Medica Group PLC

Results for the year ended 31 December 2021

Robust recovery in core teleradiology business and strong performance from acquisitions

Medica Group PLC (LSE: MGP, "Medica", the "Group" or the "Company"), the UK market leader by revenue in the provision of teleradiology services, announces its preliminary results for the year ended 31 December 2021.

Financial highlights

	Year ended 31 December 2021 £'000s	**Year ended 31 December 2020** £'000s	**Change £'000s**	**Change %**	***Year ended 31 December 2019*** *£'000s*	**Change 2019 to 2021 %**
Revenue	61,913	36,814	25,099	68%	*46,542*	*33%*
Gross profit	31,394	17,452	13,942	80%	*22,250*	*41%*
Gross profit margin	50.7%	47.4%	3.3 ppt[4]		*47.8%*	*2.9%*[4]
Underlying operating profit [1]	12,078	5,003	7,075	141%	*11,297*	*6.9%*
Underlying operating margin	19.5%	13.6%	5.9 ppt[4]		24.2%	(4.7%)[4]
Underlying profit before tax	11,472	4,737	6,735	142%		
Profit before tax	*7,339*	*2,074*	*5,264*	*254%*		
Underlying basic EPS (pence) [2]	7.83	3.47	4.36	126%		
Basic EPS (pence)	*4.56*	*1.21*	*3.35*	*277%*		
Proposed final dividend (pence)	1.79	1.7		5%		
Cash and cash equivalents	9,616	13,934	(4,318)			
Net Cash/(Debt) [3]	3,877	(3,907)	7,784			

(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
(3) Net cash/(debt) is a non-IFRS measure and is calculated by subtracting bank borrowings from cash and cash equivalents
(4) Percentage points movement (ppts)

- Delivered sales of £61.9m, representing 68% and 33% revenue increase on 2020 and 2019, respectively
    - UK revenues rose 33% to £47.1m as a result of a continued strong performance from NightHawk and a full recovery in Elective scanning activity by the year end
    - Medica Ireland contributed £9.7m in its first full year since acquisition in November 2020, in-line with expectations, and generated a return on capital employed (ROCE) in its first full year ahead of the Group target of 15%
    - RadMD contributed £5.2m of revenues for the nine-month period since acquisition in March 2021, broadly in-line with expectations at the time of purchase
- Increase in gross profit margin to 50.7% (2020: 47.4%) due to mix effect in UK, cost management and positive impact of acquisitions

- Recovery in underlying operating profit to £12.1m, up 141% from 2020 and 6.9% versus 2019, with underlying operating margins recovering to 19.5% (2020: 13.6%)
- Net cash at 31 December 2021 of £3.9m, an improvement of £7.8m on net debt of £3.9m at 31 December 2020
- The Board declared an interim dividend for 2021 of 0.89 pence per share and is now proposing a final dividend for 2021 of 1.79 pence per share, which will, if approved, result in total dividends for 2021 of 2.68 pence per share, up 5% on 2020

Operational highlights

- Effective management of elective scanning capacity and demand as volumes recovered as COVID-19 restrictions eased
- Continued growth of NightHawk service with net contract wins and renewals
- Restructured the organisation to create additional management bandwidth and create new group functions to support future growth
- Reorganised business to integrate support functions and maximise efficiency
- Established a UK Leadership Team focused on driving growth and executing strategy
- Successfully deployed Augmented Intelligence solution into Medica's out-of-hours stroke reporting
- Expanded radiology reporting capacity in the UK by 5%

Acquisitions and Partnerships

- Completed the acquisition and first stage of integration of RadMD in Philadelphia
- Post-acquisition of RadMD, added new members to the senior team to drive growth and expand operational capacity
- Completed integration and rebranding of Global Diagnostics Ireland as Medica Ireland
- Established MedX, a joint venture with Integral Diagnostics Pty in Australia

Post-period highlights

- Successful launch of new Picture Archive and Communication System (PACS), Medica's new enterprise imaging and reporting software system/platform, with multiple experience and functionality improvements for our radiologists, as first major milestone of the FutureTech programme
- Strong start to the year for NightHawk service through new contract wins, extensions and re-tenders
- Launch of new service with the leading Irish health insurer in Dublin
- Expanded the team internationally with a General Manager for MedX and an expansion of reporting capacity outside of the UK

Dr. Stuart Quin, Chief Executive Officer of Medica, commented:

"The year saw Medica continue to deliver on its strategy by diversifying its offering, broadening geographic reach and investing in new technology. With these strategic developments – including the acquisition of RadMD in the US, the creation of a new joint venture in Australia and the successful launch of Sectra PACS in the UK – as well as favourable market dynamics as customers seek to reduce the imaging backlog caused by COVID-19, there are strong foundations in place to support our growth. We look forward to continuing our momentum through 2022 to consolidate our position as the trusted, teleradiology partner of choice for healthcare providers"

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About Medica Group PLC

Medica is the market leader in the UK and Ireland for the provision of teleradiology services, providing outsourced interpretation and reporting of MRI (magnetic resonance imaging), CT (computerised tomography), ultrasound and plain film (x-ray) images. Medica also offers diabetic retinopathy screening in Ireland.

Medica contracts with the largest pool of consultant radiologists in the UK and Ireland, performing remote access teleradiology across its customer base of more than 100 NHS Trusts in the UK, the Irish HSE, private hospital and insurance groups, as well as diagnostic imaging companies. This enables the Company to offer a fast, responsive service. In addition, Medica operates in Australia and New Zealand through MedX, a 50:50 Joint Venture with Integral Diagnostics Limited Pty.

The Company currently offers two primary services to hospital radiology departments:

- NightHawk - urgent reporting service
- Elective - includes routine cross-sectional reporting on MRI and CT scans, and routine plain film reporting on x-ray images.

These services are underpinned by Medica's bespoke, secure IT platform that provides market-leading linkage between a hospital's Radiology Information System (RIS) and consultant radiologists who contract with the Company. Direct RIS access ensures that where the wider patient medical history is available, it can be reviewed by the consultant as part of every report.

Through its subsidiary, RadMD, in the United States, Medica also provides pharmaceutical and biotech clients and contract research organisations (CROs) with high quality, complex imaging services for international clinical trials. RadMD has gained vast experience in the space, having contributed to over 500 international clinical trials, in all phases of clinical research from proof of concept to phase III and with expertise in oncology, as well as a wider range of therapeutic areas including medical devices, neurology and cardiovascular.

For more information please visit: www.medicagroupplc.com

Chairman's statement

Strong performance in 2021 as our clients recovered and started to process the backlog of cases requiring imaging that accumulated during the pandemic

Medica has once again demonstrated the resilience of its business model in 2021. Having started the year with further lockdowns in the UK and Ireland, our team has worked closely with clients to support the return to pre-pandemic levels of diagnostic reporting, as well as enabling hospitals and clinics to make initial progress in undertaking priority cases that had been postponed due to the ongoing COVID-19 pandemic.

I am pleased to report a strong recovery year for Medica resulting in annual revenue increasing by 68% year-on-year to £61.9m with an improvement in gross profit margin to 50.7% and operating profit of £12.1m, up 141% from 2020. This also compares favourably to 2019 with a 33% increase in revenue (2019 £46.5m), 2.9% increase in gross margin (2019 47.8%) and 7% increase in operating profit (2019 £11.3m) as trading improved and Medica started to book sales from acquisitions in Ireland and the US. As a result, the Board has proposed a final dividend of 1.79 pence per share reflecting the strong performance of the business last year. It is particularly pleasing to deliver these results during the ongoing pandemic in 2021, without the need to furlough any employees or receive any government grants, demonstrating the robust nature of the business.

In addition to the core business, the recent acquisitions of Medica Ireland (formerly Global Diagnostics Ireland), and RadMD performed strongly in a challenging year. These acquisitions were completed during a period of uncertainty due to the impact of COVID-19. However, we were confident that any short-term trading impact would be alleviated as we emerged from the first wave of the pandemic. This has been demonstrated and we are confident that both Medica Ireland and RadMD are well placed for continued strong growth in 2022.

Continued progress made delivering against new strategic priorities and improving governance

Medica has made significant progress against delivering its strategy and improving its governance structure, including:

- Exceeded market expectations in terms of profitability and cashflow due to careful cost management and close client engagement
- Delivered on our stated strategy by expanding into clinical trial imaging services via the acquisition of RadMD, as well as via a joint venture to collaborate on opportunities in Australia and New Zealand
- Continuing to improve governance and strategic input to the board by recruiting two experienced non-executive directors; Barbara Moorhouse (Senior Independent Non-Executive Director and chair of Audit Committee) and Dr. Junaid Bajwa (Independent Non-Executive Director and chair of Environment, Social and Governance (ESG) and Clinical Governance and Quality Committees).
- Developed a comprehensive approach to develop clear ESG metrics that drive improved business performance
- Established a Clinical Quality and Governance Committee of the Board to increase oversight of factors that are critical to continuing to differentiate our service and respond to client needs

Medium term growth potential driven by the pandemic recovery

We ended 2021 in a similar position to 2020 with growing COVID-19 cases due to the increased transmissibility of the Omicron variant. Whilst it is largely impossible to predict how the pandemic will continue to run its course in 2022, we are increasingly confident that our clients are now better prepared to handle COVID-19 cases and to continue to deliver a largely 'business as usual' service to elective patients. Alongside significant growth potential in elective reporting, we have seen, and continue to expect to see, a marked increase in the number of patients attending Accident & Emergency (A&E) departments requiring imaging procedures to diagnose their conditions.

Both of these growth drivers in the UK and Ireland will require us to recruit more reporters across our business. We have had continued success this year in our ability to attract and retain expert reporters as evidenced by an increase in total reporter capacity of 5% during 2021. We continue to believe this is due to the quality of the service we offer and the breadth and depth of work available for reporters to build their careers and expertise with Medica and RadMD.

In 2020, we started to accelerate our recruitment of radiologists in Australia and New Zealand. Through our MedX joint venture in Australia with Integral Diagnostics, we have continued to recruit in 2021 and, as we seek to fulfil the demand from our customers, we will be ramping up our efforts in 2022. In addition, we will look to other regions, for further reporting capacity from expert General Medical Council (GMC) certified radiologists.

In terms of our clinical trials business, RadMD, the year started slowly as some pharmaceutical and biotech clients opted to delay the start of trials due to COVID-19 until more patients were enrolled. However, business performance improved in H2 2021 as we signed additional contracts with both new and existing clients, as well as resumed studies put 'on-hold' by the pandemic. As a result, the majority of the initial deferred element of the contingent consideration due to the founders of RadMD will be paid in 2022, which is testament to their and their team's hard work and performance in 2021, with a small amount of deferred consideration outstanding into 2023. We are also starting 2022 with an increased pipeline and backlog of opportunities and we continue to invest in expanding the expert team at RadMD.

Outlook

Whilst we are not yet 'out of the woods' in terms of the impact of COVID-19, we have confidence that we will be able to support our clients to tackle their respective backlog of scanning, reporting and clinical trial studies in 2022. We continue to have a positive outlook on the market and think that the dynamics are still very favourable for Medica as we observe more and more reporting capacity pressure in the NHS and Health Safety Executive (HSE) in Ireland.

Our NightHawk service continues to grow robustly, and we expect to extend and renew most of these contracts in 2022. Medica is ready to take advantage of this short- to medium- term market opportunity by expanding the amount of elective reporting capacity we can provide to our clients by encouraging more radiologists to report for Medica in the UK and Ireland. Government-led initiatives in Ireland have already commenced to reduce the backlog of patients requiring scanning and, in the UK, the NHS has launched its ambitious Community Diagnostic Hubs programme to conduct more diagnostic imaging outside of hospitals, which aligns favourably with Medica's core competencies.

Medica is also focussed on continuing to improve our reporting systems as part of the FutureTech programme, rolling out further Augmented Intelligence ("AI") solutions, increasing productivity of existing radiologists, as well as recruiting more reporters overseas and dual-certifying radiologists in UK and Ireland to support our respective businesses.

Further, we are confident that we are well-positioned to capitalise on the fast-growing market for imaging services for clinical trials. We expect to continue to invest in RadMD to underpin growth in the team and systems, as well as look for opportunities to increase our scale.

The healthcare industry is evolving rapidly and the pandemic has allowed clients to move at pace and make quick decisions which would have taken longer pre-pandemic. A dependable, reliable and high-quality provider like Medica, with an equal willingness to embrace change and look for opportunities, means we should be well-positioned for growth in the evolving market.

I would like to finish by thanking all our clients for choosing Medica as their imaging and diagnostics partner for clinical diagnosis and clinical trials. I would also like to recognise the huge efforts taken by our network of radiologists, radiographers and specialist doctors around the world who strive to provide timely and accurate reports for our clients day-in, day-out. I would like to thank our investors for their confidence in the Company in these challenging times. Finally, I would like to thank our operational teams based in UK, Ireland and US who have continued to demonstrate resilience and progress during what was another tough year across our industry, and I look forward to continuing the execution of our strategy in 2022.

Roy Davis
Chairman
4 April 2022

CEO report

The strong performance demonstrated in 2021 was again testament to our excellent team and their ability to execute initiatives across the Group. This extends not only to our teams working day and night to deliver fast, efficient and reliable reports for patients, but also to those directly scanning and screening patients and participating in clinical trials. I am pleased that we ended 2021 with strong run-rate financial performance bolstered by a recovery in our Elective business above pre-pandemic levels, significant renewal of existing NightHawk contracts coupled with new client wins and growth in our international businesses in Ireland and the US.

The Company has continued to make excellent progress in 2021 and the first quarter of 2022. This includes:

- Launching our new PACS. This has been a significant project requiring input from all elements of the team in the UK. This project saw all of our radiologists, radiographers and specialist doctors (together "Reporters"), transition to our new provider in a short timeframe with no loss of service to our clients. We expect that this will have significant benefits going forward that will drive operating leverage.
- Completing the acquisition of RadMD and immediately strengthening the team by recruiting an operations director, chief commercial officer and finance director. We have also expanded the range of customers with whom we work at RadMD and have entered some exciting new fields with contract wins
- Continuing to deliver our patient-facing ophthalmology screening and surveillance services in Ireland despite the huge impact of COVID-19 on staffing levels and patient activity. Our team has continued to receive praise from the National Screening Service in Ireland for their ongoing ability to deliver the service despite these obvious challenges
- Being awarded the prestigious "Overall Best Project" for Medica's delivery of Augmented Intelligence for Stroke patients in the Association of Project Management annual awards beating many other worthy projects including some from large FTSE 100 companies
- Expanding our team across the UK, Ireland and the US, as well as hiring a General Manager to lead our joint venture in Australia; MedX

In September 2021, the Company conducted its first Capital Markets Day event. This was well-attended and gave us the opportunity to update investors on our progress against the strategy, as well as showcase our wider team and projects, such as our FutureTech programme and Augmented Intelligence approach. It was also an opportunity for investors to meet the heads of our Irish and US businesses for the first time and to better understand the significant market opportunities in both countries. At the event, we reiterated our strategy to investors and devoted time to explain the growth opportunities in each of our market segments.

Significant progress against our strategic goals

Medica's strategy can be summarised as follows:

1. Be the **trusted, go-to partner** for healthcare providers with a reputation for reliability and transparency to **enhance patient outcomes**
2. Invest in our **people and systems** to build an engaged and motivated team
3. Be the **company of choice** for specialist doctors and clinicians wanting to expand their expertise in telemedicine
4. Deliver **profitable, diversified growth** underpinned by **commitment to ESG** with focus on market-leading clinical governance

Taking each in turn, I am pleased that we have delivered significant progress in 2021 against each of the drivers of our strategy:

1. Be the trusted, go-to partner for healthcare providers with a reputation for reliability and transparency to enhance patient outcomes

More customers trusted Medica to deliver services in 2021 than in any previous year. This trust is underpinned by our reputation for delivering a high-quality service 24/7. What this means in practice is that whenever clients choose to send urgent or elective scans to Medica for reporting, we will ensure that we have the right specialist doctor or clinician available to report the exam within the timeframe required. Not only this, but our reports are routinely audited to ensure that they meet the Royal College of Radiologist standards and so that we can continue to provide helpful feedback to our experts on their reports.

Where Medica has long-term relationships with clients, it is working more closely with hospitals to improve communication and information flow such that Medica is better prepared to manage peaks in demand for its services particularly around holiday periods, but also in support of local backlog initiatives. Our systems already support close integration with hospital data, but often last-minute requests from clients require additional reporting capacity at short notice. By planning more effectively, we can help support our clients much better.

This client trust is also evident in the businesses that we have acquired: RadMD's experienced team is frequently trusted to help to resolve issues with so-called "rescue studies"; trials that have started but were not designed correctly and hence are not delivering the expected endpoints. This expert knowledge developed over many years is one of the key factors in clients' decisions to work with RadMD and failure to properly plan and execute the imaging component of clinical trials can result in costly delays to new therapy approval and, in the worst case, failure to gain new drug approval.

In Ireland, where Medica scans patients as well as reports the digital image, the strong relationship with clients is also evident. This has been tested over the last 12 months where we have had to continue to deliver a scanning and screening service in our radiology, ultrasound and ophthalmology businesses respectively, despite maintaining social distancing and increasing the time between scans to sanitise equipment. Over time, these relationships invariably lead to additional opportunities as Medica is trusted to deliver one scanning service, but where support is needed to improve the performance of other services. In this way, Medica can expand its range of services to meet clients' needs.

NightHawk services continued to grow strongly driven by higher admissions at A&E departments and a growing requirement for out-of-hours services in Ireland

Emergency admissions to hospital in England continued to climb in 2021. According to NHS England data published in January 2022, emergency admission growth over the previous three months, compared to January 2021, was 9.6%, and over the last 12 months, compared to the preceding 12 months, was 13.3%. This correlates with the increase in urgent, out-of-hours exams that have been reported by Medica in 2021 where we recorded a circa 1% increase in activity on average each month throughout the year.

Many of our existing contracts were renewed in 2021 demonstrating the fact that clients continue to trust Medica to deliver an urgent service 24/7. In addition to continuing to support existing customers, Medica also won new contracts to deliver out-of-hours reporting services across the UK. As we enter 2022, the Company has a significant number of new contract opportunities that are being tendered, as well as renewals of existing client contracts.

In Ireland, Medica was pleased to be selected by several hospitals to provide out-of-hours reporting services. This market is still nascent in Ireland, but as we predicted when we acquired Global Diagnostics Ireland, it is accelerating as hospitals feel the combined pressure of increasing imaging volumes coupled with a shortage of sub-specialist radiologists available to report during the night-time.

The UK and Ireland teams have been working closely together to increase capacity of reporting. One example of such a synergy has been the efforts to 'dual certify' many of our UK radiologists so they are both UK and Irish Medical Council certified and, therefore, provide a more flexible pool of reporters. Additionally, as we grow our out-of-hours service in Ireland, the team is increasingly drawing on both the operational and commercial expertise of the respective teams.

Elective reporting: confidence increasing as pandemic recovery continues

In 2021 we saw a strong recovery in activity as the impact of the pandemic on elective activity has abated. Our clients, both in Ireland and in the UK, are now much better placed to separate COVID-19 related cases from Elective cases. This is evidenced by the continued increase in month-on-month activity that we have seen across our portfolio of clients during 2021. Looking ahead into the medium term, we expect to see an increase in scanning activity as clients get to grips with record waiting lists for procedures which in turn drives imaging activity. According to the NHS, this backlog pressure is expected to endure for at least the next two years. In addition, as noted by the UK

Health Secretary recently, UK waiting times are set to continue to grow and only likely to recover in 2024 and initiatives to tackle this growing backlog will also increase the requirement for imaging.

In late 2021, the NHS in England announced those companies that have been successful in joining the Community Diagnostic Hubs framework and Medica was delighted to be amongst them. This ambitious project expects to realise around 150 community-based hubs that will offer a range of out-patient diagnostics including routine Plain Film (PF; X-Ray), Computerised Tomography (CT) and Magnetic Resonance Imaging (MRI) scanning. Medica is well-placed to offer reporting services to these hubs and to play a strategic role in supporting existing and new clients with efficient delivery of imaging in an outpatient, community setting.

In Ireland, Medica has been successful in winning backlog elective contracts with the HSE (Irish equivalent of the NHS), as well as providing reporting services for independent sector clients and insurance companies. Medica was proud to partner with VHI, Ireland's leading health insurance company, to be the exclusive provider of imaging diagnostic services across their sites, including at their new flagship site in Carrickmines in the south of Dublin which opened in February 2022. We have also partnered with organisations such as the Children's Health Institute where we have supported them to develop a bespoke hip screening service for neonates. These are some of the examples of the creative ways that we are building the organisation in Ireland to support our clients.

Also in Ireland, we have been proud to continue to be able to deliver our diabetic retinopathy screening service throughout the period of the pandemic, working closely with the National Screening Service to ensure that patients are contacted, screened and appropriately referred for follow up intervention. This service, now in its tenth year, serves around half of the diabetic population in Ireland delivering both a surveillance and screening service for patients.

Acquisition of RadMD, a leader in imaging for clinical trials

In March 2021, we were excited to announce the acquisition of RadMD based outside Philadelphia in the US. RadMD is a specialist business focused on design and delivery of the imaging component of clinical trials. The company operates in the $1 billion market which is growing quickly in response to the increase in demand for imaging services in therapeutic areas such as oncology and neurology.

Since the acquisition, we have recruited new members of the senior team to support the founders, Drs. Richard Patt and Kohkan Shamsi, ahead of expected growth in the company. This has already had a positive impact on the business generating additional opportunities with numerous new clients and helping to bring experts into the team with significant experience in leading operations for imaging core labs, as well as extensive commercial and finance expertise.

Also since the acquisition, RadMD has grown its combined pipeline and signed backlog of contracts awaiting commencement by 34% from $40 million to $53.6 million. This is testament to the hard work of the team, but also to the acceleration of studies, many of which were postponed during the pandemic. We expect the strong underpinning of orderbook and pipeline coverage to translate into strong earnings growth throughout 2022 and beyond and are increasing our capacity in both people and infrastructure accordingly to ensure that we continue to expand to meet our clients' needs.

MedX joint venture in Australia and New Zealand

In February 2021, Medica formed a joint venture (JV) with Integral Diagnostics Pty, listed leader in radiology clinics and teleradiology services in Australia and New Zealand. The initial focus of the partnership is to accelerate building reporting capacity during the daytime hours in Australia and New Zealand to report urgent exams in the UK during the night-time. We have recruited an experienced general manager for the MedX joint venture who will support the growth in reporting capacity for the respective JV partners, as well as to develop our wider out-of-hours teleradiology reporting offering for the Australian and New Zealand markets.

2. Invest in our people and systems to build an engaged and motivated team

Medica has continued to invest in its people despite the impact of the pandemic on the underlying business. We have also reorganised our business to create a structure that will provide shared services across the Group enabling our skilled finance, medical, clinical governance, information technology, recruitment, and compliance teams to support their colleagues across Medica.

Whilst a new structure was necessary to underpin our future growth strategy, it also presented the opportunity to promote members of the team into new roles across the Group or within their country organisations. This included Sarah Burns, formerly COO, taking on the new role of UK Managing Director and Kevin Terrins, formerly UK Business Development, assuming the new role of Group Director of Corporate Development. Kevin will be working closely with me to drive organic growth across the business and to ensure that we deliver synergies across our operations.

Further, we have invested in additional resource to support phase two of our ambitious "FutureTech" programme – the first phase of which went live in February 2022. We see this as an ongoing programme which will deliver significant benefits over the next 24 months but will remain a critical component of our strategy going forward as we deploy further workflow and Augmented Intelligence solutions.

Outside of the UK, we have also invested in senior operations and commercial roles in Ireland and the US, as well as a finance director role for RadMD.

Taken together, this represents a significant investment in all our people and provides the opportunity for long-term career development for all of our employees at Medica.

FutureTech project delivering on time and on budget

In terms of systems, much of 2021 was spent preparing the groundwork to launch our new PACS in early 2022. This required significant stakeholder engagement with our new PACS provider, Sectra, as well as with clients, our radiologists and clinical teams, our service delivery and IT teams, as well as finance and compliance functions.

Our FutureTech team was recognised by the Association of Project Management winning not only the "Best Project in IT", but also the overall prestigious "Best Project" awards for delivery of our first Augmented Intelligence tool powered by Qure.ai to assist our doctors in diagnosing intracranial haemorrhage of patients who have suffered a stroke. This AI tool has supported improved quality of reporting by reducing the chance that hard to detect brain bleeds are missed, as well as demonstrating an improvement in the time to report urgent stroke cases of 13%. These awards pitted Medica against some of the largest, best-known FTSE 100 companies and we were thrilled that the delivery of this important project received international recognition. This is credit not only to our project management team, but also to the many reporters, technicians and experts across Medica who worked hard to ensure that our new PACS was ready for deployment by the end of 2021.

In early February 2022, Medica launched its new PACS – the first time in our history that we have replaced our core reporting system in favour of a state-of-the-art solution. This project has been managed by a dedicated team and the first phase was pleasingly delivered slightly ahead of time and budget. Whilst the Company experienced some temporary reduction in reporting capacity during the few days of transition to the new PACS as radiologists familiarised themselves with a new system and Medica calibrated the new PACS to accommodate the volume of cases reported, the system is now operating as planned and is starting to deliver expected benefits.

The immediate benefits of the new PACS are multifactorial and include an improved reporting environment, increased speed of reporting and throughput of studies and reduced workflow steps for our radiologists and clinical teams. Going forward, our ambition is to be able to more easily integrate new tools such as Augmented Intelligence, advanced visualisation and data analytics. The Company has indicated to investors that it expects the initial planned phases of the FutureTech programme to be delivered by 2023 and to cost up to £6m. Once fully deployed, our expectation is that the new systems will not only deliver an improved reporting environment, enhanced productivity and functionality, but will also generate operating leverage and increased scalability to meet demand.

3. Be the company of choice for specialist doctors and clinicians wanting to expand their expertise in telemedicine

We continue to have the largest network of radiology experts in the UK, and we are expanding this network into other countries to provide more resilience and capacity to support our clients. In 2021, we expanded our network in Australia and New Zealand, as well as in Ireland. We now have an increasing pool of radiologists that are dual certified to report cases in Ireland and the UK which provides resilience in our capacity. We have also invested in developing and growing our radiologist recruitment team and now have a robust team to manage the relationship with our doctors and clinicians from the first moment they speak to Medica and throughout the time that they choose to work with us.

In the US, our RadMD business focused on clinical trials, has also widened its pool of radiologists to support new studies both in the US, but increasingly in Europe with some studies now starting in Asia.

During 2021, we focused on improving our continuing education programme for our reporters. We started hosting regular seminars on topics that are relevant to our radiologists and clinical experts. These seminars count towards the continuing education that our doctors are required to do as part of their roles in the NHS. They also allow experts within our network to share their expertise across a range of diverse topics such as AI tools, cancer reporting criteria and specialist areas of imaging such as Positron Emission Tomography (PET-CT) and have been well attended and received.

4. Deliver profitable, diversified growth underpinned by our commitment to ESG with focus on market-leading clinical governance

At the Capital Markets Day, management reiterated its short to medium financial and investment targets- which are as follows:

- ***Group Growth Rate and Revenue Target*** – Growth of core UK business at 12-14% and recently acquired US and Irish companies by over 15% in the short to medium term with an overall target of c.£100m revenues in 3-5 years excluding any non-organic growth
- ***Target Margins*** – Gross margins of over 45% and underlying operating profit margins of over 20% in the short to medium term
- ***Target Return on Capital Employed (ROCE)*** – ROCE of at least 15% within a reasonable period for such opportunities whilst looking to maintain group ROCE above 20% overall
- ***Target Cash Conversion*** – Underlying operating profit to cash conversion of at least 80%

Commitment to ESG

Medica has significantly revised its approach to measuring and reporting ESG metrics in 2021. A dedicated sub-committee of the board now develops the strategy and framework for ESG reporting and assesses progress against our targets. The sub-committee meets quarterly and is chaired by Non-Executive Director, Dr. Junaid Bajwa. Our framework focuses on four key areas of our business that benefit from our commitment to ESG. These areas are aligned to the Sustainability Accounting Standards Board (SASB) international standards for healthcare companies.

1. People and Community
2. Responsible Operations
3. Environmental Impact
4. Customer Centricity

Clinical governance

Medica has a commitment to audit up to 2% of Elective plain film and 5% of Elective cross-sectional (MRI/CT) scans. The Clinical Governance Committee at Medica chaired by Dr. Robert Lavis, Group Medical Director, meets monthly to review performance data in terms of audit, regulation and any clinical matters requiring attention. The members of this committee include expert radiologists that cover the main disciplines within the clinical service. The audit process is governed as part of the Clinical Governance and Quality Committee of the Medica Board, which meets quarterly and is chaired by Non-Executive Director, Dr. Junaid Bajwa, and establishes the framework to monitor overall clinical governance across Medica.

The NHS tends not to audit exams unless there are specific clinical reasons to do so, hence if you are an NHS radiologist, you tend not to receive regular feedback on the quality of your reporting. Therefore, our radiologists continually cite the fact that Medica regularly audits a proportion of their reports as being a differentiator and very useful feedback that they can not only use to improve the quality of their reporting at Medica, but can also take with them back into their NHS day jobs.

Diversified growth opportunities

Telepathology reporting

As hospitals make progress with digitising histology and cytology specimens embedded in glass slides thereby creating a digital image, this presents Medica with the opportunity to be able to establish a similar remote reporting service for pathology cases, as well as radiology. This not only presents a new market opportunity for Medica, but importantly it offers existing clients an integrated service that focuses on broader diagnosis of a patient's condition. The best example is the diagnosis of cancer which requires often both analysis of tissue or individual cells, as well as radiological examination of the tumour *in situ*. These data, taken together, would provide an integrated report for the oncologist and medical team in the hospital. To do this, Medica will need to integrate pathology reporting applications into its current PACS reporting system, which it is now able to do with the migration to Sectra as our partner. Additionally, Medica would need to build a network of pathologists to be able to remotely report the images in the same way that we currently provide this service for radiology. This project is ongoing, and we look forward to being able to provide this service in the future.

International expansion and continued diversification

- *Clinical trials:* Medica's entry into the exciting clinical trial market for medical imaging will continue to be an area of focus in 2022. The nature of the market is such that it provides services to clinical trials operating across the globe. RadMD's customers are also international and increasingly we are growing our customer base outside of the US into Europe and Asia where there is a fast-growing life sciences market. As we grow, RadMD will invest in systems to generate operating synergies across our customer base and enable the company to benefit from the scale effects that growth brings. Medica will continue to expand both the range of services and therapeutic areas covered, as well as the international footprint of clients during 2022.
- *New teleradiology and telemedicine markets:* In 2020, Medica entered the Republic of Ireland. We saw the Irish market as having very similar dynamics to the UK, but not yet at the same level of outsourcing of key clinical services such as radiology. As we expected, this is changing and Medica Ireland is well-placed to take advantage of the growth in the market. During 2022, Medica will continue to evaluate new market opportunities for teleradiology in Europe and further afield, as well as continue to look at expanding into new areas of telemedicine. In addition, Medica will look to build on existing international partnerships to expand its reach into new markets.

Positive start to 2022

Medica has worked closely with existing customers throughout the past twelve months to extend existing contracts and sign new contracts to deliver both out-of-hours (NightHawk) and Elective services. So far this year, we are seeing strong growth in patients attending A&E and requiring imaging in both the UK and Ireland. Whilst February 2022 was a challenging month as a higher-than-usual number of radiologists took annual leave following the pressures of the pandemic and Medica transitioned to its new PACS system, as described above, March 2022 performance has returned to plan. We remain focused on accelerating recruitment of new radiologists whilst continuing to deliver benefits from the new, enhanced PACS functionality.

Despite the emergence of the Omicron strain in late November 2021, which peaked in January 2022, the adverse impact on the number of elective cases being referred to Medica as a result of this was minimal, although this did impact the availability of reporters in some cases. This demonstrates that the majority of our clients have been able to successfully resume a level of scanning not dissimilar from pre-pandemic levels. We now expect clients to start to operationalise projects to significantly deal with the backlog of patients working with scans, including extending scanning hours within hospitals, closer working with independent hospital groups and scanning companies, as well as making use of central NHS and HSE funding to invest in upgrading to more efficient, faster throughput scanning equipment.

With strong demand from our customers, we will continue to manage capacity carefully and explore recruitment options in order to maximise output in the UK and Ireland. Our focus is on the recruitment of new sub-specialist radiologists, as well as working closely with our existing reporter network to improve the overall efficiency through better systems and processes.

In the US, we have continued to see conversion of pipeline projects into signed contracts and new opportunities materialising in areas allied to our traditional focus of oncology. The commercial and operations teams are actively pursuing a broader pipeline of opportunities supported by RadMD's founders, Drs. Patt and Shamsi. This has seen RadMD work with new customers in new markets and, with Medica's support, we are also starting to work in areas such as pathology and in new countries where we see opportunity to expand our service offering.

Finally, we continue to pursue our organic growth strategy to further diversify our remote reporting services into areas such as telepathology, and to expand the scale and breadth of our telemedicine services via potential acquisitions. I continue to be confident that the quality of our team and the extensive network of highly-skilled radiologists, radiographers, sonographers and other specialist medical experts delivering our service, will propel our future growth.

I would like to close by thanking all of our team including our network of radiologists, radiographers and specialist doctors who have contributed their part in what has been a challenging recovery year for Medica and the wider healthcare sector as we started to emerge from the pandemic. I look forward to continuing to deliver on our ambitious growth strategy in 2022 and beyond.

Dr Stuart Quin
Chief Executive Officer
4 April 2022

Financial Review

Progress against our strategic financial goals

Strategic financial target[1]	Medium term Target	Actual FY 2021
Revenue growth rate		
UK	12%-14%	**33%**
Ireland[2]	>15%	**27%**
US[2]	>15%	**(2%)**
Target Margins		
Gross Profit Margin	>45%	**50.7%**
Underlying Net Operating Profit margin	20%	**19.5%**
Return on Capital Employed		
Group	>20%	**20%**
Ireland	>15%	**>15%**
US	>15%	**N/A**
Group Operating Cash conversion	>80%	**81%**

[1] Non-GAAP unaudited operational performance measures as set out in the CMD presentation in September 2021
[2] YoY comparison including periods pre-acquisition
[3] Defined as underlying operating profit (excluding PLC costs) divided by total assets less current liabilities.

Revised segmental analysis
Following the acquisition of RadMD in March 2021, we have made further changes to the way we manage and report on Group operations compared to 2020 . For 2021 we have reported our results in three geographic segments; the UK, the Republic of Ireland and the US reflecting the way we report and manage the Group. Central PLC costs are allocated across the three segments.

Revenue
Overall revenue increased 68% to £61.9m in 2021 from £36.8m in 2020. Excluding the impact of acquisitions on 2021 and 2020, on a like-for-like basis, revenues increased 33%.

UK
In the UK, NightHawk, our urgent out-of-hours reporting service, which started the year fully recovered from the impact of COVID-19 in 2020 saw revenues increase 30% to £29.8m in 2021 from £23.0m in 2020. Elective reporting services, which had been more severely impacted than NightHawk and for longer, recovered steadily throughout the year and ended the year at its highest ever run rate driven by a backlog of scanning demand in the NHS. Revenues increased 38% to £17.3m in 2021 from £12.5m in 2020.

Ireland
Medica Ireland reported its first full year since acquisition in November 2020 and reported £9.7m in revenues in the year compared to £1.3m for the two-month period from November 2020. This represented strong growth on the run rate immediately prior to acquisition of €9m (or £7.6m) per year driven overall by a recovery in the ability to scan and report patients during the pandemic, as well as the expansion of existing clients and new client contracts. It was very pleasing to note that the Return On Capital Employed (ROCE) for Ireland exceeded our target return in its first full year of operation

US
RadMD, based in the US and focused on imaging services for clinical trials, was acquired in March 2021. For the 9-month period in 2021 revenues were £5.2m, on a constant currency basis broadly in line with run-rate revenues at the time of acquisition. Pipeline and signed contract backlog also increased 34% since acquisition driven by further growth in oncology projects, as well as penetration of new clinical trial areas.

Gross Profit and Gross Profit Margin (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 the UK. In 2021, Gross Profit increased by 80% to £31.4m in 2021 from £17.5m in 2020 after taking account of the strong UK recovery and the positive impact of acquisitions. GPM increased significantly to 50.7% in 2021 from 47.4% in 2020 as

a result of positive contract negotiations in the UK, careful cost management and the positive mix impact of higher margins in Ireland and the US.

Underlying Operating Profit
For 2021, consistent with prior years we have reported underlying operating profits that consider the impact of non-underlying items to provide a more representative depiction of underlying activity. Underlying operating profits increased to £12.1m in 2021 from £5.0m in 2020. This reflected both the improvement in the UK performance together with the positive impact from the US and Ireland.

Non-underlying costs
Non-underlying costs after tax increased by £1.4m to £3.9m in 2021 from £2.5m in 2020. These costs included £0.4m relating to the acquisition of RadMD, £2.2m (2020 £1.0m) relating to the amortisation of acquired intangible assets, £0.8m (2020 £0.2m) relating to share-based payments and other one off legal and professional costs of £0.6m (2020 £0.1 m). The income tax credit on these non-underlying costs was £0.2m (2020 £0.1m).

In addition, non-underlying finance costs included £0.6m (2020 £nil) relating to a fair value adjustment on contingent consideration.

Net finance expense
Finance costs net of finance income were £0.5m for the year (2020: £0.3m). In March 2021 we finalised a new fully flexible £30.0m Revolving Credit Facility (RCF) and drew down £12.0m of this during H1 2021 to repay the term debt which had been in place since IPO and also repaid the previous RCF of £5.6m. Since the initial drawdown, £6m of the RCF was repaid and £6m of the RCF was drawn on 31 December 2021. The interest costs for the year of £0.5m represent interest on drawn down balances together with non-utilisation fees on undrawn amounts.

Profit before Tax
Underlying profit before tax increased by £6.7m to £11.5m in 2021 from £4.7m in 2020 reflecting the increase in revenues and gross profit, ostensibly offset by the increase in operating costs. Total profit before tax, after taking account of non-underlying and exceptional items increased by £5.2m to £7.3m in 2021 from £2.1m in 2020.

Taxation
The Group has incurred a tax charge of £1.9m in the year ended 31 December 2021 (2020 £0.7m), with tax on underlying profits of £2.1m (2020: £0.9m). The effective rate of tax for 2021 is 25.5% with the effective tax rate on underlying profits of 18.1%.

Earnings per share
Underlying basic earnings per share (EPS) increased by 125.6% to 7.83 pence per share in 2021 from 3.47 pence per share in 2020, reflecting the increase in profits together with the impact of the increased number of shares in issue following the placing in March 2021. Total basic EPS, after taking account of non-underlying and exceptional costs increased by 3.35 pence to 4.56 pence in 2021 from 1.21 pence in 2020.

Dividends
In 2021, an interim dividend of 0.89 pence per share was declared in September 2021 and paid in October 2021. In line with our progressive dividend policy outlined at the Capital Markets Day last year, the directors are proposing a final dividend for 2021 of 1.79 pence per share. The final dividend will be paid on 22 July 2022 to shareholders on the register on 24 June 2022 subject to approval by shareholders at the 2022 Annual General Meeting (AGM). The total dividends for 2021 2.68 pence per share represent an increase of 5%% over 2020.

Capex
Total capex was £2.7m in 2021 compared to £2.0m in 2020. This included: intangible capex of £0.8m (2020: £0.5m) including expenditure on the Future Tech programme of £0.7m (2020: £0.1m); tangible capex on infrastructure and equipment for contracted radiologists of £1.4m (2020 £1.5m) and right of use asset additions of £0.5m (2020 £nil).

Cash and debt at 31 December 2021
Operating cash generation in 2021 increased strongly to £9.7m in 2021 from £8.6m in 2020. Free cashflow, after taking account of capex was £7.5m in 2021 compared to £6.6m in 2020. Operating cash conversion remained strong at 81%, and above our target of 80% reflecting in particular good working capital

management in the UK as the business recovered from COVID-19 together with the positive contribution from acquisitions.
After taking account of the acquisition of RadMD and the associated equity placing together with strong cash generation throughout the year, gross cash at 31 December 2021 was ahead of expectations at £9.6m (2020 £13.9m) and net cash was £3.9m (2020 net debt of £3.9m).

On 6 May 2021 the Group entered into a new three year fully flexible £30m RCF 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 adjusted EBITDA of 2.5x and interest cover of 4x adjusted EBITDA.

Joint Venture
On 22 February 2021 the Group announced an equal Joint Venture (JV) partnership with Integral Diagnostics Pty, a leading provider of medical imaging services across Australia and New Zealand. The JV, 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 JV was AUD 100,000 each (c.£50,000). The joint venture will be reported on an equity accounting basis going forward.

Return on Capital from acquisitions
2021 was the first full year performance from Medica Ireland which was acquired in November 2020. After considering underlying operating profits and assets employed in Ireland, Return on Capital Employed for Ireland in 2021 excluding apportioned head office costs was comfortably ahead of our target return of 15% which represents a very strong performance in only the first full year in the Group.

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). Deferred consideration of $4.9m shall be paid in Q2 2022 based on profits for the year ended 31 December 2021. A further deferred contingent consideration of $0.3m is expected to be paid in H1 2023 based on profits for the year ended 31 December 2022.

Equity placing and subscription
On 23 March 2021, a total of £16.1m was successfully raised through a combined equity placing (£15.6m gross proceeds) and 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. At 31 December 2021 total shares in issue were 122,428,836 after also taking account of shares granted to satisfy share options that vested during the year.

Richard Jones
Chief Financial Officer
4 April 2022

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	31 December 2021 £000			31 December 2020 £000		
	Underlying £'000	**Non-Underlying (Note 7) £'000**	**Total £'000**	Underlying £'000	Non-Underlying (Note 7) £'000	Total £'000
Revenue	**61,913**	**–**	**61,913**	36,814	–	36,814
Cost of sales	**(30,519)**	**–**	**(30,519)**	(19,362)	–	(19,362)
Gross profit	**31,394**	**–**	**31,394**	17,452	–	17,452
Administration expenses	**(19,316)**	**(3,540)**	**(22,856)**	(12,449)	(2,309)	(14,758)
Operating profit before exceptional items	**12,078**	**(3,540)**	**8,538**	5,003	(2,309)	2,694
Exceptional items	**–**	**–**	**–**	–	(324)	(324)
Operating profit	**12,078**	**(3,540)**	**8,538**	5,003	(2,633)	2,370
Finance income	**–**	**–**	**–**	73	–	73
Finance costs	**(550)**	**(593)**	**(1,143)**	(339)	(30)	(369)
Share of results of joint ventures	**(56)**	**–**	**(56)**	–	–	–
Profit before tax	**11,472**	**(4,133)**	**7,339**	4,737	(2,663)	2,074
Income tax expense	**(2,079)**	**207**	**(1,872)**	(876)	147	(729)
Profit for the year attributable to equity shareholders	**9,393**	**(3,926)**	**5,467**	3,861	(2,516)	1,345
Basic profit per ordinary share (pence)			**4.56**			1.21
Diluted profit per ordinary share (pence)			**4.50**			1.21
Statement of Comprehensive Income						
Profit for the year			**5,467**			1,345
Other comprehensive income						
Items that will be reclassified subsequently to profit or loss						
Foreign exchange translation differences			**(124)**			–
Total comprehensive income for the year			**5,343**			1,345

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Company Registration 08497963

	31 December 2021 £000	31 December 2020 £000
ASSETS		
Non-current assets		
Goodwill	**30,357**	23,473
Other intangible assets	**22,399**	17,150
Property, plant and equipment	**4,521**	4,146
Deferred tax	**186**	163
Investments	**–**	–
	57,463	44,932
Current assets		
Trade and other receivables	**14,271**	8,333
Cash and cash equivalents	**9,616**	13,934
	23,887	22,267
Total assets	**81,350**	67,199
LIABILITIES		
Current liabilities		
Trade and other payables	**(9,576)**	(5,803)
Borrowings	**(5,739)**	(5,881)
Lease liabilities	**(280)**	(299)
Contingent consideration	**(5,335)**	(1,753)
Current tax	**(880)**	(387)
	(21,810)	(14,123)
Net current assets	**2,077**	8,144
Total assets less current liabilities	**59,540**	53,076
Non-current liabilities		
Borrowings	**–**	(11,960)
Lease liabilities	**(814)**	(475)
Contingent consideration	**(1,553)**	(1,778)
Deferred tax	**(2,270)**	(2,410)
	(4,637)	(16,623)
Net assets	**54,903**	36,453
EQUITY		
Issued capital	**245**	223
Share premium	**30,324**	14,721
Foreign exchange reserve	**(122)**	2
Retained earnings	**24,456**	21,507
Total equity	**54,903**	36,453

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	31 December 2021	31 December 2020
	£000	£000
Operating activities		
Profit for the year	**5,467**	1,345
Add back taxation	**1,872**	729
Profit before tax	**7,339**	2,074
Adjustments for:		
Depreciation	**1,672**	1,449
Amortisation	**2,816**	1,429
Loss on disposal of tangible and intangible assets	**55**	219
Share based payments	**682**	210
Social security costs of share-based payment charge	**78**	–
Foreign exchange	**(590)**	–
Finance income	**–**	(73)
Finance costs	**1,143**	369
Share of results of joint ventures	**56**	–
Changes in:		
(Increase)/decrease in trade and other receivables	**(4,725)**	4,201
Decrease in trade and other payables	**2,811**	56
Tax paid	**(1,614)**	(1,299)
Cash inflow from operating activities	**9,723**	8,641
Investing activities		
Purchase of subsidiary net of cash acquired	**(11,429)**	(13,813)
Purchase of property, plant and equipment	**(1,310)**	(1,475)
Purchase of software intangibles	**(763)**	(533)
Interest received	**–**	73
Cash outflow from investing activities	**(13,502)**	(15,748)
Cash flows from financing activities		
Repayment of lease liability	**(407)**	(152)
Proceeds from borrowings	**11,592**	5,963
Repayment of borrowings	**(23,522)**	(54)
Issue of ordinary share capital	**16,162**	1
Costs to issue ordinary share capital	**(537)**	-
Dividends paid to ordinary shareholders	**(3,167)**	(945)
Interest paid	**(424)**	(345)
Net cash (outflow)/inflow from financing activities	**(303)**	4,468
Net change in cash and cash equivalents	**(4,082)**	(2,639)
Movement in net cash		
Cash and cash equivalents, beginning of period	**13,934**	16,576
Decrease in cash and cash equivalents	**(4,082)**	(2,639)
Foreign exchange on cash and cash equivalents	**(236)**	(3)
Cash and cash equivalents, end of period	**9,616**	13,934

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Issued capital £'000	Share premium £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	222	14,721	–	15,398	30,341
Issue of share capital	1	–	–	–	1
Dividends paid	–	–	–	(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**
Issue of share capital	22	15,603	–	–	15,625
Dividends paid	–	–	–	(3,167)	(3,167)
Share based payments	–	–	–	682	682
Deferred tax on share based payments	–	–	–	(33)	(33)
Transactions with owners	**22**	**15,603**	**–**	**(2,518)**	**13,107**
Profit for the year	–	–	–	5,467	5,467
Other comprehensive income					
Foreign exchange translation differences	–	–	(124)	–	(124)
Total comprehensive income for the year	**–**	**–**	**(124)**	**5,467**	**5,343**
At 31 December 2021	**245**	**30,324**	**(122)**	**24,456**	**54,903**

NOTES TO THE FINANCIAL INFORMATION

For the year ended 31 December 2021

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 information of the Group for the year ended 31 December 2021 (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 financial information set out in the announcement does not constitute the Group's statutory accounts for the year ended 31 December 2021 or 31 December 2020. The auditors reported on the accounts for the year ended 31 December 2020 and their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The audit of the statutory accounts for the year ended 31 December 2021 is not yet complete. The statutory accounts for the year ended 31 December 2021 will be finalised based on the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

2 Basis of preparation

The consolidated financial information of Medica Group PLC and its subsidiary undertakings (together "the Group") for the 12 months ended 31 December 2021 have been prepared by the directors of Medica Group PLC.

The consolidated financial information of the Group have been prepared in accordance with UK-adopted International Accounting Standards.

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.

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.

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 information in helping to provide a balanced view of, and relevant information on, the Group's underlying financial performance.

A copy of the annual report for the year ended 31 December 2021 will be available at http://www.medicagroupplc.com by 30 April 2021.

3 Revenue

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:

1. 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;
2. The Group can identify each party's rights regarding the services to be transferred;
3. For iCRO contracts, the Group receives a work order for an ongoing and specific services;
4. The Group can identify the payment terms for services to be transferred;
5. 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
6. 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

iCRO Revenue
These contracts involve supporting our customers in completing various clinical trials by assisting with the reviewing of images as well as providing practical support including training to our customers, just as we do for our Reader Revenue services.

The iCRO contracts are more complex and detailed in nature and cover more elements of the clinical trial imaging management than reader services. The typical length of an iCRO contract is approximately three years.

Within the contracts, there are several distinct performance obligations which reflect the nature of the particular clinical trial, how advanced the trial is, and the number of patients and imaging sites. These include study start up, project management, reader training, independent image reviews, technical imaging services, study reporting, study close out and end of study imagine transfer.

STEP 3 Determining the transaction price

iCRO Revenue
Each contract has a detailed schedule of prices for each promise within the contract. The fees for the various promises have a mix of charging models, including unit costs (for example: per hour, per scan reviewed, etc), monthly costs billed each month for a specified period, or fixed costs billed on the delivery of an item.

Each work order sets out a budget, setting out the expected consideration under the contract and setting out the expected value of any variable items.

There are performance obligations set out in the work orders which are only completed at the option of the customer. The budgets allocated against these performance obligations are equal to the stand-alone selling price of each option, and therefore no substantive rights are created as a result of Medica providing these options.

On that basis, the total transaction price is considered to be the total budgeted costs excluding any optional items.

STEP 4 Allocating the transaction price to the separate performance obligations

iCRO Revenue
The detailed budget included in each work order sets out the expected costs of each promise within the contract. The total of the budgeted costs for the promises included within each performance obligation are considered by Medica to equal the stand-alone selling price of that performance obligation.

STEP 5 Recognising revenue when performance obligations are satisfied

iCRO Revenue
Medica uses the output method for determining appropriate revenue recognition for these contracts. As such, items billed per unit eg independent image reviews, are recognised as that unit is delivered to the customer. Revenue from monthly cost items eg project management, is recognised over the month in question, and fixed document items are recognised at a point in time when the document is delivered to the client.

There are certain exceptions to this for example for startup and closeout costs. These are performance obligations which are generally present in iCRO contracts.

Startup is key to the process and there are many inputs to make sure the study is set up accurately and effectively. The Group typically invoices start-up costs at the end of the first month of the contract. However, this phase of work typically extends over additional months and total start up revenues are therefore collectively recognised over that period of time. Closeout costs include items such as final study reporting including quality control and final data transfer that culminate the work of the study. The group typically invoices close out costs at the end of the month after the delivery of these elements. However, the performance obligation is typically recognised over the period of the close out activity.

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 immaterial reflecting the nature of the customer base.

A disaggregation of revenue in the UK 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.

Timing differences, Accrued and Deferred Revenue

USA
In the USA there can be some timing differences between the recognition of revenue and the trade receivables being recognised. Typically, these relate to deposits and start up received in advance of work being completed, as well as work completed to date on fixed-rate deliverables under iCRO contracts which were not fully completed, delivered to the customer and billed at the reporting date. These differences result in a liability of deferred revenue recognised on the statement of financial position in trade and other payables.

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

Transaction 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 for Reader Revenue contracts. The iCRO contracts contain items which are billed at hourly rates specified in the contracts. Strictly, this would typically be classed as variable pricing, however, due to the terms of the contract (discussed above), revenue is recognised as the time is spent.

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

Contract modifications
Contract modifications which either create new or change existing rights and obligations are accounted as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised services.

4 Going concern
The Directors have prepared cashflow forecasts for a period of 21 months from the date of approval of these financial statements (the forecast period). These indicate that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period.

The forecasts have been prepared by reference to the 2022 approved budget and detailed bottom-up forecasts for the following financial year which have considered realistic downside scenarios including:

- Impacts to volumes and therefore to revenues and profits from a further "wave" of Covid-19 particularly in the UK and Ireland
- Loss of certain material contracts

- Further material inflationary pressure on operating costs above current expectation

Under these downside scenarios, individually and cumulatively, and excluding any potential mitigating actions that could be taken, management conclude that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and the Board have therefore determined it is appropriate to adopt the going concern basis in preparing the financial statements.

5 Segment reporting

Management prepare and monitor financial information for the Group's three key geographies, UK, Ireland and the US. This financial information is reviewed and used by the Chief Operational Decision Maker (considered to be the CEO) in managing the operating activities of the Group.

In the UK, Medica generates revenues via two key service lines, Nighthawk (urgent and quick turnaround services) and Elective. In Ireland revenues are generated from tele-radiology, managed services, and a contract with the National Screening Service to deliver Ophthalmology services. In the US revenues are generated from providing radiology reporting to Pharma customers directly as full service iCRO services and indirectly via Contract Research Organisations (CRO's) as reader only services. These activities are collectively referred to as imaging core lab services.

	UK £000	Ireland £000	USA £000	31 December 2021 **£000**	UK £000	Ireland £000	USA £000	31 December 2020 £000
UK NightHawk	**29,762**	**-**	**-**	**29,762**	22,987	-	-	22,987
UK Elective	**17,292**	**-**	**-**	**17,292**	12,511	-	-	12,511
Ireland	**-**	**9,665**		**9,665**	-	1,316	-	1,316
Imaging core labs	**-**	**-**	**5,194**	**5,194**	-	-	-	-
Revenue	**47,054**	**9,665**	**5,194**	**61,913**	35,498	1,316	-	36,814
Cost of sales	**(23,436)**	**(4,758)**	**(2,325)**	**(30,519)**	(18,751)	(611)	-	(19,362)
Gross profit	**23,618**	**4,907**	**2,869**	**31,394**	16,747	705	-	17,452
Operating expenses	**(13,750)**	**(3,375)**	**(2,191)**	**(19,316)**	(11,958)	(491)	-	(12,449)
Operating profit	**9,868**	**1,532**	**678**	**12,078**	4,789	214	-	5,003
Finance income	**-**	**-**	**-**	**-**	73	-	-	73
Finance costs	**(261)**	**(283)**	**(6)**	**(550)**	(309)	(30)	-	(339)
Share of results of joint ventures	**(56)**	**-**	**-**	**(56)**	-	-	-	-
Profit before tax	**9,551**	**1,249**	**672**	**11,472**	4,553	184	-	4,737
Tax	**(1,625)**	**(268)**	**(186)**	**(2,079)**	(830)	(46)	-	(876)
Underlying profit for the period	**7,926**	**981**	**486**	**9,393**	3,723	138	-	3,861
Non-underlying loss for the period				**(3,926)**				(2,516)
Profit for the period				**5,467**				1,345

	UK £000	**Ireland £000**	**USA £000**	31 December 2021 **£000**	**UK £000**	**Ireland £000**	**USA £000**	31 December 2020 **£000**
Non-current assets (excluding deferred tax)	**25,314**	**17,885**	**14,078**	**57,277**	26,214	18,555	-	44,769
Additions to non-current assets	**1,907**	**164**	**10,457**	**12,528**	2,008	18,744	-	20,752
Total assets less current liabilities	**36,651**	**11,061**	**11,828**	**59,540**	40,853	12,224	-	53,077
Net assets	**35,354**	**7,924**	**11,625**	**54,903**	27,540	8,915	-	36,455

6 Operating profit

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

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**225**	99
Fees payable to the Company's auditor for the audit of subsidiaries	**56**	-
Total audit fees	**281**	99
Audit related services:		
Interim review	**18**	14
Total audit related services	**18**	14
Other assurance services:		
Covenant compliance services	**3**	3
Total non-audit fees	**21**	17
Total fees paid to Company's auditor	**302**	116

Operating lease rentals – short term and low value leases	**90**	51
Depreciation: property, plant and equipment – owned	**1,241**	1,259
Depreciation: property, plant and equipment – leased	**431**	190
Amortisation of intangible fixed assets on acquisition	**2,225**	1,010
Amortisation of intangible fixed assets on other assets	**591**	419

Analysis of expenses by nature

The breakdown by nature of cost of sales and operating expenses is as follows:

	2021 £000	2020 £000
Amortisation of intangible assets (note 12)	**2,816**	1,429
Depreciation of property, plant and equipment (note 13)	**1,672**	1,449
Loss on disposal of tangible and intangible assets	**55**	219
Operating lease rentals – short term and low value leases	**90**	51
Staff costs	**12,341**	7,337
Auditors remuneration	**302**	116
Radiologist costs	**25,181**	18,795
Subcontractor costs	**2,325**	–
IT related costs	**2,009**	1,287
Other non-underlying items (note 7)	**555**	870
Other expenses	**6,029**	2,567
Total cost of sales and operating expenses	**53,375**	34,120

7 Non-underlying items

	2021 **£000**	2020 £000
Write off of property, plant and equipment and other intangible assets	**–**	219
Amortisation of acquired intangible assets	**2,225**	1,010
Foreign exchange gain on contingent consideration	**(173)**	–
Acquisition costs incurred	**173**	792
Share based payment charge	**682**	210
Social security costs on share based payment charge	**78**	–
One-off Legal and professional fees	**555**	78
Total non-underlying costs included within operating expenses	**3,540**	2,309
Costs incurred in respect of board succession and review	**–**	324
Total non-underlying costs included within operating expenses and exceptional items	**3,540**	2,633
Acquisition finance costs incurred	**–**	30
Fair value adjustment on contingent consideration	**593**	–
Total non-underlying costs before tax	**4,133**	2,663
Income tax	**(207)**	(147)
Total non-underlying items after taxation	**3,926**	2,516

8 Tax expense

Major components of tax expense:	**2021** **£000**	2020 £000
Current tax:		
UK current tax expense	**1,860**	659
Adjustments in respect of prior years	**(24)**	2
Foreign current tax expense	**331**	39
Total current tax	**2,167**	700
Deferred tax:		
Originations and reversal of temporary differences	**(594)**	(142)
Adjustments in respect of prior years	**13**	60
Effect of rate change	**286**	111
Total deferred tax	**(295)**	29
Tax expense on ordinary activities	**1,872**	729

Reconciliation of tax expense:

UK corporation tax is assessed on the profit on ordinary activities for the year and is the same as (2020: same as) the standard rate of corporation tax is as follows:

- UK 19% (2020: 19%).
- Ireland 12.5% (2020: 12.5%)
- USA (Federal & state) 26.7% (2020: N/A)

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 on 24 May 2021. These included an increase of the corporation tax rate to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date deferred tax is recognised at a rate of 25% in the current year (2020: 19%).

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

Reconciliation of effective tax rate:	**2021 £000**	2020 £000
Profit on ordinary activities before tax	**7,339**	2,074
Income tax using the Company's domestic tax rate 19% (2020: 19%)	**1,394**	394
Effect of:		
Expenses not deductible for tax purposes	**297**	164
Prior year adjustment – current tax	**(24)**	2
Prior year adjustment – deferred tax	**13**	60
Effect of tax rate change – deferred tax	**286**	111
Deferred tax not recognised	**(41)**	–
Impact of difference in overseas tax rates	**(53)**	(2)
Total tax charge for period	**1,872**	729

9 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.

	2021 £000	2020 £000
Profit for the year attributable to ordinary shareholders	**5,467**	1,345
Effects of exceptional items net of tax (see note 7)	**–**	262
Profit for the year before exceptional items attributable to ordinary shareholders	**5,467**	1,607
Effects of non-underlying items net of tax (see note 7)	**3,926**	2,254
Underlying profit for the period attributable to ordinary shareholders	**9,393**	3,861

Weighted average number of ordinary shares	**119,912,604**	111,211,038
Dilutive effect of share options	**1,656,675**	336,254
Weighted average number of ordinary shares	**121,569,279**	111,547,292

Basic profit per ordinary share (pence)	**4.56p**	1.21p
Diluted profit per ordinary share (pence)	**4.50p**	1.21p
Underlying basic profit per ordinary share (pence)	**7.83p**	3.47p
Underlying diluted profit per ordinary share (pence)	**7.73p**	3.46p

As at 31 December 2021 the directors assessed the potentially dilutive effect of contingently issuable shares, which comprise share options awarded under the Performance Share Plan (PSP), options under the Deferred Bonus Plan (DBP), options under the Company Share Option Plan (CSOP) and options under the Save as You Earn plan (SAYE).

As at the end of the year there were 5,841,660 (2020: 4,617,310) options outstanding of which 1,656,675 (2020: 336,254) 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 31 December 2021.

10 Dividends

	2021 pence per share	2020 pence per share	**2021 £000**	2020 £000
Interim 2021 dividend paid (2020 interim dividend)	**0.89**	0.85	**1,088**	945
Final 2020 dividend paid (2019 final dividend: Nil[1])	**1.7**	nil[1]	**2,079**	–
			3,167	945

[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 for 2021 of £2.2m (1.79p per share) is proposed by the Directors and will be paid on 22 July 2022 to shareholders on the register as at 24 June 2022.

During the year ended 31 December 2021, dividends totalling £51k (2020: £15k) were paid to persons discharging management responsibilities including Directors

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11 Goodwill

	UK £000	Ireland £000	USA £000	Total £000
Cost				
At 31 December 2019[1]	15,948	–	–	15,948
Additions [2]	–	7,525	–	7,525
At 31 December 2020	**15,948**	**7,525**	**–**	**23,473**
Additions (see note 14)[3]	–	–	6,817	6,817
Foreign exchange	–	(76)	143	67
At 31 December 2021	**15,948**	**7,449**	**6,960**	**30,357**

1. UK Cash Generating Unit - acquisition of Medica Reporting Limited in 2013
2. Ireland Cash Generating Units - acquisition of Global Diagnostics Ireland and Medica Vision Ireland in November 2020. Goodwill on acquisition attributable of £5,816k and £1,709k respectively.
3. US Cash Generating Unit - acquisition of RadMD LLC in March 2021

Goodwill is not amortised but tested annually for impairment. In previous years a top-down methodology was used to compare the total value of the group by reference to the market capitalisation plus debt (or less cash) to determine a current Enterprise Value (EV) and this was then allocated on a hierarchical basis to the two CGU's at 31 December 2020 (UK and Ireland).

Due to the more complex nature of the group at 31 December 2021 a bottom up valuation methodology was adopted using a discounted cash flow (DCF) approach based on the future expected cashflows of each identified CGU based on the smallest identifiable unit where separate cashflows could be identified.

The CGUs were as follows:

- The UK trading business representing UK tele-radiology
- Medical Diagnostics Ireland (MDI) representing tele-radiology and managed services
- Medical Vision Ireland (MV) being the unit managing the Irish diabetic retinopathy screening contract
- The US business covering imaging core lab services (tele-radiology) to pharma and CRO clients

The recoverable amount of each CGU mentioned above was based on value in use which was calculated using DCF methodology with the following key inputs:

- WACC of 8.5% (UK), 13.8% (MDI and MV),11.4% (US) which was determined to represent the best input for each CGU individually
- Baseline forecasts for FY 2022 and FY 2023 consistent with the forecast model utilised in the going concern review (i.e., the scenario deemed most likely).
- Additional forecasts to FY 2026 based on the board approved 5-year forecast plan
- Managements key assumption in the forecasts are:
    - Ongoing Covid-19 recovery to pre-pandemic levels
    - Underlying growth in demand for both elective and out of hours services to tackle the material backlog in diagnostic procedures
    - Expected contract renewals, pricing impacts and potential contract wins and losses
    - Continued decline in availability of GMC registered radiologists
    - Continued growth in clinical trials and imaging reporting requirements associated with such trials
    - Inflationary impact on operating costs including employee costs
- Terminal Value calculated using the average of two methodologies:
    - EV/EBITDA Multiples at exit based on multiples for each CGU at entry for recently acquired CGU's and based on an assessment of comparator companies in respect of the UK business.
    - Growth perpetuity model using a 2.25% growth rate.

The recoverable amount of each CGU is then compared to the carrying amount of each CGU, including goodwill and acquired intangible assets allocated to each unit to consider indication of impairment. There is sufficient headroom in all CGU's and therefore no indicators of impairment.

The estimate of the recoverable amount for Medica Vision Ireland is dependent on the successful retender for the diabetic retinopathy screening contract which is currently expected in 2022 to commence in early 2023. If the contract was lost or the outcome of the re-tender was a material reduction in overall value there would be an impairment of up to £1,709k to goodwill and £3,492k to intangible assets. See note 15 for further details.

Management is not currently aware of any reasonably possible changes to key assumptions that would cause the carrying amount of any of CGUs to exceed their recoverable amount.

12 Intangible assets

	Customer relationships £000	Software and technology £000	Brand £000	Total £000
Cost				
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**
Additions	–	763	–	763
Disposals	–	(97)	–	(97)
Acquisitions through business combinations	6,612	–	699	7,311
Foreign exchange	29	–	15	44
At 31 December 2021	**23,810**	**7,313**	**3,031**	**34,154**
Amortisation				
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	**3,445**	**4,652**	**886**	**8,983**
Charge for the year	1,752	914	150	2,816
Eliminated in respect of disposals	–	(42)	–	(42)
Foreign exchange	(2)	–	–	(2)
At 31 December 2021	**5,195**	**5,524**	**1,036**	**11,755**
Net book value				
At 31 December 2021	**18,615**	**1,789**	**1,995**	**22,399**
At 31 December 2020	13,724	1,995	1,431	17,150
At 31 December 2019	3,587	2,251	1,546	7,384

At 31 December 2021 £493,000 (2020: £108,000) 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.

13 Property, plant and equipment

	Leasehold property – right-of-use assets £000	Leasehold improvements £000	Computer equipment £000	Medical equipment £000	Total £000
Cost					
At 31 December 2019	719	–	8,020	–	8,739
Additions – business combinations	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**
Additions – business combinations (note 14)	185	–	96	–	281
Additions – separately acquired	543	–	1,286	74	1,903
Disposals	–	–	(68)	–	(68)
Foreign exchange	(34)	(3)	(23)	(75)	(135)
At 31 December 2021	**1,747**	**40**	**9,313**	**1,149**	**12,249**
Depreciation and impairment					
At 31 December 2019	107	–	4,849	–	4,956
Additions – business combinations	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**
Additions – business combinations (note 14)	–	–	96	–	96
Charge for the year	291	1	1,200	180	1,672
Disposals	–	–	(65)	–	(65)
Foreign exchange	(19)	(3)	(16)	(59)	(97)
At 31 December 2021	**760**	**38**	**5,974**	**956**	**7,728**
Net book value					
At 31 December 2021	**987**	**2**	**3,339**	**193**	**4,521**
At 31 December 2020	565	3	3,263	315	4,146
At 31 December 2019	612	–	3,171	–	3,783

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

	2021 £000	2020 £000
Carrying amount of right-of-use assets included within:		
Leasehold property	**987**	565
Medical equipment	**96**	269
Carrying value at 31 December	**1,083**	834

14 Business combinations

On 26 March 2021 the company subscribed for 100% of the ordinary share capital of Medica US, Inc ("MUSI"), a newly incorporated holding company registered in the United States of America, which subsequently acquired 100% of the ordinary share capital of RadMD LLC. The company is incorporated in the United States of America and their principal activities are the provision of high value imaging expertise services in the Clinical Trials market referred to as iCRO services. The acquisition opens 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.

Total cash consideration payable is up to USD $21.7m (circa £15.6m), subject to customary working capital and other adjustments at completion of which $16.3m (£11.8m) was payable at completion. On 17 July 2021 completion accounts were agreed resulting in a working capital adjustment of $97k which is receivable from the vendors. This has reduced the consideration by $97k with an offsetting reduction in the net assets acquired of $97k. Further working capital adjustments of $25k were identified subsequently which are due to the vendors. The total of $72k (£53k) will be netted off against contingent consideration payable in June 2022.

The exchange rate used on the date of acquisition was £1/$1.3778. Set out below are the provisional fair values of the assets and liabilities acquired.

	Fair value $000	Fair value £000
Intangible assets	10,073	7,311
Property, plant and equipment	255	185
Trade and other receivables	1,644	1,194
Cash and cash equivalents	476	345
Total assets	**12,448**	**9,035**
Trade and other payables	(1,335)	(969)
Lease liabilities	(255)	(185)
Total liabilities	**(1,590)**	**(1,154)**
Net assets	**10,858**	**7,881**
Goodwill	9,392	6,817
Total consideration	**20,250**	**14,698**
Satisfied by:		
Cash	16,222	11,774
Contingent consideration	4,028	2,924
Total	**20,250**	**14,698**

Goodwill
Goodwill arising on the business combination represents the excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets of the subsidiary at the acquisition date. Goodwill includes intangible assets that do not qualify for separate recognition such as the value of the workforce at the date of acquisition, and encompass the future economic benefit expected to arise from the acquisition including new customer relationships and synergies realised by the group.

Acquired receivables
The fair value of acquired trade receivables of $1,604k (£1,164k) is materially the same as the gross contractual receivable less the best estimate of contractual cash flows not expected to be collected.

Contingent consideration
If certain pre-determined adjusted EBITDA levels were achieved by RadMD LLC for the year ended 31 December 2021, additional consideration of up to $5,448k is payable in the first half of 2022. At, 31 December 2021, a potential undiscounted amount of $4,920k (£3,350k) additional consideration is expected to be paid, subject to agreement with the vendors. See note 15 for further details.

The Securities Purchase Agreement "SPA" was amended in relation to the 2022 earnout clause giving rise to additional consideration payable up to a maximum of $330k if certain pre-determined 2022 EBITDA levels are achieved by RadMD LLC. See note 15 for further details.

Contingent consideration is not dependant on the continued employment of the vendors and therefore it has been recognised as consideration and not remuneration.

Revenue and profit contribution
From the date of the acquisition to 31 December 2021 RadMD LLC contributed £5,194k and £856k to the Group's revenues and underlying profit before tax, respectively. If the acquisition had occurred on 1 January 2021 revenues would have been £6,363k and underlying profit before tax would have been £682k. In determining these amounts management have assumed that the deferred revenue fair value adjustment on conversion to IFRS of £194k arising on acquisition would have been the same had the acquisition occurred on 1 January 2021.

Acquisition-related costs
Costs related to the acquisition of RadMD amounted to £365k and have been expensed recognised within non-underlying operating costs (see note 7). These costs relate to financial and tax due diligence £170k, legal costs £146k and other tax and accounting services £50k.

Global Diagnostics Ireland Limited
On 2 November 2020 the company acquired Global Diagnostics Ireland Limited. Set out in note 15 are movements in the contingent consideration since 31 December 2020. Other than the movement in contingent consideration there have been no changes to the fair values of the assets and liabilities acquired which were disclosed at 31 December 2020 on a provisional basis which have now been finalised.

15 Contingent consideration

	Global Diagnostics Ireland Limited £000	**RadMD LLC £000**	**Total £000**
As at 1 January 2020	-	-	-
Acquired on acquisition	3,540	-	3,540
Foreign exchange	(9)	-	(9)
As at 31 December 2020	3,531	-	3,531
Acquired on acquisition	-	2,924	2,924
Fair value adjustment	(71)	664	593
Foreign exchange	(230)	70	(160)
As at 31 December 2021	**3,230**	**3,658**	**6,888**
Amounts due in less than one year	**1,866**	**3,469**	**5,335**
Amounts due in more than one year	**1,364**	**189**	**1,553**

Global Diagnostics Ireland Limited
During the period, the NSS extended a contract held by MVI by a further 12 months and confirmed the retender of the contract in 2022 triggering a review of the probability weighted expected future values under the various possible outcome of the future contract events. This resulted in a decrease of £147k in the fair value estimate of contingent consideration. This was offset by an increase of £76k due to the fair value movement in relation to the unwinding of the time value of money.

Other movements during the period relate to a decrease in the liability relating to foreign exchange revaluation from Euros to GBP of £230k.

As at 31 December, £1,866k of the contingent consideration is payable during 2022 and therefore disclosed under current liabilities on the statement of financial position. £1,650k of the balance, net of transaction bonuses of £23k was paid in March 2022 on commencement of the VHI contract discussed in the Delivery:

Ireland section of the strategic report. Total amounts due in more than one year of £1,364k are payable in the first half of 2023 and are disclosed under non-current liabilities on the statement of financial position.

RadMD LLC

On 26 March 2021, the Group acquired RadMD LLC recognising fair value contingent consideration of £2,924k. Since acquisition there has been an increase in the fair value estimate of contingent consideration of £664k. £217k of this is due to a higher expected adjusted 2021 EBITDA than originally estimated resulting in a higher-than-expected payment subject to agreement with the vendors. £185k relates to a change in the SPA resulting in additional contingent consideration based on 2022 EBITDA. £262k of the movement relates to the fair value movement in relation to the unwinding of the time value of money. As the events occurred after the acquisition date a charge has been recognised in the income statement and not taken to goodwill.

Other movements include an increase in the liability relating to foreign exchange revaluation from USD to GBP of £70k recognised in the foreign exchange reserve.

£3,469k of contingent consideration is due to be settled in the first half of 2022 and is disclosed under current liabilities on the statement of financial position. £189k is due to be settled in the first half of 2023 and disclosed under non-current liabilities on the statement of financial position.

16 Equity

Ordinary share capital issued and fully paid

	At 31 December 2021 £000	At 31 December 2020 £000
122,428,836 (2020: 111,279,650) ordinary shares of £0.002 each	**245**	223
Total ordinary share capital of the Company	**245**	223

Issue of share capital during the year

On 23 March 2021, 11,111,110 ordinary shares of 0.2p each were issued for cash at £1.45 per share.

The below shares were issued on the exercise of SAYE options:
On 6 July 2021, 36,477 ordinary shares of 0.2p each were issued for cash at par value.
On 7 October 2021, 1,066 ordinary shares of 0.2p each were issued for cash at par value.
On 30 December 2021, 533 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

£15,552k was recognised in share premium on the issue of ordinary shares during the period, net of £537k of transaction costs. £51k was recognised in share premium on the issue on ordinary shares for the exercise of SAYE options.

Retained profit

Retained earnings include current and prior period retained profit and losses and the cumulative amount of exchange differences recognised through other comprehensive income.

17 Reconciliation of non-IFRS financial KPIs

The Group uses several key performance indicators to monitor the performance of its business. This note reconciles these key performance indicators to individual lines in the financial information.

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 year

	At 31 December 2021	At 31 December 2020
	£000	£000
Reconciliation of underlying operating profit		
Operating profit before exceptional items	**8,538**	2,694
Adjustments for:		
Effects of amortisation of acquired intangibles	**2,225**	1,010
Effects of shared based payments	**682**	210
Social security costs on share based payment charge	**78**	–
Write off of property, plant and equipment and other intangible assets	**–**	219
Foreign exchange adjustment on contingent consideration	**(173)**	–
Acquisition costs incurred	**173**	792
One-off legal and professional fees	**555**	78
Underlying operating profit	**12,078**	5,003
Underlying operating profit margin	**19.5%**	13.6%
Reconciliation of underlying profit before tax		
Profit for the year	**5,467**	1,345
Adjustments for:		
Non-underlying profits or losses net of tax (see note 7)	**3,926**	2,516
Underlying profit after tax	**9,393**	3,861
Income tax charge on underlying expenses	**2,079**	876
Underlying profit before tax	**11,472**	4,737
Reconciliation of net debt		
Cash and equivalents	**9,616**	13,934
Borrowings due within one year	**(5,739)**	(5,881)
Borrowings due after one year	**–**	(11,960)
Net cash / (debt)	**3,877**	(3,907)