

25 March 2019

## Medica Group PLC

### Preliminary results for the year ended 31 December 2018 deliver double digit growth

*15.6% revenue growth driven by strong performance from NightHawk and Cross Sectional services*

*Good start to 2019 with trading and radiologist recruitment in line with Board expectations*

Medica Group PLC (LSE:MGP, "Medica" or the "Company"), the UK market leader by revenue in the provision of teleradiology services, today announces its full year results for the 12 months ended 31 December 2018.

#### Financial highlights

- Delivered sales of £39.0m representing 15.6% revenue growth in line with market expectations
  - NightHawk, the out-of-hours reporting service, continued to see significant growth, with revenue increasing by 15.0%
  - Routine Cross Sectional performed well, with revenue increasing by 19.3%
  - Routine Plain Film revenue increased 7.2%
  - Specialist services and Independent revenue increased by 7.9%
- Gross profit margin of 49.0% (2017: 48.7%)
- Adjusted EBITDA increased 12.8% to £11.9m
- Proposed final dividend of 1.50p per share to give a proposed total dividend for the year of 2.25p (2017:1.65p)
- Net debt significantly reduced to zero (2017: £5m)

#### Operational and recent highlights

- Total number of reported body parts increased by 13.7%, from 1.46m in 2017 to 1.66m in 2018
  - NightHawk reported body parts increased by 19.4%
  - Cross-Sectional reported body parts increased by 21.6%
  - Plain Film reported body parts increased by 7.9%
- Recruitment has been strong throughout 2018, with the total number of Radiologists (including radiographers and rheumatologists) contracting with Medica standing at 362 as at December 2018. Representing a net increase of 56 year-on-year.
- CEO John Graham intends to step down in 2019, succession planning underway
- Deployed radiologists to report for UK clients from Australia and New Zealand
- Net increase in radiologists recruited in January and February is 13, bringing the total to 375
- Invested £1m in IT capital expenditure to scale the business for medium term demand

#### John Graham, Chief Executive Officer of Medica, commented:

"2018 was another year of strong progress for Medica as we again delivered double-digit revenue and profit growth. We maintained our market leading position in the UK teleradiology market, increasing penetration of NightHawk and Cross Sectional services. We have made further progress in the internationalisation of our services and are pleased to now offer reporting services from Australia and New Zealand.

2019 has started well and we expect revenue growth to remain at double digit levels similar to 2018.

I have informed the Chairman of my intention to step down as CEO at some point in 2019. I felt that this was an appropriate time for me to transition the role to someone who can take the Company through the next chapter of what should be a very exciting period of growth and development for the business."

£'000s	Year ended 31 December 2018	Year ended 31 December 2017	% change
Revenue	38,969	33,715	15.6%
Gross profit	19,086	16,432	16.1%
Gross Profit Margin	49.0%	48.7%	
Adjusted EBITDA (1)	11,938	10,581	12.8%
Adjusted EBITDA margin	30.6%	31.4%	
Adjusted Operating profit (2)	10,667	9,460	12.8%
Adjusted EPS (pence) (3)	7.75	6.92	12.0%

(1) *Adjusted EBITDA is a non-IFRS measure and is calculated as operating profit before depreciation, amortisation, exceptional items, and share based payments.*

(2) *Adjusted operating profit is a non-IFRS measure and is calculated as operating profit before exceptional items, certain exceptional costs relating to refinancing, share based payments and amortisation in respect of assets acquired on acquisition.*

(3) *Adjusted Earnings per share is a non-IFRS measure and is calculated as Earnings per share before exceptional items (including certain exceptional costs relating to refinancing), share based payments and amortisation in respect of assets acquired on acquisition*

**For further information, please contact:**

**Medica Group:**

John Graham, Chief Executive Officer  
Tony Lee, Chief Financial Officer

**+44 (0)33 33 111 222**

**FTI Consulting**

Brett Pollard  
Ben Atwell  
Victoria Foster Mitchell  
Robert Winder

**+44 (0)20 3727 1000**

## **CHAIRMAN'S STATEMENT**

### **EXPANDING INTERNATIONALLY BASED ON A STRONG CORE PLATFORM**

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

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

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

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

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

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

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

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

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

I would also like to thank Anand Jain, who left the Board at the end of 2018, for his contribution to Medica since he joined the Board in 2013. As the Investment Director of the company's private equity partner and

then a Non-Executive Director, Anand's healthcare and business knowledge has been of great benefit to the Group and he has played a significant role in Medica's development from a private to a public company. We have engaged with an external recruitment company to assist with finding a new Non-Executive Director and will provide an update in due course.

The Board has adopted a progressive dividend policy for the Company from Admission, which seeks to maximise shareholder value and reflect Medica's strong earnings and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Group's long-term growth. Following the interim dividend of 0.75 pence for the period to 30<sup>th</sup> June 2018, the Board proposes a final dividend of 1.50 pence bringing the total for the year ended 31<sup>st</sup> December 2018 to 2.25 pence, an increase of 36% on the 2017 dividend.

The Group has performed well in 2018 and I believe we are well positioned to continue to create value for all shareholders by delivering high levels of service to our clients and helping to improve the standard of care for patients.

**ROY DAVIS**

Chairman

# **CHIEF EXECUTIVE'S REVIEW**

## **BUILDING FOR THE FUTURE**

### **Introduction**

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

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

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

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

### **Deepening partnerships with clients**

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

Volume growth came across all major service lines with NightHawk scan volume increasing by 19.4%, Routine Cross Sectional (CS) computerised tomography (CT) and magnetic resonance imaging (MR) reporting increasing by 21.6% and Routine Plain Film x-ray (PF) growing by 7.9%.

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

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

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

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

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

### **Increasing capacity**

Recruitment remained a key focus during 2018 and we significantly increased the number of radiologists (including radiographers and rheumatologists) from 306 at the start of the year to 362 at 31<sup>st</sup> December to meet growing market demand. Investment in recruitment, retention and training are priorities for the business as we seek to ensure radiologists are supported at all times, that the reporting experience is as smooth and efficient as possible and that radiologists can work in a high quality clinical environment.

The most significant factor in bringing new radiologists into Medica's recruitment process is word of mouth recommendation from radiologists who are already contracting with the Group. Our skilled recruitment team is then able to complete the process and bring these contacts into Medica. In addition, the Group maintains a presence at many specialist and national events and maintains a database of candidates for recruitment. Medica's recruitment pipeline remains stronger than ever.

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

### **Continued investment and development**

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

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

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

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

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

## **Internationalisation**

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

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

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

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

## **Longer term Strategy**

The Directors have to date focused on developing a platform that can deliver a high quality teleradiology service to the Group's core customer base of NHS hospitals, centred on its NightHawk and Routine offerings. In the last year we have added more specialist services to our portfolio and begun the process of internationalising the business.

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

Looking further ahead the Directors believe that there are a number of wider tele-health and broader healthcare opportunities that the Group would be well-placed to take advantage of. These are considered longer-term opportunities and would likely require investment in additional expertise to augment that already in place and, in some circumstances, may be better achieved through acquisition. The Board intends to develop plans for some of these opportunities in coming periods.

## **Outlook**

Looking forward to 2019, the year has started well, with trading in line with the Board's expectations. The prospects for new work from existing and new clients and the pipeline for recruiting radiologists in the new financial year continues to be strong which gives me confidence in our outlook for 2019. As the market evolves the Board is confident that, in the short to medium term, Medica will continue to grow revenues at a rate similar to that seen in 2018.

**JOHN GRAHAM**

Chief Executive Officer

25 March 2019

## FINANCIAL REVIEW

### STRONG FINANCIAL POSITION UNDERPINNING FUTURE GROWTH

#### Medica's strong growth has continued throughout 2018.

Medica has enjoyed strong growth in recent years, and this continued throughout 2018, with Group revenues growing by 15.6% to £39.0m (2017: £33.7m) and adjusted operating profit growing by 12.8% to £10.7m (2017: £9.5m).

Net profit increased by 70% from £4.33m to £7.36m and basic earnings per share increased by 66% from 3.99 pence to 6.62 pence. Adjusted profit after tax increased by 14.6% from £7.52m to £8.61m and adjusted basic earnings per share increased by 12.0% from 6.92 pence to 7.75 pence. A full reconciliation between statutory and adjusted profit metrics is shown in note 12.

#### Revenue

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

- NightHawk revenues increased to £19.3m, a 15.0% increase from 2017 revenue of £16.8m. The increase in volumes and revenue was due to continued growth in existing clients' emergency service requirements as the number of A&E admissions and the proportion of patients requiring a scan both increase and Trusts expand the scope of the services they procure.
- Routine Cross-Sectional revenues increased to £15.0m, a 19.3% increase from 2017 revenue of £12.5m. Growth has been driven primarily through existing customers Medica enhanced its partnerships with Trusts and reported a greater number of their increasing scan volumes.
- Plain Film revenues increased to £3.9m, a 7.2% increase from 2017 revenue of £3.7m. During the period, Plain Film volumes continued to be actively managed to focus on the faster growing routine Cross-Sectional service with the increase coming from Radiographer reporting which continued to develop.

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

#### Gross margins

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

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

- |                            |                     |
|----------------------------|---------------------|
| • NightHawk:               | 49.9% (2017: 50.5%) |
| • Routine Cross-Sectional: | 51.9% (2017: 52.1%) |
| • Routine Plain Film:      | 49.4% (2017: 49.4%) |

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

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

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

### ***Adjusted operating profit***

The adjusted operating profit for the period of £10.7m was 13.4% higher than 2017 (£9.5m), which represents continuing good progress for the business. Despite the additional costs of being a public company the adjusted operating profit margin only reduced moderately from 28.1% in 2017 to 27.4% in 2018.

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

### ***Exceptional costs***

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

### ***Net finance expense***

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

### ***Taxation***

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

### ***Earnings per share***

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

### ***Dividends***

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

### ***Cash flow***

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

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

**Net debt**

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

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

**Intangible assets**

As at the year-end, total intangible assets were £24.2m (31 December 2017: £25.2m): The Group's intangible assets are the goodwill of £15.9m and other intangible assets from the acquisition by the Company of Medica Reporting Limited in May 2013. In addition, there is a small proportion, which at the year-end was £1.9m (year ended 31 December 2017: £1.3m), in relation to purchased software and certain capitalised development software and licences.

**Property plant and equipment:**

As at the year end, total value of property, plant and equipment was £1.9m (31 December 2017: £1.9m). Property, plant and equipment primarily relate to computer equipment, the majority of which is the servers installed with customers, radiologists' workstations and infrastructure technology. The growth in property, plant and equipment reflects the net increase, i.e. after depreciation, of additional capital expenditure for new customers and new radiologists and software for new projects.

This report was approved by the Board on 25 March 2019 and signed on its behalf.

**Anthony Lee**

Chief Financial Officer  
25 March 2019

# CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

COMPANY REGISTRATION 08497963

As at 31 December 2018

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	<b>12 months ended 31 December 2018 £'000</b>	12 months ended 31 December 2017 £'000
<b>Operating activities</b>		
Profit for the year	7,362	4,331
Add taxation	1,794	1,331
Profit before tax	9,156	5,662
<i>Adjustments for:</i>		
Depreciation	853	775
Amortisation	1,288	1,217
Shared based payments	135	74
Finance income	(68)	(12)
Finance costs	329	661
Exceptional finance costs	-	582
<i>Changes in:</i>		
(Increase) in trade and other receivables	(424)	(2,138)
Increase/(Decrease) in trade and other payables	536	(365)
Movement of derivative financial instruments	-	(38)
Tax paid	(2,172)	(904)
Cash inflow from operating activities	9,633	5,514
<b>Investing activities</b>		
Purchase of property, plant and equipment	(920)	(820)
Purchase of software intangibles	(725)	(612)
Interest received	54	12
Cash outflow from investing activities	(1,591)	(1,420)
<b>Cash flows from financing activities</b>		
Equity funds raised	-	15,000
Costs of equity funds raised	-	(203)
Repayment of borrowings	-	(15,270)
Loan fees paid for refinancing	-	(130)
Dividends paid to ordinary shareholders	(2,056)	(611)
Interest paid	(305)	(686)
Net cash outflow from financing	(2,361)	(1,900)
<b>Net change in cash and cash equivalents</b>	<b>5,681</b>	<b>2,194</b>
<b>Movement in net cash</b>		
Cash and cash equivalents, beginning of period	6,907	4,713
Increase in cash and cash equivalents	5,681	2,194
<b>Cash and cash equivalents, end of period</b>	<b>12,588</b>	<b>6,907</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
<b>At 1 January 2017</b>	146	1,309	4,854	6,309
Cancellation of share premium	–	(1,309)	1,309	–
Shares issued in the year	76	14,924	–	15,000
Share issue costs	–	(203)	–	(203)
Dividends paid to ordinary shareholders	–	–	(611)	(611)
Equity settled share based payments	–	–	74	74
<b>Transactions with owner</b>	<b>76</b>	<b>13,412</b>	<b>772</b>	<b>14,260</b>
Profit and total comprehensive income for the period	–	–	4,331	4,331
<b>At 1 January 2018</b>	<b>222</b>	<b>14,721</b>	<b>9,957</b>	<b>24,900</b>
Dividends paid to ordinary shareholders	–	–	(2,056)	(2,056)
Equity settled share based payments	–	–	135	135
<b>Transactions with owner</b>	<b>–</b>	<b>–</b>	<b>(1,921)</b>	<b>(1,921)</b>
Profit and total comprehensive income for the period	–	–	7,362	7,362
<b>At 31 December 2018</b>	<b>222</b>	<b>14,721</b>	<b>15,398</b>	<b>30,341</b>

## **NOTES TO THE ACCOUNTS**

### **1 General information**

Medica Group PLC (“the Company”) was incorporated in England and Wales on 22 April 2013 under the Companies Act 2006 (registration number 08497963) and is domiciled in the United Kingdom. Its registered office and principal place of business is Havelock Place, Havelock Road, Hastings, East Sussex, TN34 1BG.

This consolidated financial information of the Group for the year ended 31 December 2018 (including comparatives) comprise the Company and its subsidiaries (together referred to as “the Group”). The Group’s principal activity is the provision of teleradiology reporting and is the leading independent provider in the UK.

### **2 Accounting policies**

This financial information has been prepared under International Financial Reporting Standards (IFRSs) issued by the IASB and as adopted by the EU. This financial information has been prepared on the same basis as in 2017.

Whilst the financial information included in this announcement has been prepared in accordance with IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs.

The financial information set out above does not constitute the Group’s statutory accounts for the years ended 31 December 2018 or 2017 but is derived from those accounts. Statutory accounts for the year ended 31 December 2017 have been delivered to the Registrar of Companies and those for the year to 31 December 2018 will be delivered following the Company’s annual general meeting. The auditors have reported on those accounts; their reports were unmodified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

A copy of the annual report for the year ended 31 December 2018 will be available at <http://www.medicagroup.co.uk> by 18 April 2019.

### **3 Going Concern**

The Directors of Medica Group PLC have assessed the current financial position of the Group, along with future cash flow requirements to determine if the Group has the financial resources to continue as a going concern for a period of at least 12 months from the approval of the accounts. As a result of this review the Directors of Medica Group PLC have concluded that it is appropriate that Medica Group PLC be considered a going concern. For this reason, they have adopted the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result in the going concern basis of preparation being inappropriate.

### **4 Segment reporting**

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

presented as one operating segment.

Medica Group PLC has identified only one geographic area, the UK. As a result of this and there being only one operating segment as described above, no analysis has been provided. No customer accounted for more than 10% of the Group's revenues.

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

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

## 5 Exceptional items

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

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

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

## 6 Finance costs

	2018 £000	2017 £000
Bank interest	305	414
Amortisation of loan arrangement fees	24	68
Exceptional loan arrangement fees expense	-	582
Interest on secured loan notes	-	179
	<b>329</b>	<b>1,243</b>

In 2017 as part of the listing process the debt owing to Lloyds bank was partially settled and the pre-existing debt agreement was amended so as to include Medica Group PLC as the primary borrower. Owing to this, transaction costs of £582,000 (£512,000 in respect of bank loan and £70,000 in respect of loan notes) which were initially incurred as a result of the previous borrowing arrangement were recognised as an exceptional finance cost in the income statement.

## 7 Tax expense

	2018 £000	2017 £000
<b>Major components of tax expense:</b>		
<b>Current tax:</b>		
UK current tax expense	1,971	1,544
Prior year adjustment	125	(45)
Total current tax	<b>2,096</b>	<b>1,499</b>
<b>Deferred tax:</b>		
Originations and reversal of temporary differences	(214)	(168)
Effect of rate change	(88)	-
Total deferred tax	<b>(302)</b>	<b>(168)</b>
<b>Tax expense on ordinary activities</b>	<b>1,794</b>	<b>1,331</b>

## Reconciliation of tax expense:

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

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

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

## 8 Earnings per share

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

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

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

## 9 Transactions with Directors and other related parties

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

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

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

## 10 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.

## 11 Post balance sheet events

There are no post balance sheet events.

## 12 Reconciliation of non-IFRS financial KPIs

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

In the Directors' view it is important to consider the underlying performance of the business during the year. Therefore the Directors have used certain Alternative Performance Measures (APMs) which are not IFRS-compliant metrics. The main effect has been that the exceptional items relating to the IPO in March 2017 have been excluded from the APMs. The APMs are consistent with those established within the IPO prospectus and the prior year annual report. It is the Directors' intention to monitor and reassess the appropriateness of the APMs in future years.

	31 December 2018 £000	31 December 2017 £000
<b>Reconciliation of adjusted operating profit</b>		
Operating profit before exceptional items	9,662	8,516
<i>Adjustments for:</i>		
Amortisation of acquired intangibles	870	870
Shared based payments	135	74
Refinance costs	–	–
<b>Adjusted operating profit</b>	<b>10,667</b>	<b>9,460</b>
<b>Adjusted operating profit margin</b>	<b>27.4%</b>	<b>28.1%</b>
<b>Reconciliation of adjusted profit before tax</b>		
Profit for the year	7,362	4,331
<i>Adjustments for:</i>		
Amortisation of acquired intangibles	870	870
Exceptional items	245	1,661
Exceptional finance costs	–	582
Share based payments	135	74
Refinance costs	–	–
<b>Adjusted profit after tax</b>	<b>8,612</b>	<b>7,518</b>
Income tax charge	1,794	1,331
<b>Adjusted profit before tax</b>	<b>10,406</b>	<b>8,849</b>
<b>Reconciliation of net debt</b>		
Cash and equivalents	12,588	6,907
Borrowings due within one year	–	–
Borrowings due after one year	(11,912)	(11,888)
<b>Net cash / (debt)</b>	<b>676</b>	<b>(4,981)</b>