lee, no payments were made to past directors in the year.

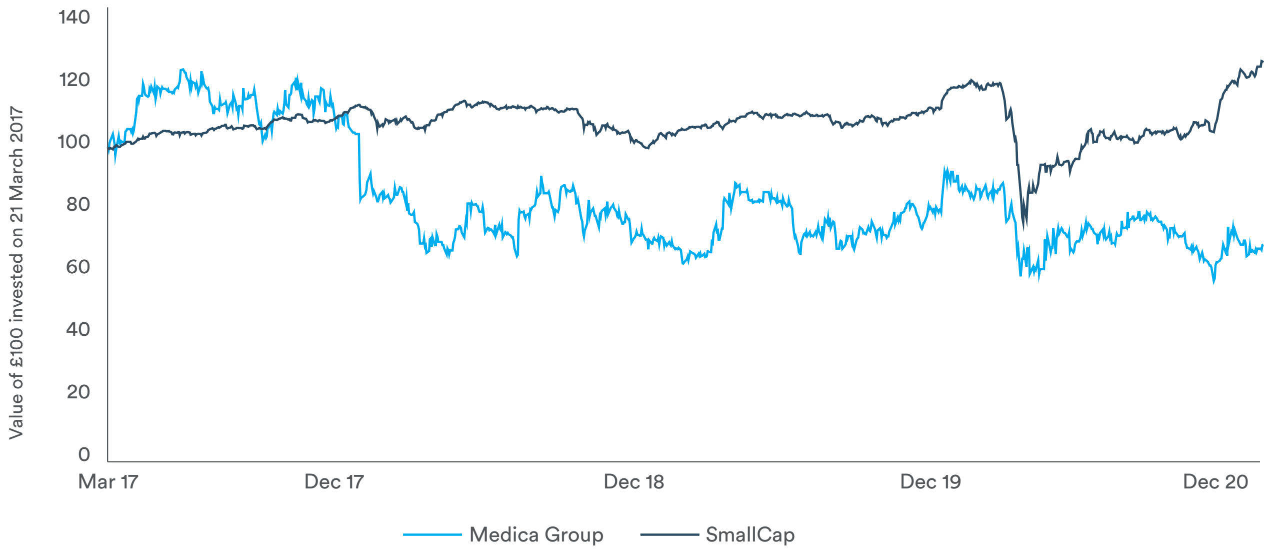
External appointments

Richard Jones, CFO holds an external appointment as NED and Audit Chair of Alliance Pharma PLC.

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 2020. The FTSE Small Cap index was chosen as the comparator because Medica is part of this group and it is the most comparable group of peer companies.

Historical TSR performance
Growth in the value of a hypothetical £100 holding since listing 21 March 2017 to 31 December 2020



The table below details the CEO's single total figure of remuneration and incentive outcomes over the same period. The Total remuneration includes base salary, annual performance bonus and other benefits. The annual bonus percentage is relating to that years performance and is also shown below.

	2017	2018	2019	2020
Stuart Quin (From 1 September 2019)				
Total remuneration (£'000)	n/a	n/a	139	**476**
Annual Bonus (% of maximum)	n/a	n/a	10%	**32%**
LTIP vesting (% of maximum)	n/a	n/a	n/a	**n/a**
John Graham (Retired 30 August 2019)				
Total remuneration (£'000)	205	224	143	**n/a**
Annual Bonus (% of maximum)	0%	5%	n/a	**n/a**
LTIP vesting (% of maximum)	n/a	n/a	n/a	**n/a**

Implementation of remuneration policy for 2021

This section of the report provides details of how our Policy will be implemented in 2021

Base salary

Executive Directors have been awarded an annual increase in basic pay of 1% from April 2021 in line with the wider workforce as shown below:

£'000	1 April 2021 base salary	1 April 2020 base salary	Change vs April 2020
Stuart Quin	£343	£340	1%
Stephen Davies	£202	£200	1%
Richard Jones	£242	£240	1%

Pension

Stuart Quin receives pension contributions of 10% of his salary. Richard Jones receives pension contributions of 6% of his salary. Dr Stephen Davies receives a cash allowance equal to 6% of his salary in lieu of pension contributions. The pension contributions of the current Executive Directors will remain unchanged in 2021 and reduce from 1 January 2023 to align with those of the wider UK workforce which is currently 4%.

Annual Bonus

For 2021, the executive directors will have a maximum bonus opportunity of 125% of salary.

No more than 60% 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 2021 will be based 75% on achievement of Company financial targets and 25% on achievement of functional targets. The financial targets are attributed in equal part to revenue, adjusted operating profit and free cash.

The pay-out for on-target performance is up to 50% of maximum; below threshold performance on any of the financial or strategic functional measures results in nil pay-out.

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

There will be Committee discretion to adjust the formula driven outturn to ensure that the bonus payments also reflect performance more broadly and the experience of other stakeholders in the business.

The financial target range is deemed to be commercially sensitive and have not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report. The Committee will disclose the annual bonus targets retrospectively in next year's Annual Report on Remuneration. Targets have been disclosed for the 2017, 2018, 2019 and 2020 awards.

Report of the Remuneration Committee
continued

Performance Share Plan ("PSP")

In 2021, the executive directors will receive nil cost options under the Medica Group PSP, with face values of 150% of salary in two tranches, the first tranche representing 100% of salary in May 2021 following publication of the 2020 preliminary results and the second tranche respresenting 50% of salary in June 2021 following approval of the new remuneration policy at the 2021 AGM. The 2021 PSP awards will vest after three years, subject to the following performance measures and will be subject to a further two year holding period following the end of the normal vesting period:

Measure	Weighting	Targets	Performance measurement period
Absolute TSR CAGR over three years to 31 December 2023	50%	0% vesting below 17% growth per annum 25% vesting for 17% CAGR growth 50% vesting for 19% CAGR 75% vesting for 22% CAGR 100% vesting for 26% CAGR Straight-line vesting between these points	Three-month average at the end of the three year performance period
Cumulative Growth in Adjusted Earnings per Share over the three-year period to 31 December 2023	50%	0% vesting below 27 pence per share 25% vesting at 27 pence per share 50% vesting at 28 pence per share 100% vesting at 32 pence per share Straight-line vesting between these points	Cumulative three years
		Vesting of awards is subject to overall Committee discretion to reduce or eliminate the awards if deemed necessary	

The performance target ranges have been set at stretching levels taking into account both internal and external forecasts. The maximum vesting level represents 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 remuneration policy for 2021

The current fees payable to the non-executive directors are set out below and no changes to Non-Executive remuneration for 2021 have been proposed:

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

Director's Interests (Audited)

Director's Interests in shares as at 31/12/20

The table below sets out details of the current shareholdings of each director (and any relevant connected persons) as at 31 December 2020 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.

	Shares			Options			
	Beneficial ownership 2020 - Owned outright or vested	Beneficial ownership 2019 - Owned outright or vested	Unvested deferred bonus awards not subject to performance	Vested PSP awards but not exercised	Unvested PSP awards subject to performance	Current shareholding (% salary)[1]	Shareholding guideline (% salary)
Stuart Quin	67,042	nil	2,564	nil	1,149,067	24%	100%
Richard Jones	18,260	nil	0	nil	443,077	9%	100%
Stephen Davies	576,634	1,546,392	6,135	68,828	739,489	357%	100%
Gordon Roy Davis	112,037	37,037	–	–	–	–	–
Stephen Whittern	37,037	37,037	–	–	–	–	–
Jo Easton	19,047	nil	–	–	–	–	–

1. Current holding measured by reference to the shareholding at 31 March 2021 multiplied by the closing share price of 152p on that date expressed as a percentage of base salary at 31 December 2020.
2. Since the year end, on 25th March Stuart Quin, Richard Jones Stephen Davies, Roy Davis, Jo Easton and Steve Whittern participated in a direct subscription for new shares as part of the equity placing to support the acquisition of RadMD LLC. The total subscription raised £0.5m (gross).

Governance

Summary of shareholder voting at the 2020 AGM

There was a vote on the Director's remuneration report at the AGM in 2020. Of the 78,764,488 votes cast 73,062,937 (93%) were for the resolution with 5,701,551 (7%) against and 8,101,302 were withheld. The results of the AGM were published on the Company's website after the meeting.

The Remuneration Committee

The Committee is responsible for assisting the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on Medica's policy on executive remuneration (including setting the over-arching principles, parameters and governance framework of Medica's remuneration policy) and determining the individual remuneration and benefits packages of each of the executive directors, the company secretary and the senior management team. In carrying out its duties the Committee ensures compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

Details of the Remuneration Committee's terms of reference can be found on our website at https://medicagroupplc.com/investors/corporate-governance/.

Remuneration Committee membership

Jo Easton	Committee Chair (since May 2020*)
Roy Davis	Non-Executive Chairman (independent)
Steve Whittern	Senior Independent Non-Executive Director (independent)

* Dr Mike Bewick was committee Chairman until May 2020 when he resigned from the Board and the Committee

Meetings in 2020

The Committee met 9 times during the year. All of the Committee members attended the meetings. The CEO and CFO also attended a number of the Committee meetings during the year by invitation. The Committee's independent advisor also attended meetings during the year.

Advisers

Mercer Limited supported Medica on remuneration-related matters up to June 2020 at which point and following a selection exercise, the Committee formally appointed Willis Towers Watson as its independent adviser. During the remainder of 2020, the Committee received advice on the proposed changes to the Remuneration Policy, Committee terms of reference, measures and target setting for incentive plans, executive remuneration levels, developments in corporate governance and the preparation of the policy and implementation for inclusion in the Director's remuneration report.

Both Mercer Limited and Willis Towers Watson are members of the Remuneration Consultants' Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK (www.remunerationconsultantsgroup.com). Mercer Limited and Willis Towers Watson do not have any other connection with Medica and are considered to be independent by the Committee. Total fees paid to Mercer and Willis Towers Watson totalled £87k, (excluding expenses and VAT) for the year to 31 December 2020 in their capacity as advisers to the Committee.

Jo Easton

Chair of the Remuneration Committee

10 May 2021

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 2020. The company registration number of Medica Group PLC is 08497963. The company is listed on the main market of the London Stock Exchange under the ticker symbol MGP.

The Group's principal activity is the provision of teleradiology reporting and is the leading independent provider in both the UK and Ireland. 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 32 to 35, and 36 to 37.

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 Company financial statements for each financial year.

The directors have prepared the consolidated financial statements of the Group in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and are additionally required under the Listing Rules of the Financial Conduct Authority to prepare the Group financial statements in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Directors prepared the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;
- prepare a Strategic Report, Director's Report, Director's Remuneration Report and Corporate Governance Statement under applicable law and regulation.

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

The directors holding office at 10 May 2021 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 their knowledge the Director's confirm:

- the Group financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 applicable accounting standards including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006, 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, the Director's Report, the Director's Remuneration Report and the Corporate Governance Statement 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.

Engagement with suppliers and customers

The directors have considered the need to continue to foster business relationships with suppliers and customers throughout the year. There have been no significant decisions that have changed the relationships with suppliers or customers, and the strategic plan has had input from our reporters as we engage with them to improve workflow, and from clients as we engage with them to continue to focus on turnaround times and quality. Medica's operational teams are in contact with clients and reporters every day. In addition, we have a dedicated account management team that discuss performance with clients and hold regular review meetings. Our service delivery team include a dedicated reporter team that adopt a similar approach with our reporters. Our other key suppliers are technology, and this is managed through regular dialogue with our technical team. Information relevant to our strategy on engagement with suppliers and customers are detailed in the CEO report in the strategic report on pages 32 to 35.

Principal and emerging risks and uncertainties

The principal and emerging corporate risks and uncertainties are set out on pages 26 to 29 of the strategic report. The principal financial risks faced by the Group are liquidity, credit and interest rate risks details of which are set out in note 27.1 to the financial statements on page 117.

Results and dividends

The results for 2020 are set out in the financial statements on pages 92 to 125.

An interim dividend of 0.85 pence (2019; 0.85 pence) per Ordinary Share was paid to shareholders on 23 October 2020. The Board are recommending a final dividend for 2020 of 1.7 pence per share taking the total dividends for the year to 2.55 pence (2019: 0.85 pence).

Review of the period

A comprehensive analysis of the Group's progress and development is set out in the strategic report on pages 2 to 41 including detailed commentary on the position of the group as at 31 December 2020. This analysis includes comments on the position of the Group at the end of the financial period.

Significant events after the balance sheet date

As set out in Note 31 on page 119:

- On 22 February 2021 the group announced an equal joint venture (JV) partnership with Integral Diagnostics Limited, a leading provider of medical imaging services across Australia and New Zealand.
- On 22 March 2021 the group acquired RadMD LLC, a company incorporated in the United States of America, a leading Imaging Contract Research Organisation ("iCRO") providing services to the fast-growing clinical trials market.
- On 23 March 2021 a total of 10,727,666 Placing Shares were placed by Investec Bank plc and Liberum Capital Limited at a price of 145 pence per Placing Share. In conjunction with the Placing, a direct subscription for 383,444 new Ordinary Shares at the Placing Price raised gross proceeds for the Company of £556,000 in aggregate.
- On 23 April 2021 the RCF balance of £5.9m was repaid in full. On 23rd April 2021 the £12m term debt was also repaid in full as part of a refinance of the Group's debt facilities with £12m of a new £30m RCF drawn down on the same date. The new facility has a three-year term, extendable by up to two years, a margin above SONIA on drawn funds in the range of 2% to 3% depending on leverage and non-utilisation fees of 35%. Security has been granted to the new banking syndicate of three banks comprising Lloyds, Nat West and Silicon Valley Bank over the UK companies and limited security over non-UK entities.

Capital structure

As set out in Note 23 on page 116, the Company's share capital is divided into 111,279,650 ordinary shares of £0.002 each with voting rights.

Subsidiaries and branches

Details of the group structure including its subsidiaries are set out in Note 25 on page 116. Medica Group PLC is the ultimate holding company.

Directors' Report
continued

Significant shareholdings

As at 31 December 2020 and 30 April 2021, this being the latest practical date prior to publication of the Annual Report, 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 at 31 December 2020		As at 31 March 2021	
	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
Aberforth Partners	**15,956,981**	**14.3**	18,026,981	14.73
Liontrust Asset Mgt	**13,525,864**	**12.2**	13,525,864	11.1
Gresham House	**12,189,339**	**11.0**	14,506,275	11.9
Artemis Investment Mgt	**11,189,654**	**10.1**	11,819,654	9.7
BGF Investments	**4,561,000**	**4.1**	5,074,894	4.2
GVQ Investment Mgt	**4,149,000**	**3.7**	4,563,272	3.7
Revera Asset Mgt	**3,700,000**	**3.3**	4,060,000	3.3
Independent Investment Trust	**4,000,000**	**3.6**	4,000,000	3.3
Aberdeen Standard Life	**3,837,553**	**3.51**	4,174,219	3.4

Related party transactions

There were no related party transactions in the year.

CO_2 Emissions

The Group's CO_2 emissions are disclosed on pages 26 to 27 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. In addition, as contemplated in the Company's Articles of Association by resolution of the board on 16 December 2020, the Company agreed to enter into deeds of indemnity with the Directors in relation to certain specific liabilities incurred by them in the performance of their duties as directors of the Company. The Deeds were entered into in January 2021.

Corporate governance

The Directors' Statement on corporate governance is set out on pages 46 to 49 and forms part of this report.

Viability statement

The Directors have assessed the viability of the Group by considering the strategic plan and preparing financial forecasts over a three-year period from 1 January 2021 to 31 December 2023, so that 30 months remain at the time of approval of this year's annual report. The first year of the financial forecasts form the group's operating budget and is subject to rolling re-forecasting from April 2021, taking into account actual performance in the year to date. The second year is a further detailed forecast and third year is extrapolated from the second year, based on the overall content of the strategic plan.

The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- Recovery in UK teleradiology Elective volumes during 2021 followed by a return to core growth in 2022 and 2023
- Continued low double-digit growth in UK teleradiology NightHawk revenues during the forecast period as a result of increased activity from existing customers and net new contract wins
- Continued growth in the Irish teleradiology, managed services and diabetic retinopathy screening and surveillance both from increased activity from existing customers and net new contract wins
- Investment in the Group's FutureTech programme commencing in 2021
- The refinance of the debt facilities completed in early May 2021.

Although the strategic plan reflects the directors' best estimate of the future prospects of the business, they have also tested the potential impact on the group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. These scenarios, which are based on aspects of principal risks 3, 4 and 5, represent 'severe but plausible' circumstances that the group could experience and in particular considering the impact of no further recovery in UK Elective teleradiology volumes. In considering these scenarios the Directors have considered the potential for continued impact of COVID-19 on future performance.

Based on their assessment of prospects and viability above, the directors confirm that 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 three year period ending 31 December 2023.

Going concern assessment

As noted above, as part of their longer term review, the Directors have prepared detailed forecasts for the period to December 31, 2022. These forecasts indicate that the group has sufficient funds to meet its liabilities as they fall due for at least the next 12 months.

In preparing these forecasts the directors have considered the potential for further and prolonged negative impact of COVID-19 going forward following the significant impact on Medica's revenue reported in 2020 due to the impact on Elective volumes and revenue as the NHS focused its efforts away from elective activity to focus on treating patients in the pandemic and also the negative impact on NightHawk volumes and revenue due to the impact of the lockdowns and other restrictions. The Directors have also considered the impact of the recently announced acquisition of RadMD LLC with the associated 9.9% equity placing as well as the refinancing of its existing debt facilities that was completed in early May 2021 that provided a new 3 year fully flexible £30m RCF facility as set out in Note 31 on page 119.

Future outlook

The outlook for the Group for 2021 and beyond is set out in the CEO review on pages 32 to 35.

Annual General Meeting

Medica's Annual General Meeting is scheduled to take place on 16th June 2021.

Directors

The directors who served during the year were as follows:

Roy Davis

Steve Whittern

Professor Michael Bewick
(Resigned 20 May 2020)

Jo Easton

Stuart Quin

Dr Stephen Davies

Anthony Lee
(Resigned 31 May 2020)

Richard Jones
(Appointed 3 August 2020)

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

Strategic Report

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's Strategic Report and/or in the financial statements information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of:

- an indication of financial risk management objectives and policies required by paragraph 6(1)(a);
- an indication of exposure to price risk, credit risk, liquidity risk and cash flow risk required by paragraph 6(1)(b);
- details of any events affecting the Company and Group since the reporting date as required by paragraph 7(1)(a);
- an indication of likely future developments in the business of the Group required by paragraph 7(1)(b);
- an indication of activities of the Group in the field of research and development required by paragraph 7(1)(c);
- an indication of the existence of branches outside of the United Kingdom required by paragraph 7(1)(d);
- a statement describing the Group's policy regarding the hiring, continuing employment and training, career development and promotion of disabled persons required by paragraph 10(3);
- the statements relating to employee engagement required by paragraph 11(1);
- a statement summarising how the Directors have had regard for the need to foster the Group's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year required by paragraph 11B(1);
- the various disclosures relating to the structure, restrictions over, holdings of, and agreements relating to the Company's share capital required by paragraphs 13(2) and 14;
- the disclosures relating to carbon dioxide emissions required by paragraphs 15, to 18.

Employee Benefit Trust

The Company operates an Employee Benefit Trust (EBT) to facilitate its share-based payment schemes detailed in note 28 of the financial statements. When an employee chooses to exercise their options, the EBT purchases shares of the Company to issue to the employee. During the year, the EBT purchased 168,536 Ordinary shares of 0.2p each (2019: Nil Ordinary shares of 0.2p each), of which 113,568 (2019: Nil) were still held at the reporting date.

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 10 May 2021 and signed on its behalf by

Richard Jones
Chief Financial Officer

10 May 2021

Section 172 statement

The Directors of Medica Group PLC (the "Company") are aware of their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company to maintain a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

The Company is listed on the London Stock Exchange (under the Ticker symbol MGP) and is the parent of various subsidiary undertakings (together, "Medica").

We work tirelessly to make a positive impact. Whilst we are a business run for the benefit of our shareholders, we are committed to acting ethically, with integrity, and with consideration to the communities and environment where we operate. The Directors fully believe the Company's success depends on this.

Long term decisions and actions

The Directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

The Directors monitor the performance of the subsidiaries to ensure they are meeting the requirements of the wider business. This requires a long term view so that the Directors can structure the business in a manner that enables it to most efficiently respond to changes in the market place and return value to Medica's shareholders.

The Directors consider the possible long-term consequences of any material proposed course of action, including safety and financial impacts and reputation with all stakeholders.

For more details of how the business develops and evaluates its strategy, please see page 12.

The interests of our employees

For details of how the Directors have considered the impact of their decisions on our employees, please refer to category 3 'Our people & standards' of the CSR & ESG report on page 28.

We understand that a work life balance is important to our employees, and that they each have personal and family demands on their time. That is why we have flexible working arrangements and working from home options for the vast majority of our staff. More information on this can be found in the 'ESG Spotlight' section of the CSR & ESG report on page 30.

The board continued the process of engagement with other stakeholders through the work of Jo Easton, Non-Executive Director responsible for workforce engagement. During 2020, we conducted employee engagement workshops and considered feedback and actions resulting from the consultation. Following these workshops, we have developed and are currently consulting employees on a revised homeworking policy to be implemented post-lockdown and have increased the frequency of all-company town hall meetings.

Relationships with suppliers and customers

At Medica, we truly believe that the services we provide to our clients will benefit their patients. In the case of our emergency reporting service called NightHawk our response times can make the difference between a hospital being able to provide appropriate lifesaving treatment or not. The Managing Director of our recently acquired Irish subsidiary, Global Diagnostics Ireland, Caroline Byrne, highlights the significant difference we can make to our clients in her interview on page 18, *"average time between examination and report for all A&E cases fell from 20 days to 45 minutes with urgent cases reported within 15 minutes. The hospital also noted the cost of running the radiology department fell by 29% whilst the hours of consultant radiologist support more than doubled (45 to 96 hours per week)."*

The impact of the COVID-19 pandemic has been felt in all sectors and our customers, primarily being doctors in hospitals and other settings, have been at the forefront of the battle against the virus. They have needed to maintain high levels of service through this demanding period, whilst doing their best to keep themselves and patients safe, and comply with government guidelines. We are pleased to have been able to assist our NHS customers during the difficult period of the first national lockdown in March, by providing a pro bono "pass through" service to assist the hospitals with their own home-based reporting of radiology usually reported within the hospital, and further details on this are included in the 'ESG Spotlight' section of the CSR & ESG report on page 30.

Impact on the community and the environment

Medica is mindful of its impact on the environment and seeks to minimise this whenever possible. More information on this is within the category 1 'Climate Change' section of the CSR & ESG report on page 27.

We are proud of our work and how it can ultimately help to save lives. We are keen to add something back to the community and have partnered up with a charity, RefuAid, to support refugee doctors.

More detail on these areas can be found in category 5 'Social impact & responsibility' of the CSR & ESG report on page 29, and the 'ESG Spotlight' section on page 30.

Business Conduct

Our Group's core business model relies on us to continually '"do well by doing good". Medica's aim is to offer the highest quality service to our doctors, customers and in turn, their patients. By doing this we will positively impact people and the Group will continue to grow.

The Directors are committed to maximising long-term shareholder value while supporting management in the operations of the business, observing ethical standards and adhering to all applicable laws.

The conduct of the Board of Directors is monitored in accordance with the UK Corporate Governance Code. This is discussed in detail in the Corporate Governance Report on pages 46 to 49.

We provide various channels (local and global) for employees to obtain answers to questions or to report potential or actual violations of law, regulation, or policy freely and without fear of retaliation.

Acting fairly between members

All shareholders of Medica are welcome to join the six-monthly investors conference calls and can also anonymously contact members of the Board directly, which gives all our shareholders equal ability to have their voices heard.

This year, there will be additional challenges in holding our AGM because of the coronavirus restrictions in place in the UK. Our AGM is a key opportunity for our shareholders to have their voices heard and we have put special provisions in place to ensure that this remains the case. The details of our AGM are discussed on page 74.

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 2020, which comprise the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the group's and the parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

GrantThornton

Overview of our audit approach

Overall materiality:

Group: £0.35 million which represents 5% of the group's average profit before taxation for the past three years.

Parent company: £0.18 million, which represents 0.5%% of the parent company's total assets.

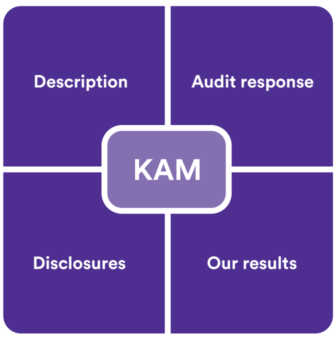
Key audit matters were identified as:

- Business combination accounting
- Going concern
- Improper revenue recognition

Our auditor's report for the year ended 31 December 2019 did not include any key audit matters that have not been reported as key audit matters in our current year's audit report.

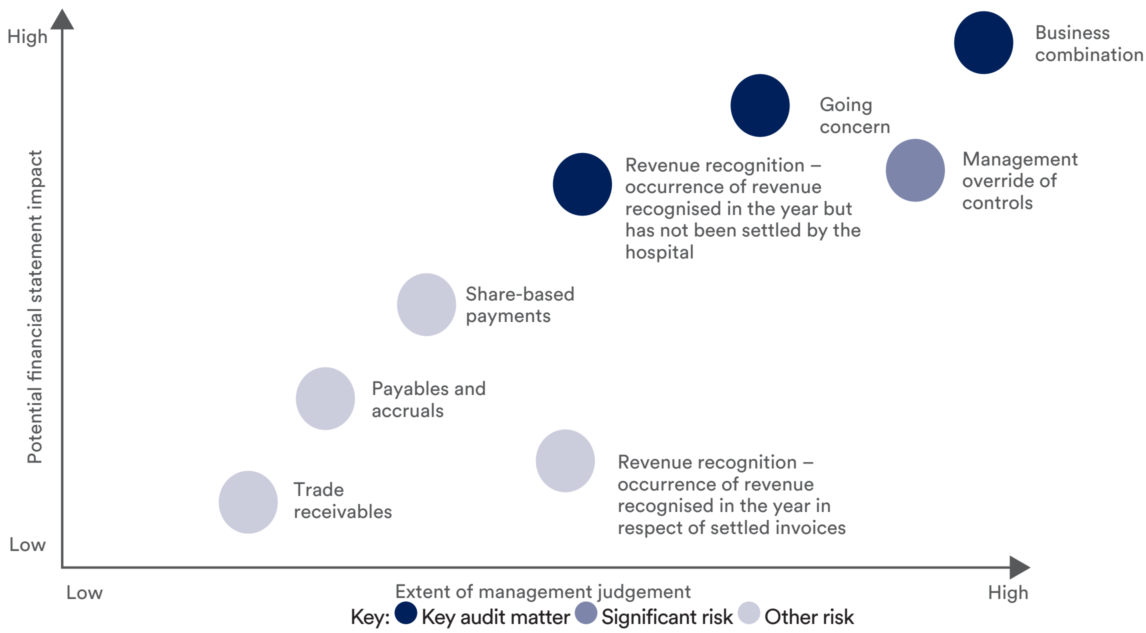
We performed an audit of the financial information of the parent company and Medica Reporting Limited using component materiality (full-scope). We performed analytical procedures on the financial information on the remaining seven components in the Group during the year.

Key audit matters



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

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How the matter was addressed in the audit – Group
Business Combination We identified the accounting for business combinations as one of the most significant assessed risks of material misstatement due to error. During the period on 2 November 2020, the Group acquired 100% of the ordinary share capital of Global Diagnostics (Ireland) Limited and Global Retinopathy Screening Limited. This business combination has had a material impact on the financial statements, resulting in the recognition of goodwill and intangible assets upon consolidation of these entities. Goodwill of £7.5m and other identifiable intangible assets of £10.7m were recognised on the date of the acquisition to reflect the provisional fair value of the acquired assets and liabilities. The other identifiable intangible assets were valued using discounted cash flow forecasts, which require judgement by the Directors around key assumptions such as revenue growth, discount rates, and long term growth rates. On initial recognition, the assets and liabilities acquired in a business combination 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's accounting policies. Determining the fair value of certain assets and liabilities requires judgement to be exercised by the Directors. The financial impact of the acquisition was significant and there was a high level of judgement and estimation uncertainty required to measure the fair value of contingent consideration and the fair value of intangible assets acquired. We therefore identified the acquisition accounting as a significant risk, which was one of the most significant assessed risks of material misstatement.	In responding to the key audit matter, we performed the following audit procedures: • documented an understanding of management's process for evaluating the valuation of goodwill and intangibles and assessed the design effectiveness of relevant controls; • assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 3 'Business Combinations'; • considered for appropriateness management's acquisition accounting calculations, verifying key inputs to the acquisition agreement and completion accounts and testing the material underlying assets and liabilities acquired; • considered the appropriateness and completeness of management's adjustments to the acquisition balance sheet; • used an auditor's expert to consider the work of management's valuation expert and to evaluate and challenge the assumptions used in the valuation of intangible assets acquired and the assumptions used in estimating in the fair value of contingent consideration, including discount rates, growth rates and forecast future trading performance; and • obtained an understanding of, and challenged the basis for, management's estimate of the probability of certain contingent events related to the valuation of contingent consideration, including giving consideration to the acquired entities' historic performance and to the status of the acquired entities' discussions and negotiations with key clients.
Relevant disclosures in the Annual Report and Accounts 2020 The Group's accounting policy on business combinations is shown in note 3.5 within 'Principal accounting policies – Group' to the financial statements on pages 96 to 125 and related disclosures are included in note 18. The Audit Committee considered the accounting for the business combination as part of its principal activities for the year in its report on page 51.	**Our results** Based on our audit work, we found that the assumptions and judgements used in management's measurement of acquired intangibles and contingent consideration were reasonable and that the associated amounts recognised were materially accurate. We found no material errors in the underlying calculations.

Going concern

We identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.

COVID-19 is one of the most significant economic global events, and its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the Group and as such it increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements.

In undertaking their assessment of going concern for the Group, the Directors considered the impact of COVID-19 related events in the forecast future performance and anticipated future cash flows of the Group and concluded, based on the forecasts prepared together with the results of downside scenarios and a reverse stress test that were considered, that the Group has sufficient resources available to meet its liabilities as they fall due and that there are no material uncertainties that cast significant doubt over the Group's ability to continue as a going concern.

In responding to the key audit matter, we performed the following audit procedures:

- obtained and evaluated management's assessment of going concern and considered the assumptions used in the cash flow forecasts, which have been approved by the Board;
- considered the policies and disclosures in respect of going concern in the financial statements for appropriateness
- with the assistance of internal Transaction Advisory specialists, tested the adequacy of the supporting evidence for the cash flow forecasts used in the going concern assessment, including the assumptions in respect of key events after the reporting date including the refinancing and a further acquisition
- with the assistance of internal Transaction Advisory specialists, considered the appropriateness of management's sensitivity analysis, including management's reverse stress testing
- considering management's historic forecasting accuracy and the extent to which this impacts the forecasts produced;

In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Group's model including effects arising from macro-economic uncertainties such as the United Kingdom's withdrawal from the European Union and COVID-19. We assessed and challenged the reasonableness of the forecasts made by the Directors and the related disclosures and analysed how those risks might affect the Group's and the Company's financial resources or ability to continue operations over the going concern period.

Relevant disclosures in the Annual Report and Accounts 2020

The Group's accounting policy on going concern is shown in note 2.2 within 'Principal accounting policies – Group' to the financial statements on page 96.

Our results

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Improper revenue recognition

We identified improper revenue recognition as one of the most significant assessed risks of material misstatement due to fraud.

Revenue is recognised throughout the group at the point at which the radiology report is submitted to the hospital's Radiology Information System (RIS) and, as such, revenue is recognised once the service has been provided and delivered to the customer.

As part of our audit risk assessment, we distinguished between revenue transactions that had been settled in cash by the reporting date and those that had not been settled by the reporting date. Unsettled revenue transactions have not been reconciled and approved by the customers, and as such present a higher risk that the revenue transaction has not occurred.

In responding to the key audit matters, we performed the following audit procedures:

- gained an understanding of the processes and controls implemented by the Group to identify, measure and recognise revenue, and assessed the design effectiveness of controls, particularly in relation to the accurate extraction of billing data from the Picture Archiving and Communications System ('PACS'), which records details of radiology reports submitted to customers, as relevant to the recognition of revenue;
- considered the appropriateness of the group's revenue recognition policy in accordance with International Financial reporting Standard 15: 'Revenue from Contracts with Customers';
- tested 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, confirming that the underlying diagnostic report had been prepared and submitted to the hospital's RIS through confirmations by radiologists or through direct inspection, and considering the amount of cash received in remittance of those items subsequent to the reporting date; and
- analysed the journal entries and credit notes within the revenue accounting process for significant reversals of revenue during the year or subsequent to the reporting date

Relevant disclosures in the Annual Report and Accounts 2020

The Group's accounting policy on revenue recognition is shown in note 3.2 within 'Principal accounting policies – Group' to the financial statements on pages 96 to 125 and related disclosures are included in note 5.

Our results

Our audit testing did not identify any material deficiencies in relation to revenue that would have required us to expand the nature or scope of our planned detailed testing work.

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

Our application of materiality

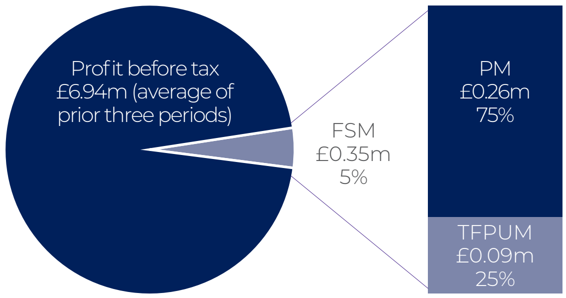
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

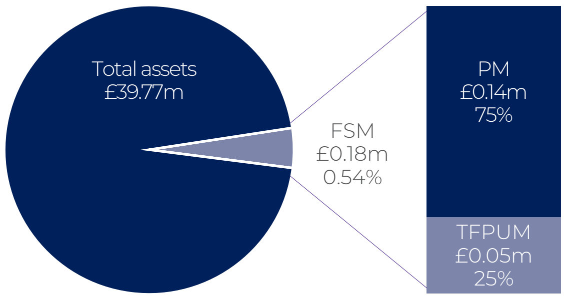
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£0.35 million which is 5% of average profit before taxation for the past three years.	£0.18 million which represents 0.5% of the parent company's total assets.
Significant judgements made by auditor in determining the materiality	This benchmark is considered the most appropriate because this is a key measure used by the Directors to report to investors on the financial performance of the Group. An average of profit before tax for the past three years was applied to reflect a normalised result due to the impact of Covid19. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the lower profit before tax and to reflect an average profit before tax being applied in the current year.	This benchmark is considered the most appropriate because its principal activity is that of a holding Company. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the allocation of component materiality as part of the Group audit.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£0.26 million which is 75% of financial statement materiality	£0.14 million which is 75% of financial statement materiality
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: • Whether there were any significant adjustments made to the financial statements in prior years • Whether there were any significant control deficiencies identified in prior years • Whether there were any changes in senior management during the period • Whether there were any significant changes in business objectives/strategy	In determining performance materiality, we made the following significant judgements: • Whether there were any significant adjustments made to the financial statements in prior years • Whether there were any significant control deficiencies identified in prior years • Whether there were any changes in senior management during the period Whether there were any significant changes in business objectives/strategy
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas such as directors' remuneration and related party transactions	We determined a lower level of specific materiality for the following areas such as directors' remuneration and related party transactions
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£17,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

The consolidated Group, including the Parent Company and Medica Reporting Ltd, were subject to statutory audit under a comprehensive audit approach. Having assessed the significance of the Group's components by reference to the percentage of Group revenue, profit before tax, total assets and other relevant benchmarks represented by the individual components, none of the Group's other components, Medica Reporting Services Ltd, Medica Reporting Finance Ltd, Medica Australia Pty Ltd, Global Diagnostics (Ireland) Limited, Global Retinopathy Screening Limited; MED-IDX Pty Ltd and Medica IT Services Ltd were assessed as being significant to the Group as a whole. Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile, and in particular included:

- performing an evaluation of the design effectiveness of controls over key financial statement risks identified as part of our risk assessment process
- gaining an understanding of the financial reporting and accounts production process;
- undertaking substantive testing on significant classes of transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks;
- performing substantive procedures over 96% of Group's revenue, 92% of Group's profit before tax and 92% of Group's total assets; and
- performing analytical reviews over the non-significant components of the Group: Medica Reporting Services Limited, Medica Reporting Finance Limited Medica Australia Pty Ltd, Global Diagnostics (Ireland) Limited, Global Retinopathy Screening Limited, MED-IDX Pty Ltd and Medica IT Services Ltd . The scope of the current year audit has remained consistent with that of the prior year, with the exception that Global Diagnostics (Ireland) Limited and Global Retinopathy Screening Limited were acquired on 2 November and MED-IDX Pty Ltd and Medica IT Services Ltd were incorporated during 2020 and were not in existence in the prior year.

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole. All work was performed by the Group audit team.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage PBT
Full-scope audit	2	92%	96%	92%
Specified audit procedures	0	0%	0%	0%
Analytical procedures	7	8%	4%	8%

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

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

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

Matters on which we are required to report by exception

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

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

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's and the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's 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;
- the directors' explanation in the annual report as to how they have assessed the prospects of the group and the parent company, 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 and the parent company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- the directors' statement 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 and the parent company's performance, business model and strategy;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the group and the parent company including the impact of Brexit and COVID-19 and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated including the impact of Brexit and COVID-19;
- the section of the annual report that describes the review of the effectiveness of group's and the parent company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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 year ending 31 December 2013 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the periods ending 31 December 2013 to 31 December 2020.

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

10 May 2021

Consolidated income statement and consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 £000			31 December 2019 £000		
		Underlying £'000	Non-Underlying (Note 7) £'000	Total £'000	Underlying £'000	Non-Underlying (Note 7) £'000	Total £'000
Revenue		36,814	–	36,814	46,542	–	46,542
Cost of sales		(19,362)	–	(19,362)	(24,292)	–	(24,292)
Gross profit		17,452	–	17,452	22,250	–	22,250
Administration expenses		(12,449)	(2,309)	(14,758)	(10,953)	(1,074)	(12,027)
Operating profit before exceptional items	6	5,003	(2,309)	2,694	11,297	(1,074)	10,223
Exceptional items		–	(324)	(324)	–	(362)	(362)
Operating profit		5,003	(2,633)	2,370	11,297	(1,436)	9,861
Finance income	8	73	–	73	93	–	93
Finance costs	9	(339)	(30)	(369)	(360)	–	(360)
Profit before tax		4,737	(2,663)	2,074	11,030	(1,436)	9,594
Income tax charge	10	(876)	147	(729)	(1,960)	273	(1,687)
Profit for the year attributable to equity shareholders		3,861	(2,516)	1,345	9,070	(1,163)	7,907
Basic profit per ordinary share (pence)	11			1.21			7.12
Diluted profit per ordinary share (pence)	11			1.21			7.09
Statement of Comprehensive Income							
Profit for the year				1,345			7,907
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Foreign exchange translation differences				–			2
Total comprehensive income for the year				1,345			7,909

The notes and accounting policies on pages 96 to 125 form an integral part of these financial statements.

Consolidated statement of financial position

COMPANY REGISTRATION 08497963

	Note	31 December 2020 £000	31 December 2019 £000 (Restated)
ASSETS			
Non-current assets			
Goodwill	14	**23,473**	15,948
Other intangible assets	15	**17,150**	7,384
Property, plant and equipment	16	**4,146**	3,783
Deferred tax	23	**163**	–
		44,932	27,115
Current assets			
Trade and other receivables	19	**8,333**	10,168
Cash and cash equivalents	20	**13,934**	16,576
		22,267	26,744
Total assets		**67,199**	53,859
LIABILITIES			
Current liabilities			
Trade and other payables	21	**(5,803)**	(3,804)
Borrowings	22	**(5,881)**	-
Lease liabilities	22	**(299)**	(109)
Contingent consideration	22	**(1,753)**	–
Current tax		**(387)**	(890)
		(14,123)	(4,803)
Net current assets		**8,144**	21,941
Total assets less current liabilities		**53,076**	49,056
Non-current liabilities			
Borrowings	22	**(11,960)**	(11,936)
Lease liabilities	22	**(475)**	(398)
Contingent consideration	22	**(1,778)**	–
Deferred tax	23	**(2,410)**	(880)
		(16,623)	(13,214)
Net assets		**36,453**	35,842
EQUITY			
Issued capital	24	**223**	222
Share premium	24	**14,721**	14,721
Foreign exchange reserve	24	**2**	2
Retained earnings	24	**21,507**	20,897
Total equity		**36,453**	35,842

The notes and accounting policies on pages 96 to 125 form an integral part of these financial statements.

The financial statements on pages 92 to 95 were authorised for issue by the Board of Directors on 10 May 2021 and were signed on its behalf by:

Stuart Quin
Director

Richard Jones
Director

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	12 months ended 31 December 2020 £000	12 months ended 31 December 2019 £000
Operating activities		
Profit for the year	**1,345**	7,907
Add back taxation	**729**	1,687
Profit before tax	**2,074**	9,594
Adjustments for:		
Depreciation	**1,449**	1,249
Amortisation	**1,429**	1,354
Loss on disposal of tangible and intangible assets	**219**	–
Share based payments	**210**	204
Finance income	**(73)**	(93)
Finance costs	**375**	360
Changes in:		
Decrease/(increase) in trade and other receivables	**4,201**	(1,534)
Decrease in trade and other payables	**56**	753
Tax paid	**(1,299)**	(2,180)
Cash inflow from operating activities	**8,641**	9,707
Investing activities		
Purchase of subsidiary net of cash acquired	**(13,813)**	–
Purchase of property, plant and equipment	**(1,475)**	(2,360)
Purchase of software intangibles	**(533)**	(467)
Interest received	**73**	93
Cash outflow from investing activities	**(15,748)**	(2,734)
Cash flows from financing activities		
Repayment of lease liability	**(152)**	(50)
Proceeds from borrowings	**5,963**	–
Repayment of borrowings	**(54)**	–
Issue of ordinary share capital	**1**	–
Dividends paid to ordinary shareholders	**(945)**	(2,612)
Interest paid	**(345)**	(323)
Net cash inflow/(outflow) from financing activities	**4,468**	(2,985)
Net change in cash and cash equivalents	**(2,639)**	3,988
Movement in net cash		
Cash and cash equivalents, beginning of period	**16,576**	12,588
(Decrease)/Increase in cash and cash equivalents	**(2,639)**	3,988
Foreign exchange on cash and cash equivalents	**(3)**	–
Cash and cash equivalents, end of period	**13,934**	16,576

The notes and accounting policies on pages 96 to 125 form an integral part of these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Issued capital £'000	Share premium £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019		222	14,721	–	15,398	30,341
Dividends paid	12	–	–	–	(2,612)	(2,612)
Share based payments		–	–	–	204	204
Transactions with owners		–	–	–	(2,408)	(2,408)
Profit for the year		–	–	–	7,907	7,907
Foreign exchange translation differences		–	–	2	–	2
Total comprehensive income for the year		**–**	**–**	**2**	**7,907**	**7,909**
At 31 December 2019		**222**	**14,721**	**2**	**20,897**	**35,842**
Issue of share capital		1	–	–	–	1
Dividends paid	12	–	–	–	(945)	(945)
Share based payments		–	–	–	210	210
Transactions with owners		1	–	–	(735)	(734)
Profit for the year		–	–	–	1,345	1,345
Other comprehensive income						
Foreign exchange translation differences		–	–	–	–	–
Total comprehensive income for the year		–	–	–	1,345	1,345
At 31 December 2020		**223**	**14,721**	**2**	**21,507**	**36,453**

The notes and accounting policies on pages 96 to 125 form an integral part of these financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Medica Group PLC

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

The consolidated financial statements of the Group for the year ended 31 December 2020 (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 both the UK and Ireland. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's and chief executive's reports on pages 4 to 5, and 32 to 35. In addition, Note 27 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 2020 have been prepared by the directors of Medica Group PLC.

The consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

As at 31 December 2020 the group had net cash of £13.9m, a term loan of £12m due for repayment in full in March 2022 and £5.9m RCF also due for repayment in March 2022 Net debt at 31 December 2020 was therefore £3.9m. The Directors have prepared detailed cashflow forecasts for the 21-month period to December 31, 2022. These forecasts indicate that the group has sufficient funds to meet its liabilities as they fall due for at least the next 12 months. In preparing these forecasts the directors have considered the potential for further and prolonged negative impact of COVID-19 going forward following the significant impact on Medica's revenue reported in 2020 due to the impact on Elective volumes and revenue as the NHS focused its efforts away from elective activity to focus on treating patients in the pandemic and also the negative impact on NightHawk volumes and revenue due to the impact of the lockdowns and other restrictions. The Directors have also considered the impact of the recently announced acquisition of RadMD LLC with the associated 9.9% equity placing as well as the refinancing of its existing debt facilities that was completed in early May 2021. The refinancing provided a new 3 year fully flexible £30m RCF facility as set out in Note 22 at which time the term debt was repaid in full and £12m of the new RCF was utilised (see note 31) .

The Directors have considered a severe yet plausible downside scenario assuming no improvement in Elective volumes and revenue from current levels, further and material reductions in margins in new and existing NightHawk contracts and increased cost relating to the FutureTech programme. Under these scenarios the forecasts also indicate that the group will have sufficient funds to meet its liabilities as they fall due for at least the next 20 months. The Director's also considered a reverse stress test considering the conditions that would be required for the Group to breach its banking covenants which did not indicate a material uncertainty relating to going concern.

2.3. Standards in issue which have not yet been adopted

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

Standards

IFRS 17 'Insurance Contracts' – mandatory adoption for accounting periods commencing on or after 1 January 2023.

Amendments

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' in respect of subsidiaries adopting IFRS for the first time. Mandatory adoption of these changes is for accounting periods beginning on or after 1 January 2022.
- Amendments to IFRS 3 'Business Combinations' updating a reference to the conceptual framework. Mandatory adoption of these changes is for accounting periods beginning on or after 1 January 2022.
- Amendments to IFRS 9 'Financial Instruments' affecting costs included in the '10% test'. Mandatory adoption of these changes is for accounting periods beginning on or after 1 January 2022.
- Amendments to IAS 16 'Property, Plant and Equipment' prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Mandatory adoption of these changes is for accounting periods beginning on or after 1 January 2022.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs to include when assessing whether a contract is onerous. Mandatory adoption of these changes is for accounting periods beginning on or after 1 January 2022.
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' regarding the definition of accounting estimates. Mandatory adoption of these changes is for accounting periods beginning on or after 1 January 2023.
- Amendments to IFRS 4 'Insurance Contracts' changing the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 to 1 January 2023.
- Amendments to IAS 1 'Presentation of Financial Statements' regarding the classification of liabilities and the disclosure of accounting policies. Mandatory adoption of both sets of changes is for accounting periods beginning on or after 1 January 2023.

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 2020. 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.

3.2. Revenue

The Group's revenue recognition policy is as follows:

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

STEP 1 Identifying the contract with the customer

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

a. The Group and the customer have approved the outline 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 receives an order or request to deliver a radiology report;
d. The Group can identify the payment terms for services to be transferred;
e. 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
f. It is probable that the Group will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

STEP 2 Identifying the performance obligations

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

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

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

In the UK, the Group's customers are responsible for producing the image for the radiologist's review and the Group is responsible for arranging for the review by the radiologist. In Ireland, some contracts are 'fully managed' and the Group provides the staff and/or the equipment required to produce the image. In management's view, these additional services are not separable from the overriding performance obligation discussed above.

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 and other clinical staff 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. The contracts may also provide for progress reports and/or quarterly or annual meetings. 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 elective).

Some contracts are subject to minimum usage over a given period of time, providing Medica with a minimum expected revenue stream for those contracts.

STEP 4 Allocating the transaction price to the separate performance obligations

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

STEP 5 Recognising revenue when performance obligations are satisfied

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

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

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.

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

As at 31 December 2020 and 31 December 2019 in the UK there were no remaining performance obligations for revenue recognised in the year. All obligations pertaining to revenue recognised have been met. No revenue was recognised relating to obligations not yet performed. No revenue has been recognised in the period relating to obligations met in the preceding period.

In Ireland there are different arrangements around billing for work performed by the Group. In some cases, customers pay in advance for a specified number of reviewed images in a specified time period. As in the UK, revenue is recognised at the point each image is reviewed. Timing differences in respect of the dates of invoicing and payment with the dates of the scan reviews creates timing differences which appear in accrued or deferred revenue as appropriate.

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. Prior to the acquisition of GDI in November 2020, the senior executive team reviewed the financial information on an integrated basis for the Group as a whole. Following the acquisition of GDI, the senior executive team review the financial information for the two new Irish entities as a separate segment from the rest of the Group.

3.5 Business combinations

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 provisional fair values which are then finalised within a 12 month period and, 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.

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.

Where the settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value using a probability weighted expected value approach. Contingent consideration is classified either as equity or as a financial liability and is recognised at fair value on the acquisition date. Amounts classified as a financial liability are subsequently re-measured to fair value in accordance with IFRS 9 (Financial Instruments), with changes in fair value recognised in the consolidated statement of comprehensive income as an administrative expense.

Directly attributable acquisition costs are expensed as incurred within the consolidated statement of comprehensive income as non-underlying administrative expenses.

3.6. Leasing

The right of use asset is initially measured at the amount of the lease liability plus any lease payments made at or before the commencement date (less any lease incentives received), plus any initial direct costs incurred in agreeing the lease, plus an estimate of future dismantling, removal and restoration costs. Subsequent to the initial measurement the right of use asset is accounted for using the cost model set out in IAS 16 Property, Plant and Equipment, which is based on depreciating the asset over the estimated useful economic life. The lease terms of all lease agreements historically entered into by the Group are 5 years or less and the associated assets are depreciated on a straight-line basis over the term of the lease.

In connection with the Group's right of use assets as at 31 December 2020 there were no lease payments that had been made prior to the commencement of the lease, nor any lease incentives, nor has the Group made any structural or other changes to any right of use assets that would require material costs in respect of dismantling, removal or restoration.

The initial recognition of the lease liability has been based on discounting the cashflows associated with the lease using the rate implicit in the lease agreement, or where this is not available, the Group's incremental borrowing rate, which the directors consider to be similar to the Group's bank borrowing rate, currently 2.6% in the UK and 5.9% in Ireland. After initial measurement the Group charges the lease liability with the interest cost to unwind the discount factor and reduces the liability by the amount of contractual payments made annually.

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

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

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

Low value and short-term leases

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

Change in accounting policy relating to presentation of lease liabilities

Management have decided to change the presentation of lease liabilities on the Statement of Financial Position in 2020 due to the increased use of leasing arrangements following the acquisition of the two Irish companies. The comparative period has been restated to aid comparability. The restatement of comparative period figures has had no effect on the Group's profit for the year ended 31 December 2019, nor on the amounts of current liabilities and non-current liabilities, as previously reported at 31 December 2019.

3.7. 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	– 20% to 33% per annum
Leasehold improvements	– Over the life of the lease term
Medical equipment	– 20% per annum

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 reporting date. The carrying amount of an asset is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

3.8. Impairment of property, plant and equipment

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

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

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

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

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

3.9. 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.

3.10. 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.

3.11. Taxation

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

Current tax

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

Deferred tax

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

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

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

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

Change in accounting policy relating to presentation of current tax

Management have decided to present the liability for current tax separately on the Statement of Financial Position in 2020 to provide better disclosure. The comparative period has been restated to aid comparability. The restatement of comparative period figures has had no effect on the Group's profit for the year ended 31 December 2019, nor on the amounts of current liabilities and non-current liabilities, as previously reported at 31 December 2019.

3.12. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand.

3.13. Financial instruments

Recognition, initial measurement and derecognition

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

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

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

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

Financial assets at amortised cost

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. The Group's customers are mostly state-owned entities such as hospitals, as such credit loss is not significant.

The expected loss rates are based on the payment profile of sales over 36 months before 31 December 2020 or 1 January 2020 respectively. The Group then considers future expected credit losses due to any other expected circumstances in addition to applying historical loss rates.

On that basis no loss allowance was identified as at 31 December 2020 or 1 January 2020.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and lease liabilities. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives. Financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. Please see Note 26 for the fair value hierarchy.

3.14. 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.

3.15. 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.

3.16. Non-underlying items

The Group has applied an income statement format which seeks to highlight significant items within Group results for the year such as one-off acquisition costs, and other non-operating costs such as the amortisation of acquired intangibles and share-based payments. The Group exercises judgement in assessing the particular items which, by virtue of their scale and nature should be disclosed in the income statement and related notes as non-underlying items. The Group believes that such a presentation is useful for the users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's underlying financial performance. Details are included in note 32.

3.17. 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.

3.18. Share based payments

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

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

4.1. Key judgements and sources of estimation uncertainty

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

Fair value of assets acquired on business combination

In accordance with IFRS 3 'Business Combinations', on the acquisition of GDI discussed in note 18 the Group measured the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. In most cases the fair value was not materially different from the carrying values; however, €11.9 million (£10.7 million) of intangible assets other than goodwill were recognised and included in note 14.

The valuation was undertaken using an 'excess earnings' or 'income approach' and the key estimates which underly this valuation are:

Required rate of return	13.8%
Long term growth rate	1.0% - 2.0%
EBIT margin for FY23 onwards	16.8% - 31.8%
Corporate tax rate	12.5%

A deferred tax liability of €1.5 million (£1.3 million) was recognised in connection with these valued assets at the Irish corporate tax rate of 12.5%.

Under the terms of the acquisition deferred cash consideration of up to €4m is payable subject to the realisation of future events including the successful commencement and renewal of contracts. In accordance with IFRS 9 'Financial Instruments' the fair value of contingent consideration was assessed based on applying a time value of money discount to the probability weighted expected future values under the various possible outcomes to these future contract events.

The useful life of acquired intangible assets

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

The directors considered the estimates of the useful economic life of intangible assets acquired in May 2013 as part of the purchase of Medica Reporting Limited and November 2020 as part of the purchase of Global Diagnostics (Ireland) Limited and Global Retinopathy Screening Limited.

Brand

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

Customer relationships

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

Software and technology

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

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

Intangible asset	Directors' estimate of useful economic life (years)	Carrying amount as at 31 December 2020 £000	Amortisation charge for the year ended 31 December 2020 £000
Customer relationships – May 2013 acquisition	15	3,156	431
Customer relationships – November 2020 acquisitions	15	10,568	140
Software and technology*	10	757	324
Brand	20	1,431	115
		15,912	1,010

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

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

Intangible asset	Directors' estimate of useful economic life (years)	-50% change in estimate (years)	Decrease in reported profit for the year ended 31 December 2020 £000	+50% change in estimate (years)	Increase in reported profit for the year ended 31 December 2020 £000
Customer relationships – May 2013 acquisition	15	7.5	(431)	22.5	144
Customer relationships – November 2020 acquisitions	15	7.5	(140)	22.5	70
Software and technology*	10	5	(324)	15	108
Brand	20	10	(115)	30	38
			(1,010)		360

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

5 Segment reporting

Following the acquisition of GDI during the year, management have made changes to the information they review and the segmental reporting analysis takes a different format to prior years as a result. The comparative information has been restated to be consistent with the current year.

Management prepare and monitor financial information for the Group's two segments, UK and Ireland, on a regular basis. This financial information is reviewed and used by the chief operational decision maker (considered to be the chief executive officer) in managing the operating activities of the Group. IFRS 8 sets out certain thresholds in determining whether reportable operating segments exist, and, following the acquisition of GDI, the two geographical segments exceed these thresholds and are therefore presented accordingly.

The Group incorporated a new subsidiary, Medica Australia Pty Limited during 2019, however this subsidiary does not yet generate any revenue and does not meet the criteria set out in IFRS 8 for disclosure as a reportable operating segment. Its purpose is to service contracts with customers of the Group UK trading subsidiary. These contracts related wholly to UK customers and the figures relating to the Australian entity are included in the UK column. The Group established a further Australian subsidiary, Med-IDX Pty in December 2020 although this subsidiary did not engage in any activity prior to the year end. As set out in note 31, in February 2021 this became a 50:50 joint venture with Integral Diagnostics Limited Pty and this entity will be accounted for under the equity method, as prescribed by IAS 28 para 10 and this entity is therefore not included in the segmental analysis.

Overhead costs included in the income statement of Medica Group PLC as a single entity have been split between the two geographical segments based on activity. No customer accounted for more than 10% of the Group's revenues.

	UK £000	**Ireland £000**	**2020 £000**	UK £000	Ireland £000	2020 £000
NightHawk	**22,987**	**–**	**22,987**	22,072	–	22,072
Elective	**12,511**	**–**	**12,511**	24,470	–	24,470
National Screening Service and other GDI contracts	**–**	**1,316**	**1,316**	–	–	–
Revenue from external customers	**35,498**	**1,316**	**36,814**	46,542	–	46,542
Cost of sales	**(18,750)**	**(612)**	**(19,362)**	(24,292)	–	(24,292)
Gross profit	**16,748**	**704**	**17,452**	22,250	–	22,250
Depreciation and amortisation	**(1,820)**	**(48)**		(1,733)	–	
Operating expenses	**(10,989)**	**(592)**	**(12,449)**	(9,220)	–	(10,953)
Depreciation and amortisation						
Operating profit	**4,939**	**64**	**5,003**	11,297	–	11,297
Finance costs	**(335)**	**(4)**	**(339)**	(360)	–	(360)
Finance income	**73**	**–**	**73**	93	–	93
Profit before tax	**4,677**	**60**	**4,737**	11,030	–	11,030
Tax	**(914)**	**38**	**(876)**	(1,414)	–	(1,414)
Underlying profit for the year	**3,763**	**98**	**3,861**	9,616	–	9,616
Non-underlying loss for the year (see note 7)			**(2,516)**			(1,709)
Profit for the year			**1,345**			7,907
Non-current assets[1]	**26,214**	**18,555**	**44,932**	27,115	–	27,115
Net assets at 31 December	**27,538**	**8,915**	**36,453**	35,842	–	35,842
[1]Additions to non-current assets	**2,008**	**18,744**	**20,752**	3,589	–	3,589

The data in the Ireland column represents the information for Global Diagnostics (Ireland) Limited and Global Retinopathy Screening Limited from their acquisition in November 2020 plus an allocation of centralised costs.

6 Operating profit

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

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	99	50
The audit of the Company's subsidiaries pursuant to legislation	–	9
Total audit fees	99	59
Audit related services:		
Interim review	14	13
Total audit related services	14	13
Other assurance services:		
Covenant compliance services	3	3
Total non-audit fees	17	16
Total fees paid to Company's auditor	116	75
Operating lease rentals –short term and low value leases	51	130
Depreciation: property, plant and equipment – owned	1,259	1,142
Depreciation: property, plant and equipment – leased	190	107
Amortisation of intangible fixed assets on acquisition	998	870
Amortisation of intangible fixed assets on other assets	431	484

7 Non-underlying items

	2020 £000	2019 £000
Write off of property, plant and equipment and other intangible assets	219	–
Amortisation of acquired intangible assets	1,010	870
Acquisition costs incurred	792	–
Share based payment charge	210	204
Group redundancy costs	48	–
Setup costs for newly incorporated companies	30	–
Total non-underlying costs included within operating expenses	2,309	1,074
Costs incurred in respect of board succession	324	362
Total non-underlying costs included within operating expenses and exceptional items	2,633	1,436
Acquisition finance costs incurred	30	–
Total non-underlying costs before tax	2,663	1,436
Income tax	(147)	(273)
Total non-underlying items after taxation	2,516	1,163

The costs incurred in respect of Board succession and review for 2020 and 2019 are in relation to the international search and selection process for both the chief executive officer and the non-executive director and, in 2020, for costs incurred in respect of the settlement agreement for the outgoing CFO. These are considered to be one off costs. In 2019 there are also additional costs in relation to a professional Board assessment review.

8 Finance income

	2020 £000	2019 £000
Interest on cash and cash equivalents	**73**	93

9 Finance costs

	2020 £000	2019 £000
Loan interest and fees	**321**	349
Finance costs on lease liability	**18**	11
Finance costs associated with the acquisition of GDI	**30**	–
	369	360

10 Tax expense

Major components of tax expense:	2020 £000	2019 £000
Current tax:		
UK current tax expense	**659**	1,927
Prior year adjustment	**2**	(6)
Tax expense on FRS102 hedging gain	**–**	6
Foreign current tax expense	**39**	8
Total current tax	**700**	1,935
Deferred tax:		
Originations and reversal of temporary differences	**(142)**	(260)
Prior year adjustment	**60**	–
Effect of rate change	**111**	12
Total deferred tax	**29**	(248)
Tax expense on ordinary activities	**729**	1,687

Reconciliation of tax expense:

UK corporation tax is assessed on the profit on ordinary activities for the year and is the same as (2019: same as) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The Finance Act 2016 was enacted so as to reduce the UK's corporation tax rate from 19% to 17% with effect from 1 April 2020. In March 2020 the Chancellor announced that the tax rate would remain at 19%, and this rate has been used to measure deferred tax assets and liabilities where applicable. Subsequent to the year end, in March 2021, the Chancellor announced that the corporation tax rate would increase to 25% in the year 2023, however, this rate had not been substantively enacted at the reporting date and it has not been used in the measurement of deferred tax. There are no expected changes to tax rates in Ireland.

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

Reconciliation of effective tax rate:	2020 £000	2019 £000
Profit on ordinary activities before tax	**2,074**	9,594
Income tax using the Company's domestic tax rate 19% (2019: 19.00%)	**394**	1,823
Effect of:		
Expenses not deductible for tax purposes	**164**	(156)
Prior year adjustment – current tax	**2**	(6)
Prior year adjustment – deferred tax	**60**	–
Effect of tax rate change – deferred tax	**111**	12
Medica Reporting Finance Ltd tax expense on FRS102 hedging gain	**–**	6
Impact of difference in overseas tax rates	**(2)**	8
Total tax charge for period	**729**	1,687

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.

	2020 £000	2019 £000
Profit for the year attributable to ordinary shareholders	**1,345**	7,907
Effects of exceptional items net of tax (see note 7)	**262**	293
Profit for the year before exceptional items attributable to ordinary shareholders	**1,607**	8,200
Effects of non-underlying items net of tax (see note 7)	**2,254**	870
Underlying profit for the period attributable to ordinary shareholders	**3,861**	9,070
Weighted average number of ordinary shares	**111,211,038**	111,111,114
Dilutive effect of share options	**180,772**	407,702
Weighted average number of ordinary shares	**111,391,810**	111,518,816
Basic profit per ordinary share (pence)	**1.21p**	7.12p
Diluted profit per ordinary share (pence)	**1.21p**	7.09p
Underlying basic profit per ordinary share (pence)	**3.47p**	8.13p
Underlying diluted profit per ordinary share (pence)	**3.46p**	8.10p

As at 31 December 2020 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 3,531,899 (2019: 1,385,877) options outstanding of which 180,772 (2019: 407,702) were considered dilutive. The calculation of diluted earnings per share above takes into consideration the Group's performance against the targets within the Performance Share Plan to date. There were no further instruments that had a potentially dilutive effect.

As set out in Note 31, a placement of ordinary shares occurred after the year end, and this placement would have increased the number of ordinary shares outstanding at the end of the period if that placement had occurred before the balance sheet date.

12 Dividends

	2020 £000	2019 £000
Interim paid at 0.85 pence per share (2019: 0.85 pence per share)	**945**	945
Final paid Nil[1] (2019: 1.50 pence per share)	**–**	1,667
	945	2,612

[1] In light of the uncertainty surrounding the impact of COVID-19 the Board chose not to propose a final dividend for FY19. A final dividend of 1.7 pence per share is proposed for 2020 to be paid in 2021.

During the year ended 31 December 2020, dividends totalling £15k (2019: £41k) were paid to persons discharging management responsibilities including Directors.

13 Directors and employees

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

	2020 Number	2019 Number
Clinical governance	**13**	10
Business development & recruitment	**14**	12
Service delivery & NightHawk	**112**	59
Clinical staff	**50**	–
IT, deployment and development	**28**	23
Finance	**11**	9
Executive team	**7**	6
	236	119

The aggregate cost of these employees was:

	2020 £000	2019 £000
Wages and salaries	**6,022**	4,168
Social security costs	**616**	433
Pension contributions	**490**	367
Share based payments charge	**209**	204
	7,336	5,172

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

	2020 £000	2019 £000
Base salary	**1,102**	839
Benefits	**9**	3
Bonus	**176**	45
Pension	**55**	33
Total Emoluments	**1,343**	920

The highest paid director received emoluments totalling £447,361 (2019: £220,000). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £28,500 (2019: £12,000).

During the year retirement benefits accrued to four directors (2019: four) in respect of defined contribution pension schemes. Also, during the year, payments for loss of office in lieu of notice amounted to £70,366 (2019: Nil).

Key management of the Group are the three executive members of Medica Group PLC's Board of Directors and four senior managers (2019: three senior managers). Key management personnel remuneration includes the following expenses:

	2020 £000	2019 £000
Salaries including bonuses	**1,781**	1,052
Social security costs	**192**	138
Pensions	**78**	95
Share based payments charge	**167**	160
Key management personnel compensation	**2,218**	1,445

14 Goodwill

	£000
Cost	
At 31 December 2018 and December 2019[1]	15,948
Additions (see note 18)[2]	7,525
At 31 December 2020	**23,473**

1. UK Cash Generating Unit- acquisition of Medica Reporting Limited in 2013
2. Ireland Cash Generating Unit- acquisition of Global Diagnostics Ireland in November 2020

Goodwill is not amortised but tested annually for impairment. The directors have assessed goodwill for impairment by reference to the fair value of the Group as indicated by the market value of its equity together with the value of its debt at the balance sheet date, amounting to £155m.

Management have then attributed fair value to the individual cash generating units (or where goodwill acquired in a business combination, to groups of cash generating unts) as follows: firstly the fair value of Ireland was based on the estimated fair value at the acquisition date of Global Diagnostics Ireland and its wholly owned subsidiary, Global Retinopathy Screening Limited as the acquisition occurred within 12 months of 31 December 2020 and the value was established in an open market arm's length transaction; secondly the fair value of the UK is determined to be the balance between the fair value of the Group and the fair value of Ireland. As the UK only has one cash-generating unit, being Medica Reporting Limited (MRL), the goodwill arising from the acquisition of MRL in 2013 was considered against the estimated value of the UK segment as a whole.

15 Intangible assets

	Customer relationships £000	Software and technology £000	Brand £000	Total £000
Cost				
At 31 December 2018	6,461	5,725	2,317	14,503
Additions	–	495	–	495
At 31 December 2019	6,461	6,220	2,317	14,998
Additions	–	533	–	533
Transfer from tangible assets	–	395	–	395
Disposals	–	(501)	–	(501)
Acquisitions through business combinations	10,708	–	–	10,708
At 31 December 2020	**17,169**	**6,647**	**2,317**	**26,133**
Amortisation				
At 31 December 2018	2,443	3,161	656	6,260
Charge for the year	431	808	115	1,354
At 31 December 2019	2,874	3,969	771	7,614
Recategorisation from tangible assets	–	296	–	296
Charge for the year	571	743	115	1,429
Eliminated in respect of disposals	–	(356)	–	(356)
At 31 December 2020	**13,724**	**4,652**	**886**	**8,983**
Net book value				
At 31 December 2020	**3,156**	**1,995**	**1,431**	**17,150**
At 31 December 2019	3,587	2,251	1,546	7,384
At 31 December 2018	4,018	2,564	1,661	8,243

At the year ended 31 December 2020, £108,000 (2019: £104,000) 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.

16 Property, plant and equipment

	Leasehold property – right of use Asset £000	Leasehold improvements £000	Computer equipment £000	Medical equipment £000	Total £000
Cost					
At 31 December 2018	–	97	5,718	–	5,815
Additions	719	–	2,375	–	3,094
Disposals	–	(97)	(73)	–	(170)
At 31 December 2019	719	–	8,020	–	8,739
Additions – business combinations[1]	335	43	305	1,153	1,836
Additions – separately acquired	–	–	1,475	–	1,475
Transfer to intangible assets	–	–	(395)	–	(395)
Disposals	–	–	(1,382)	–	(1,382)
Foreign exchange	(1)	–	(1)	(3)	(5)
At 31 December 2020	**1,053**	**43**	**8,022**	**1,150**	**10,268**
Depreciation and impairment					
At 31 December 2018	–	91	3,786	–	3,877
Charge for the year	107	6	1,136	–	1,249
Disposals	–	(97)	(73)	-	(170)
At 31 December 2019	107	–	4,849	-	4,956
Additions – business combinations[1]	224	40	254	807	1,325
Transfer to intangible assets	–	–	(296)	–	(296)
Charge for the year	158	–	1,261	30	1,449
Disposals	–	–	(1,308)	–	(1,308)
Foreign exchange	(1)	–	(1)	(2)	(4)
At 31 December 2020	**488**	**40**	**4,759**	**835**	**6,122**
Net book value					
At 31 December 2020	**565**	**3**	**3,263**	**315**	**4,146**
At 31 December 2019	612	–	3,171	–	3,783
At 31 December 2018	–	6	1,932	–	1,938

[1] Net book value of assets acquired under business combinations was £511k (see note 18).

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

17 Right of Use Assets

Under IFRS 16 Leases the Group has undertaken an assessment of all its leases. In 2019, all but one leasehold property were classed as short term leases or leases where the underlying asset is of low value and therefore these have not been included in the right of use assets or associated lease liabilities in Note 22. The Group relocated offices during 2019 and the lease for Havelock Place terminated in September 2019 and therefore is also not included as the lease had less than 12 months remaining at the date Medica transitioned to IFRS 16.

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

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

As at 31 December 2020 and 2019 the directors have determined that the applicable period for the lease liability is to the five year break clause based on current strategic business plans. The directors will continue to review this annually and if at any time they are reasonably certain that the extension of the lease will be required the lease liability and right of use asset will be revalued.

The acquired Irish businesses have several lease agreements, including:

- three property leases for the ‘VHI Switfaware Clinics’ with lease terms all ending in June 2022;
- a medical equipment lease with a lease term ending in October 2024; and
- various individually immaterial leases.

To calculate the present value of the leases, where there was no implicit rate in the lease, the directors have undertaken a discounted cashflow using the Group's estimated incremental borrowing rate based on the bank borrowings which carry a rate of 2.6% in the UK or 5.9% in Ireland. The present value of the lease gives rise to a right of use asset and a lease liability. The various elements are recognised in the financial statements as follows:

	2020 £000	2019 £000
Carrying amount of right-of-use assets included within:		
Leasehold property	**565**	612
Medical equipment	**269**	–
Carrying value at 31 December 2020	**834**	612

	Note	2020 £000	2019 £000
Income Statement			
Charges for the year			
Depreciation charge for the year	16	**190**	107
Interest expense on lease liability for the year	9	**18**	11
Short-term leases expensed during the year			
– Havelock Place (using the practical expedient to continue to expense rental costs for leases with less than 12 months remaining of their lease term at the date of transition to IFRS 16)		**–**	41
– other short-term leases		**51**	89

	2020 £000	2019 £000
Statement of Cash Flows		
Operating cash flows– cash outflow for short-term leases	**51**	130
Lease interest paid	**18**	11
Capital repayments on lease agreements	**152**	50
Foreign exchange	**1**	–
Total cash outflow relating to leases	**222**	191

The Group has commitments in respect of short term lease agreements which are not recognised in the consolidated statement of financial position. Management consider these lease agreements to be immaterial.

	2020 £000	2019 £000
Lease liabilities fall due in:		
Less than one year	**299**	109
Between one and five years	**475**	398
More than five years	**–**	–
Total lease liabilities	**774**	507

Management have decided to change the presentation of lease liabilities on the Statement of Financial Position in 2020 due to the increased use of leasing arrangements following the acquisition of the two Irish companies. The comparative period has been restated accordingly.

18 Business combinations

On 2 November 2020 the company acquired 100% of the ordinary share capital of Global Diagnostics (Ireland) Limited and its joint venture Global Retinopathy Screening Limited. It subsequently acquired, on the same day, the remaining 50% interest increasing its total shareholding of Global Retinopathy Screening Limited to 100%. Both companies are incorporated in the Republic of Ireland and their principal activities are discussed in the Strategic Report. The exchange rate used on the date of acquisition was £1/€1.10955. Set out below are the provisional fair values of the assets and liabilities acquired.

	Fair value €000	Fair value £000
Tangible assets	568	511
Intangible assets	11,881	10,708
Trade and other receivables[1]	2,647	2,373
Cash and cash equivalents	976	876
Total assets	**16,072**	**14,468**
Trade and other payables	1,619	1,455
Corporation tax payable	106	96
Deferred tax	1,485	1,338
Lease liabilities	467	420
Total liabilities	**3,677**	**3,309**
Net assets	**12,395**	**11,159**
Goodwill[2]	8,335	7,525
Total consideration	**20,730**	**18,684**
Satisfied by:		
Cash	16,802	15,144
Contingent consideration	3,928	3,540
Total	**20,730**	**18,684**

1. The fair value of acquired receivables is materially the same as the gross contractual amounts receivable less the best estimate of contractual cash flows not expected to be collected.
2. Goodwill arising on this business combination, which includes intangible assets that do not qualify for separate recognition such as the value of the workforce at the date of acquisition, and encompasses the future economic benefit expected to arise from the acquisition including new customer relationships and synergies realised by the group, 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.

The contingent consideration is based on the attainment of future contracts. The maximum amount payable is €4,000k (see note 4.1).

For the two-month period from the date of acquisition to 31 December 2020, Ireland contributed revenue of €1,467k (£1,316k) and Profit before tax of €67k (£60k). If the acquisition had occurred on 1 January 2020 management estimates that revenues would have been €8,156k (£7,329k) and profit before tax would have been €1,385k (£1,245k). In determining these amounts management have assumed that the fair value adjustment, determined provisionally, that arose on the date of acquisition would have been the same had the acquisition occurred on 1 January 2020.

19 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	**6,371**	9,577
Other receivables	**880**	–
Prepayments	**759**	591
Accrued revenue	**323**	–
	8,333	10,168

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

The Group applies an expected credit loss model in estimating a provision for future credit losses. As at 31 December 2020 and 31 December 2019 the Group determined that any such provision was not material to the Group based on historical analysis of credit losses.

20 Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	2020 £000	2019 £000
Cash at bank in hand:		
Commercial current accounts	**13,934**	16,595
Corporate credit cards	**–**	(19)
	13,934	16,576

21 Trade and other payables

	2020 £000	2019 £000
		(Restated)
Trade payables	**2,227**	2,602
Other taxation and social security	**564**	157
Accruals	**2,488**	1,017
Deferred income	**346**	–
Other short-term payables	**178**	28
	5,803	3,804

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

Following the acquisition of GDI, management presented the balances relating to lease liabilities and corporate tax on the face of the statement of financial position in 2020, and have restated the comparative period. Details of lease agreements can be found in note 17.

The average credit period taken for trade purchases was 42 days (2019: 39 days).

22 Borrowings

22.1. Borrowings due in less than one year

	2020 £000	2019 £000
Revolving Credit Facility (RCF)	**5,881**	–
Bank loans	**–**	–
	5,881	–

On 3 November 2020, the Group extended its £1m undrawn Revolving Credit Facility (RCF) to £6m and drew this in full as part payment for the initial consideration in respect of the GDI acquisition. At 31 December 2020 the balance of the RCF was £5,881 (2019: £nil). The facility was repaid in April 2021 and cancelled in May 2021 (see Note 31).

22.2. Borrowings due in more than one year

	2020 £000	2019 £000
		(Restated)
Bank loans	**11,960**	11,936
	11,960	11,936

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

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

Following the acquisition of GDI, management have presented the balances relating to lease liabilities on the face of the statement of financial position in 2020, and have restated the comparative period. Details of lease agreements can be found in note 17.

22.3. Maturity of the Group's non-derivative financial liabilities (including interest payments where applicable) and contingent consideration

2020	Contingent consideration £000	Trade payables and accruals £000	Lease liability £000	RCF and bank loans £000
Maturity:				
Due within one year	**1,797**	**4,893**	**299**	**5,881**
Due between 2-5 years	**1,797**	**–**	**475**	**11,960**
Total	**3,594**	**4,893**	**774**	**17,841**
2019				
Maturity:				
Due within one year		3,646	109	316
Due between 2-5 years	–	–	398	12,391
Total	–	3,646	507	12,707

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 2020 (or 31 December 2019). The contractual undiscounted cashflows of the Group's non-derivative financial liabilities are not significantly different to their carrying amounts.

22.4 Reconciliation of liabilities arising from financing contingent consideration and activities

	Financing activities				
	Contingent consideration £000	RCF £000	Long term bank borrowings £000	Lease liability £000	Total £000
At 1 January 2020	**–**	**–**	**11,936**	**507**	**12,443**
Additions – business combination (see note 18)	3,540	–	–	420	3,960
Cash flows:					
– Draw down of RCF	–	5,963	–	–	5,963
– Interest	–	(24)	(273)	(18)	(315)
– Repayments	–	(54)	–	(152)	(206)
	–	5,885	(273)	(170)	5,442
Non-cash:					
– Interest	–	24	273	18	315
– Amortisation of arrangement fees	–	–	24	–	24
– Foreign exchange	(9)	(28)	–	(1)	(38)
	(9)	(4)	297	17	301
At 31 December 2020	**3,531**	**5,881**	**11,960**	**774**	**22,146**

	Long term bank borrowings £000	Lease liability £000	Total £000
At 1 January 2019	11,912	–	11,912
Adoption of IFRS 16	–	546	546
Cash flows:			
– Interest	(323)	–	(323)
– Repayments	–	(50)	(50)
	(323)	(50)	(373)
Non-cash:			
– Interest	323	11	334
– Amortisation of arrangement fees	24	–	24
	347	11	358
At 31 December 2019	11,936	507	12,443

23 Deferred taxation assets and liabilities

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

	2020 £000	2019 £000
Deferred tax liabilities		
Depreciation in excess of capital allowances	**60**	(62)
Deferred tax on share based payments	**(163)**	(119)
Deferred tax on intangible assets	**2,350**	1,061
	2,247	880

Reconciliation of movement in deferred tax

	Depreciation in excess of capital allowances £000	Share based payments £000	Intangible assets £000	Total £000
As at 1 January 2019	**(53)**	**(46)**	**1,227**	**1,128**
Recognised in the income statement	(9)	(73)	(166)	(248)
As at 31 December 2019	**(62)**	**(119)**	**1,061**	**880**
Recognised in the income statement	122	(44)	(49)	29
Acquired on business combination (note 18)	–	–	1,338	1,338
As at 31 December 2020	**60**	**(163)**	**2,350**	**2,247**

24 Equity

Ordinary share capital issued and fully paid

	At 31 December 2020 £000	At 31 December 2019 £000
111,279,650 (2019: 111,111,114) ordinary shares of £0.002 each	**223**	222
Total ordinary share capital of the Company	**223**	222

Issue of share capital during the year

On 29 May 2020, 168,536 ordinary shares of 0.2p each were issued for cash at par value.

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.

Translation reserve

The translation reserve represents the cumulative amount of exchange differences recognised through other comprehensive income.

Retained profit

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

25 Undertakings included in the financial statements

The consolidated financial statements include:

	Class of share held	Country of incorporation	Proportion held	Nature of business
Medica Reporting Services Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Finance Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Limited	Ordinary	England & Wales	100%	Teleradiology reporting
Medica IT Services Limited	Ordinary	England & Wales	100%	IT services
Medica Australia Pty Limited	Ordinary	Australia	100%	Teleradiology reporting
MED-IDX Pty Limited	Ordinary	Australia	100%	Teleradiology reporting
Global Diagnostics Ireland Limited	Ordinary	Ireland	100%	Teleradiology and managed services
Global Retinopathy Screening Limited	Ordinary	Ireland	100%	Diabetic retinopathy screening

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

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

Med-IDX Pty was established in December 2020. As set out in note 31 in February 2021 this became a 50:50 joint venture with Integral Diagnostics Limited Pty

The Irish subsidiaries' registered address is: Floor 1 Block 14, Rockfield Medical Campus, Balally, Dublin 16, Ireland.

Subsidiary audit exemption under parent guarantee:

For the year ended 31 December 2020, Medica Reporting Finance Limited (Registered number 08497950), Medica Reporting Services Limited (Registered number 08497952) and Medica Reporting Limited (Registered number 05026045) 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.

26 Financial instruments

Categories of financial instruments

	At 31 December 2020 £000	At 31 December 2019 £000
		(Restated)
Financial assets		
Trade receivables	**7,574**	9,577
Cash and bank balances	**13,934**	16,576
	21,508	26,153
Financial liabilities		
Trade and other payables	**(4,119)**	(3,111)
Lease liabilities	**(774)**	(507)
Borrowings	**(17,841)**	(11,936)
Contingent consideration	**(3,531)**	-
	(26,265)	(15,554)

A description of the Group's financial instrument risks, including risk management objectives and policies, is given in Note 27.

26.1. 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).

27 Financial instruments risk

27.1. 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 26. The Group's financial instruments comprise cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The principal financial risks faced by the Group are liquidity, credit and interest rate risks. The Group has an exposure to transactional currency risk with its new Irish subsidiaries and its Australian entity and the payment of some fees in Euros. It also has reporting currency risk with its Irish subsidiaries.

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.

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 22.2.

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 the Group's term debt bore a variable rate of interest of LIBOR plus 1.75% and it's RCF bore a variable rate of LIBOR plus 3%.

Capital risk management

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

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

The capital structure of the Group consists of debt, which includes loans, other borrowings in Notes 22; cash and cash equivalents as disclosed in the statement of financial position and Note 20; 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:

	2020 £000	2019 £000
Debt due within one year	5,881	–
Debt due in more than one year	11,960	11,936
Cash and bank balances	(13,934)	(16,576)
Net debt / (cash)	3,907	(4,640)
Total equity	36,453	35,842
Total capital	40,360	31,202
Net debt/(cash) to total capital	10%	-15%

Debt is defined as long and short-term borrowings. Equity includes all capital and reserves of the Group that are managed as capital.

Sensitivity analysis

The £12m in bank loans is at a variable interest rate of LIBOR plus 1.75% and therefore represents a potential risk that the fair value of the Group's future cash flows may fluctuate because of changes in market interest rates.

At 31 December 2020, if LIBOR had been 100 basis points higher, with all other variables held constant, post-tax profit for the year and total equity would have been reduced by £97,000 (2019: £97,000), arising as a result of higher interest expense on variable borrowings.

The £5.9m of RCF is at variable interest rate of LIBOR plus 3% 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 2020, 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 £48,000 (2019: £nil), arising as a result of higher interest expense on variable borrowings.

28 Share-based payments

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

	2020 £000	2019 £000
Performance share plan	**210**	**204**

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

Performance share plan

For scheme participants, the performance share plan is a nil-cost share award with an effective exercise price of £nil. Half the award is based on Earnings per share (EPS) targets and half is based on Total Shareholder Return (TSR) targets. The performance and vesting 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 54 to 55.

	Weighted average Number
Outstanding at beginning of period	2,836,168
Granted during period	1,751,933
Dividend equivalent in period	–
Exercised during period	(168,536)
Forfeited during period	(887,656)
Outstanding at the end of period	3,531,909
Exercisable at end of period	109,755

The remaining weighted average contractual life is 3.46 years. The options that were forfeited during the year were due to the departure of a scheme participant from the Company prior to vesting of the options issued to the participant.

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

	Weighted average Awards
Share price at date of grant	£1.10
Exercise price	£nil
Expected volatility	55%
Expected life	5 years
Risk free rate	0%
Expected dividend yield	2.32%
Average fair value of award per share	£0.43

SAYE scheme

The SAYE scheme is an all-employee HMRC approved tax-advantaged share scheme. The scheme involves employees saving a set amount from their salary for a period of three years. At the end of the three years the employee is offered an opportunity to purchase shares based on the amount saved at an option price set at the start of the period. The exercise price for awards granted in 2017 was £1.86, in 2018 was £1.35, in 2019 was £1.35 and in 2020 was £1.00. In light of this the directors have concluded that any share based payments charge arising on this scheme are not material.

29 Transactions with Directors and other related parties

Key management personnel (which the Group defines as the Board of Directors andsenior managers) remuneration and dividends paid to Directors are disclosed in Note 13. There were no other transactions with related parties.

30 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.

31 Post balance sheet events

On 22 February 2021, the group announced an equal joint venture (JV) partnership with Integral Diagnostics Limited, a leading provider of medical imaging services across Australia and New Zealand. The joint venture, MedX, aims to provide teleradiology reporting services and increased reporting capacity in Australia, New Zealand, the UK and Ireland. The initial equity investment by both parties into this joint venture was AUD 100,000 each (£50,000).

On 22 March 2021 the group acquired RadMD LLC, a company incorporated in the United States of America, a leading Imaging Contract Research Organisation ("iCRO") providing services to the fast-growing clinical trials market. Total cash consideration payable is up to USD 21.7 million (circa £15.6 million), subject to customary working capital and other adjustments at completion of which $16.3m (£11.7m) was payable at completion. The purchase was concluded so close to the date of signature of these financial statements that the fair values of the assets acquired and liabilities assumed have not yet been finalised. The disclosure, which is a requirement of IFRS 3 'Business Combinations', will be provided in the interim financial statements for the six months ended 30 June 2021.

On 23 March 2021, a total of 10,727,666 Placing Shares have been placed by Investec Bank plc and Liberum Capital Limited at a price of 145 pence per Placing Share. In conjunction with the Placing, all of the directors of the Company, Junaid Bajwa (who was a non-executive director from 1 April 2021) and certain members of the senior management team have agreed to subscribe for 383,444 new Ordinary Shares at the Placing Price which amounts to gross subscription proceeds for the Company of £556,000 in aggregate.

The Placing and Subscription raised, in aggregate, gross proceeds of approximately £16 million for the Company. The New Shares issued under the Fundraise represented, in aggregate, approximately 9.98 per cent. of the existing issued ordinary share capital of the Company. Proceeds of the placing were used to fund the initial cash consideration with the surplus to be used for general working capital purposes and to fund potential future contingent cash consideration.

On 23 April 2021, the RCF balance of £5.9m was repaid in full. On 5 May 2021, the £12m term debt was also repaid in full as part of a refinance of the Group's debt facilities with £12m of a new £30m RCF drawn down on the same date. The new facility has a three-year term, extendable by up to two years, a margin above SONIA on drawn funds in the range of 2% to 3% depending on leverage and non-utilisation fees of 35%. Security has been granted to the new banking syndicate of three banks comprising Lloyds, Nat West and Silicon Valley Bank over the UK companies and limited security over non-UK entities.

32 Reconciliation of non-IFRS financial KPIs

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

In the directors' view it is important to consider the underlying performance of the business during the year. Therefore, the directors have used certain Alternative Performance Measures (APMs) which are not IFRS-compliant metrics. The APMs are consistent with those established within the IPO prospectus and the prior year annual report. It is the directors' intention to monitor and reassess the appropriateness of the APMs in future years.

	At 31 December 2020 £000	At 31 December 2019 £000
Reconciliation of adjusted operating profit		
Operating profit before exceptional items	**2,694**	10,223
Adjustments for:		
Effects of amortisation of acquired intangibles	**1,010**	870
Effects of shared based payments	**210**	204
Write off of property, plant and equipment and other intangible assets	**219**	–
Acquisition costs incurred	**792**	–
Group redundancy costs	**48**	–
Setup costs for newly incorporated companies	**30**	-
Underlying operating profit	**5,003**	11,297
Underlying operating profit margin	**13.6%**	24.3%
Reconciliation of underlying profit before tax		
Profit for the year	**1,345**	7,907
Adjustments for:		
Non-underlying profits or losses net of tax (see note 7)	**2,516**	1,163
Underlying profit after tax	**3,861**	9,070
Income tax charge on underlying expenses	**876**	1,960
Underlying profit before tax	**4,737**	11,030
Reconciliation of net debt		
Cash and equivalents	**13,934**	16,576
Borrowings due within one year	**(5,881)**	–
Borrowings due after one year	**(11,960)**	(11,936)
Net (debt) / cash	**(3,907)**	4,640

Company statement of financial position

COMPANY REGISTRATION 08497963 AS AT 31 DECEMBER 2020

	Note	31 December 2020 £000	31 December 2019 £000
Fixed asset investments			
Investments in subsidiaries	35	**18,870**	1,455
Current assets			
Cash and cash equivalents		**931**	–
Debtors	37	**19,802**	25,843
Deferred tax		**163**	119
		20,896	25,962
Total assets		**39,766**	27,417
Creditors: amounts falling due within one year			
Trade and other payables		**(263)**	(16)
Borrowings		**(5,881)**	–
Contingent consideration		**(877)**	–
		(7,021)	(16)
Net current assets		**13,875**	**25,946**
Total assets less current liabilities		**32,745**	27,401
Non-current liabilities			
Borrowings	38	**(11,960)**	(11,936)
Contingent consideration		**(1,778)**	–
		(13,738)	(11,936)
Net assets		**19,007**	15,465
Capital and reserves			
Called up share capital	36	**223**	222
Share premium account	36	**14,721**	14,721
Profit and loss account		**4,063**	522
Total equity		**19,007**	15,465
Parent company profit and total comprehensive income for the year		**4,276**	69

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income and related notes as it prepares group financial statements. The Company's profit for the year is shown above.

The financial statements on pages 92 to 95 were approved and authorised for issue by the Board of Directors on 10 May 2021 and were signed on its behalf by:

Stuart Quin
Director

Richard Jones
Director

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2019	222	14,721	2,861	17,804
Dividends paid to ordinary shareholders	–	–	(2,612)	(2,612)
Equity settled share based payments	–	–	204	204
Transactions with owner	–	–	(2,408)	(2,408)
Profit and total comprehensive income for the period	–	–	69	69
At 1 January 2020	222	14,721	522	15,465
Issue of share capital	1	–	–	1
Dividends paid to ordinary shareholders	–	–	(945)	(945)
Equity settled share based payments	–	–	210	210
Transactions with owner	1	–	(735)	(734)
Profit and total comprehensive income for the period	–	–	4,276	4,276
At 31 December 2020	**223**	**14,721**	**4,063**	**19,007**

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2020

33 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (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 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

As at 31 December 2020 the group had net cash of £13.9m, a term loan of £12m due for repayment in full in March 2020 and £5.9m RCF also due for repayment in March 2020. Net debt at 31 December 2020 was therefore £3.9m. The Directors have prepared detailed cashflow forecasts for the 21-month period to December 31, 2022. These forecasts indicate that the group has sufficient funds to meet its liabilities as they fall due for at least the next 12 months. In preparing these forecasts the directors have considered the potential for further and prolonged negative impact of COVID-19 going forward following the significant impact on Medica's revenue reported in 2020 due to the impact on Elective volumes and revenue as the NHS focused its efforts away from elective activity to focus on treating patients in the pandemic and also the negative impact on NightHawk volumes and revenue due to the impact of the lockdowns and other restrictions. The Directors have also considered the impact of the recently announced acquisition of RadMD LLC with the associated 9.9% equity placing as well as the refinancing of its existing debt facilities that was completed in early May 2021 that provided a new 3 year fully flexible £30m RCF facility as set out in Note 22 at which time the term debt was repaid in full and £12m of the new RCF was utilised (see note 31).

The Directors have considered a downside scenario assuming no improvement in Elective volumes and revenue from current levels, further and material reductions in margins in new and existing NightHawk contracts and increased cost relating to the FutureTech programme. Under these scenarios the forecasts also indicate that the group will have sufficient funds to meet its liabilities as they fall due for at least the next 12 months.

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 2020, 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 3.12 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.

34 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 13 of the Group financial statements.

35 Investments in subsidiaries and associates

Investments	2020 £000
At 31 December 2019	1,455
Additions	17,415
At 31 December 2020	**18,870**

Additions for the year are made up of £17,359k in respect of the acquisition of Global Diagnostics (Ireland) Limited, discussed in note 18 of the Group financial statements; and £56k in respect of the incorporation of a new wholly-owned subsidiary undertaking, MED-IDX Pty Limited.

The directors have assessed the value of the investment in subsidiaries by reference to fair value of the Group as indicated by the market value of its equity together with the value of it's debt at the balance sheet date amounted to £150m. Given the valuation, the Board is comfortable that the investments are not impaired.

	Class of share held	Country of incorporation	Proportion held	Nature of business
Medica Reporting Services Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Finance Limited	Ordinary	England & Wales	100%	Holding company
Medica Reporting Limited	Ordinary	England & Wales	100%	Teleradiology reporting
Medica IT Services Limited	Ordinary	England & Wales	100%	IT services
Medica Australia Pty Limited	Ordinary	Australia	100%	Teleradiology reporting
MED-IDX Pty Limited	Ordinary	Australia	100%	Teleradiology reporting
Global Diagnostics Ireland Limited	Ordinary	Ireland	100%	Teleradiology reporting and managed imaging services
Global Retinopathy Screening Limited	Ordinary	Ireland	100%	Diabetic retinopathy screening services

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

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

The Irish subsidiaries' registered address is: Floor 1 Block 14, Rockfield Medical Campus, Balally, Dublin 16, Ireland.

Med-IDX Pty was established in December 2020. As set out in note 31 in February 2021 this became a 50:50 joint venture with Integral Diagnostics Limited Pty. Med-IDX trades as MedX and has a registered address at Level 9, 45 William Street, Melbourne VIC 3000, Australia.

Subsidiary audit exemption under parent guarantee:

For the year ended 31 December 2020, 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.

36 Capital and reserves

Ordinary share capital issued and fully paid

	At 31 December 2020 £000	At 31 December 2019 £000
111,279,650 (2019: 111,111,114) ordinary shares of £0.002 each	**223**	222
Total ordinary share capital of the Company	**223**	222

Issue of share capital during the year

On 29 May 2020, 168,536 ordinary shares of 0.2p each were issued for cash at par value.

Rights attributable to issued shares

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

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

Voting rights

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

Share premium

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

Retained profit

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

Share based payments

The Company has share based payment schemes in issue. The accounting policy and disclosures are contained within the Group accounts (Note 3.16 and Note 28). The sharebased payment charge which is determined based on share based payment schemes issued by the parent company, are recharged to the Company's subsidiaries through a management charge that is recognised via the intercompany balances.

37 Trade and other receivables

	At 31 December 2020 £000	At 31 December 2019 £000
Amounts due from subsidiary undertakings	**19,691**	25,843
Prepayments	**3**	–
VAT reclaimable	**108**	–
	19,802	25,843

The debtor balance of £19.7m (2019: £25.8m) relates to amounts owed from subsidiaries. The balance can be called for repayment on demand by the Company or repaid at any time at the option of the subsidiary. In the directors' view the entire outstanding balance could be settled by the relevant subsidiary within one year of the balance sheet date and as such the directors are satisfied that there is no indication of impairment.

38 Borrowings

Borrowings relate to the Group's bank and other loans which are set out in Note 22.

39 Related parties

See Note 29 in of the Group financial statements for related parties' information. The Parent company has taken advantage of the exemption available under IAS 24 (Related arty Disclosures) from the requirement to disclose related party transactions entered into between two or more members of the same group where all subsidiaries are wholly owned.

40 Post balance sheet events

See Note 31 of the Group financial statements for post balance sheet events information.

Key advisors

The Board of Directors	G R Davis J M Easton Dr S J Quin Dr S G Davies – Retiring 31 May 2021 Richard Jones – appointed 3 August 2020 Junaid Bajwa – appointed 1 April 2021
Company Secretary	Richard Jones
Registered office	Medica Group PLC 6th Floor One Priory Square Priory Street Hastings East Sussex TN34 1EA
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors 2nd Floor St Johns House Haslett Avenue West Crawley West Sussex RH10 1BG
Legal Advisors	DLA Piper Victoria Square House Victoria Square Birmingham B2 4DL
Joint Brokers	Investec Bank plc 30 Gresham Street London EC2V 7QP Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London EC2Y 9LY
Registered Company number	08497963

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