Medica Group PLC Interim Results 2018

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Medica Group PLC
Unaudited half year results for the six months ended 30 June 2018
Interim results delivering double digit growth

Medica Group PLC (LSE:MGP, "Medica", the "Company" or the "Group"), the UK market leader in the provision of teleradiology services, today announces its half year results for the six months ended 30 June 2018.

	Six months ended 30 June 2018 (£000)	Six months ended 30 June 2017 (£000)	% change
Revenue	18,592	15,723	18.2%
Gross Profit	9,091	7,644	18.9%
Gross Profit Margin	48.9%	48.6%	
EBITDA (1)	5,610	4,873	15.1%
EBITDA Margin	30.2%	31.0%	
Adjusted Operating Profit (2)	4,990	4,325	15.4%
Adjusted EPS (pence) (3)	3.64	3.14	16.0%

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

A reconciliation of non-statutory measures in included in note 6.

Financial highlights

- Delivered revenue growth of 18.2%
  - NightHawk revenues grew strongly, increasing by 21.0% to £9.3m
  - Cross Sectional performed well, with revenue increasing by 19.6% to £7.0m
  - Plain Film revenues increased by 10.8% to £2.0m due to additional radiographer reporting
- Gross profit margin was consistent at 48.9% (48.6% in 2017) as a result of positive contract phasing and volume mix
- Adjusted operating profit increased by 15.4% to £5.0m
- Net debt significantly reduced to £2.5m (2017: £8.5m)

Operational highlights

- Total number of reported body parts increased by 16.4%
  - NightHawk and Cross Sectional reported body parts increased by 24.4% and 21.8% respectively, well ahead of market
  - Plain Film reported body parts increased by 12.0% due to an increase in radiographer reporting
- Continued to recruit strongly and added a net 33 radiologists in the period, taking the total to 339 contracted radiologists (including radiographers and rheumatologists) as at 30 June 2018 (30 June 2017: 267)

Post period end

- Strong recruitment since 30 June 2018, adding a further 7 radiologists, increasing the number of contracted radiologists to 346 as at 12 September 2018

John Graham, Chief Executive Officer of Medica, commented:

"Medica continued to deliver double-digit revenue growth in the first half of 2018 as we execute on our strategy to increase customer penetration of Nighthawk and Cross Sectional services. During the first six months of 2018, the Group has been investing in several medium- to long-term opportunities which will enable us to diversify our service offering and support growth.

We have continued to recruit radiologists to provide service to our customers and are confident that our capabilities can help our customers address the widely-reported radiologist shortage in the NHS.

Additionally, we continue to reduce net debt and expect this to be negligible by the year-end.

Overall, the Board expects the Company's performance for the full year to be in line with market expectations."

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INTERIM MANAGEMENT REPORT

Chairman's statement

I am pleased to present Medica Group PLC's interim financial statements for the six months to 30 June 2018.

A strategy for continued success

Medica continued to grow strongly in the first half of 2018, and achieved double-digit growth for both revenue (18%) and adjusted operating profit (15%).

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

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

Medica has continued to perform well in the first half of the year. Volume growth has been consistently strong for the two main service lines, NightHawk and Cross Sectional, with the growth mainly coming from existing clients. The Plain Film service has also grown as our strategy of developing the radiographer reporting service has been established and starts to deliver.

Providing a supportive environment to Medica's radiologists is a key factor in the continued success of the Group. Medica has developed an industry leading Clinical Governance platform that is an important factor in recruiting and retaining radiologists. Medica has a healthy pipeline of radiologists, increasing its cohort by 33 during the period, taking the total to 339 contracted radiologists (including radiographers and rheumatologists) as at 30 June 2018.

Medica is investing in further developing its service offerings and improving operational effectiveness. These initiatives include identifying opportunities for new technologies within our business e.g. the application of AI to support improvements in productivity and clinical standards. Medica continues to invest to maintain the highest clinical standards and fast response times to our customers' needs. We are also looking to increase our radiology capacity by building a global network of specialists to match our growing current and future business needs.

We are excited about the future and believe as the teleradiology sector grows Medica will continue to lead the market in terms of its clinical standards and service offerings.

Dividends

Medica proposes to pay an interim dividend of 0.75 pence per ordinary share on 26 October 2018 to shareholders on the register at 28 September 2018.

Outlook

Momentum continues to build across the business as a result of increasing client engagement, alongside broadening the service offering to new and existing customers. Medica remains committed to investing in developing new services and recruiting new radiologists to meet the growing demand for our services. Medica's strong brand, growing customer base and track record position us well to achieve our growth targets and the Board expects the Company's performance for the full year to be in line with market expectations.

Roy Davis
Chairman

Financial and Business Review

Introduction

Medica is the UK market leader in the provision of teleradiology services. The Group currently has one business segment of teleradiology offering three primary services to hospital radiology departments: NightHawk, Routine Cross Sectional (Routine CS) and Routine Plain Film (Routine PF).

NightHawk is an out of hours emergency reporting service which is focused on delivering accurate reports within fast turnaround times and represents Medica's largest revenue contributor. NightHawk typically provides reporting on CT scans. The second and third key service offerings, Routine CS and Routine PF, are designed to assist hospital radiology departments in managing their demand/supply imbalance for less urgent daytime reporting on examinations. Routine CS covers a combination of CT and MRI scans (both forms of cross sectional scan) while Routine PF covers plain film examinations and both services typically have a 48 hour turnaround time.

Overview of performance in 2018

Medica, once again, showed strong double-digit growth in H1 2018. The Group recorded revenue of £18.6m for the first six months of the year, an increase of 18.2% on the equivalent period of 2017. This growth was driven by volume growth in all main service lines.

Gross profit margin remained stable at 48.9% from 48.6% in H1 2017. While gross profit margin was maintained in the first half of the year it is expected, as highlighted in the 2017 full year results, to reduce in the second half of the year and into 2019. This reflects the on-going renewal of the Group's contracts at marginally lower prices because of the development of the teleradiology market and the opening up of outsourcing. The reduction in gross profit margin is expected to be more than offset by volume increases.

Medica has continued to invest in the business for the future, ensuring there is continued growth in staff and systems. Administrative costs have grown by 21% from the comparative period partly due to the full period effect of the costs of being a PLC. Accordingly, adjusted EBITDA margin has moved to 30.2% for the period to 30 June 2018 (30 June 2017: 31.0%). Operating profit for the period was £5.0m, 15.4% higher than for the period to 30 June 2017, which represents continuing good progress for the business.

Service lines

NightHawk
NightHawk continued to be Medica's largest service line, with H1 2018 revenue of £9.3m representing 50% of the total (H1 2017: 49%).

Revenue growth in H1 2018 from the comparative period was 21.0%, with the volume of reported body parts increasing by 24.4%. The gross profit margin remained consistent at 50.4% from 50.3%.

The majority of the growth has continued to come from increased emergency service requirements from existing clients as Medica's builds its partnerships with NHS Trusts and continues to improve its service.

Routine Cross Sectional
Routine Cross Sectional (CT and MR) contributed H1 2018 revenue of £7.0m, representing 38% of the total (H1 2017: 37%).

Revenue growth in H1 2018 from the comparative period was 19.6%, with the volume of reported body parts increasing by 21.8%. The gross profit margin remained consistent at 51.8% from 51.9%.

The majority of the growth has come from increased collaboration with existing clients as NHS Trusts consider Medica a key part of their capacity structure.

Routine Plain Film
The development of the radiographer reporting service has reversed the decline in the plain film service line. Revenue of £2.0m represents 11% of the total (2017: 12%).

Revenue growth in H1 2018 from the comparative period was 10.8%, with the volume of reported body parts increasing by 12.0%. The gross profit margin remained consistent at 49.2% from 49.3%.

Radiographer reporting represented 21.1% of total plain film volume (2017: 9.5%) and capacity is expected to continue to build.

Other service lines
A strategic objective for the business is to increase revenue from specialist service lines and independent healthcare providers. There has not been growth in existing specialist services so far in 2018 with specialist services and independent revenue decreasing by 19.7% to £0.3m. New services are being strategically developed based on expected new demand due to changes in clinical guidelines and the introduction of Cardiac and MR Prostate reporting services are expected to make a contribution next year.

Earnings per share

Adjusted earnings per share increased by 16.0% to 3.64p, reflecting the continuing growth in the business.

Cash flow and net debt

The adjusted cash inflow from operating activities was £6.1m compared to £3.6m for the comparative period. The adjusted EBITDA cash conversion of 108.7% is higher (30 June 2017: 73.7%) due to strong cash collection at the end of the period and timing differences.

Net debt as at 30 June 2018 was £2.5m, compared to £8.5m as at 30 June 2017 as the business continues to generate strong cashflows.

Fixed asset investment

The majority of tangible expenditure was expansionary costs of radiologist equipment and client infrastructure. This represented £0.5m of the £0.6m spent on tangible additions. Intangible additions of £0.2m relate to software purchases and developments.

Recruitment

Medica increased its number of contracted radiologists by 33 net in the period to 339 as at 30 June 2018. The comparative figure for the first six months of 2017 is 19. As at 12 September, the number was 346 and the second half of the year is expected to be as strong as the first.

Recruitment and retention of radiologists is key to business growth and is core to Medica's strategy. In broader terms, increasing capacity is more than numbers of radiologists and the strategy includes obtaining greater commitment from existing radiologists and improving productivity.

People

Medica's employees remain core to the quality of the service offering to clients and we will continue to recruit high calibre individuals as we grow. We continue to recruit high calibre people into the business and employee numbers rose from 88 to 98 in the period.

We would like to thank our employees for their hard work, enthusiasm and dedication through a successful period of growth and change.

Forward looking statements

Certain statements in this interim report are forward looking. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Principal risks and uncertainties

The principal risks and uncertainties that could have a material impact on the Group's performance together with the mitigation strategies adopted have been reviewed and have not changed significantly from those set out on pages 23 to 24 of the Strategic Report included in the Groups 2017 Annual Report and Financial Statements.

These risks and uncertainties arise from:

- Retaining and growing reporting capacity
- Quality deficiencies or other issues affecting the Group's accreditations
- Clinical quality
- Failure to retain key management
- Future changes in healthcare regulation
- Reduction in demand for the Group's services from NHS Trusts
- Failure to adequately protect its customers' patients' personal data
- Significant competition and pricing pressure
- Artificial Intelligence
- Failure of information systems

John Graham, Chief Executive
12 September 2018

Tony Lee, Chief Financial Officer
12 September 2018

Condensed Consolidated Income Statement and Condensed Consolidated statement of comprehensive income

For the six months ended 30 June 2018

	Note	Unaudited 6 Months ended - 30 June 2018 £000	Unaudited 6 Months ended - 30 June 2017 £000	Audited 12 months ended - 31 December 2017 £000

	Note			
Revenue	**3**	18,592	15,723	33,715
Cost of sales		(9,501)	(8,079)	(17,282)
Gross profit		9,091	7,644	16,432
Administration expenses		(4,601)	(3,791)	(7,917)
Operating profit		4,490	3,853	8,516
Other expenses - exceptional items	4	-	(1,503)	(1,661)
Operating profit after exceptional items		4,490	2,350	6,855
Finance income		18	5	50
Finance costs		(154)	(483)	(661)
Exceptional items finance costs	4	-	(582)	(582)
Net finance costs		(136)	(1,060)	(1,193)
Profit before tax		4,354	1,290	5,662
Analysed as				
Adjusted EBITDA		5,610	4,873	10,582
Share based payments		(65)	(37)	74
Exceptional items	4	-	(1,503)	(1,661)
Exceptional finance costs	4	-	(582)	(582)
Finance costs		(154)	(483)	(661)
Finance income		18	5	50
Depreciation		(420)	(387)	(775)
Amortisation		(635)	(596)	(1,217)
Profit before tax		4,354	1,290	5,662
Income tax charge		(807)	(510)	(1,331)
Profit attributable to equity holders of the parent		3,547	780	4,331
Statement of Comprehensive Income				
Profit for the period/ year		3,547	780	4,331
Other comprehensive income		-	-	-
Total comprehensive profit for the period/ year attributable to owners of the parent		3,547	780	4,331
Profit per share (basic and diluted)				
Basic profit per ordinary share (pence)	5	3.19	0.73	3.99
Diluted profit per ordinary share (pence)	5	3.18	0.73	3.96

Condensed Consolidated Balance Sheet

As at 30 June 2018

	Unaudited 30 June 2018 £000	Unaudited 30 June 2017 £000	Audited 31 December 2017 £000
Non-current assets			
Goodwill	15,948	15,948	15,948
Other intangible assets	8,780	9,664	9,218
Property, plant and equipment	2,022	2,064	1,880
	26,750	27,676	27,046
Current assets			
Trade and other receivables	8,177	7,440	8,210
Cash and cash equivalents	9,366	3,390	6,907
	17,543	10,830	15,117

Current liabilities

Trade and other payables	(3,839)	(3,188)	(3,932)
Derivative financial instruments	-	(29)	(14)
	(3,839)	(3,217)	(3,946)
Non-current liabilities			
Borrowings and other financial liabilities	(11,900)	(11,876)	(11,888)
Deferred tax	(1,264)	(1,490)	(1,429)
	(13,164)	(13,366)	(13,317)
Net assets	27,290	21,923	24,900
Equity			
Share capital	222	222	222
Share premium	14,721	14,721	14,721
Retained profit	12,347	6,980	9,957
Total equity	27,290	21,923	24,900

Condensed Consolidated Statement of Changes in Equity

As at 30 June 2018

	Share Capital £000	Share premium £000	Retained earnings £000	**Total Equity £000**
At 1 January 2017	146	1,309	4,854	6,309
Cancellation of share premium	-	(1,309)	1,309	-
Shares issued during the year	76	14,924	-	15,000
Share issue costs	-	(203)	-	(203)
Equity settled share based payments	-	-	37	37
Transactions with owners	76	13,412	1,346	14,834
Profit and total comprehensive income for the period		-	780	780
At 1 July 2017	222	14,721	6,980	21,923
Dividends paid to ordinary shareholders	-	-	(611)	(611)
Equity settled share based payments	-	-	37	37
Transactions with owners	-	-	(574)	(574)
Profit and total comprehensive income for the period	-	-	3,551	3,551
At 1 January 2018	222	14,721	9,957	24,900
Equity settled share based payments			65	65
Dividends paid to ordinary shareholders	-	-	(1,222)	(1,222)
Transactions with owners	-	-	(1,157)	(1,157)
Profit and total comprehensive income for the period	-	-	3,547	3,547
At 30 June 2018	222	14,721	12,347	27,290

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018

	Unaudited 6 Months ended 30 June 2018 £000	Unaudited 6 Months ended 30 June 2017 £000	Audited 12 Months ended 31 December 2017 £000
Operating activities			
Profit before tax	4,354	1,290	5,662
Adjustments for :			
Depreciation	420	387	775
Amortisation	635	596	1,217
Share based payments	65	37	74
Finance income	(18)	(5)	(12)
Exceptional finance costs	-	-	582
Finance costs	168	1,088	661
Changes in:			
Decrease / (Increase) in trade and other receivables	34	(1,367)	(2,138)
Increase / (Decrease) in trade and other payables	454	(529)	(365)
Movement of derivative financial instruments	(14)	(23)	(38)
Tax paid	(1,100)	(604)	(904)
Cash inflow from operating activities	4,998	870	5,514
Investing activities			
Purchase of property plant and equipment	(571)	(616)	(820)
Purchase of software intangibles	(608)	(437)	(612)
Interest received	18	5	12
Cash outflow from investing activities	(1,161)	(1,048)	(1,420)
Cash flows from financing activities			
Equity funds raised	-	15,000	15,000
Costs of equity funds raised	-	(203)	(203)
Repayment of borrowings	-	(15,270)	(15,270)
Loan fees paid for financing	-	(130)	(130)
Interest paid	(156)	(542)	(686)
Dividends paid to ordinary shareholders	(1,222)	-	(611)
Net cash outflow from financing	(1,378)	(1,145)	(1,900)
Net change in cash and cash equivalents	2,459	(1,323)	2,194
Movement in net cash			
Cash and cash equivalents, beginning of period	6,907	4,713	4,713
(Decrease)/Increase in cash and cash equivalents	2,459	(1,323)	2,194
Cash and cash equivalents, end of period	9,366	3,390	6,907

Condensed notes to the accounts

1. General Information

Medica Group PLC ("the Company") is incorporated in England and Wales. The half-year results and condensed consolidated financial statements for the six months ended 30 June 2018 (the interim financial statements) comprise the results of the company and its subsidiaries (together referred to as the Group).

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

A copy of the statutory accounts for the year ended 31 December 2017 has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements for the six months ended 30 June 2018 have been reviewed by Grant Thornton UK LLP but have not been audited.

2. Accounting policies

Basis of preparation
The interim financial statements of Medica Group plc are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union and the disclosure requirements of the Listing Rules. The interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2017.

Significant accounting policies
The accounting policies applied by the Group in this condensed set of consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2017. In additional the accounting policies used are consistent with those that the directors intend to use in the Annual Report and Financial Statements for the year ending 31 December 2018. Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual earnings.

Adoption of new and revised standards

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

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

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

IFRS 16 will impact the measurement and disclosure of lease liabilities, and the liabilities shown on the Group's balance sheet. Management are in the process of completing a comprehensive review of IFRS 16 and will report the impact in the Group's Annual Report for the year ended 31st December 2018.

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

3. Segment reporting

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

Medica Group PLC has identified only one geographic area, the UK. As a result of this and there being only one operating segment as described above, no analysis has been provided.

No customer accounted for more than 10% of the Group's revenues.

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

	Unaudited 6 Months ended 30 June 2018	Unaudited 6 Months ended 30 June 2017	Audited 12 Months ended 31 December 2017
NightHawk	9,293	7,683	16,798
Routine Cross-Sectional	6,973	5,830	12,542
Routine Plain Film	2,008	1,813	3,665
Other	318	397	710
	18,592	15,723	33,715

4. Exceptional items

	Unaudited 6 Months ended 30 June 2018	Unaudited 6 Months ended 30 June 2017	Audited 12 Months ended 31 December 2017
Costs incurred in respect of Initial public offering	-	1,503	1,661
Capitalised debt fees written off	-	582	582
	-	2,085	2,243

Exceptional items are items that are unusual because of their size and incidence and which the Directors consider should be separately disclosed to enable a full understanding of the Group's results.

5. 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.

	Unaudited 6 Months ended 30 June 2018 £000	Unaudited 6 Months ended 30 June 2017 £000	Audited 12 Months ended 31 December 2017 £000
Profit for the year attributable to ordinary shareholders	3,547	780	4,331
Exceptional items	-	1,503	1,661
Exceptional finance costs	-	582	582
Amortisation of acquired intangibles	435	435	870
Share based payments charge	65	37	74
Adjusted profit for the period attributable to ordinary shareholders	4,047	3,337	7,518
Weighted average number of ordinary shares	111,111,114	106,200,125	108,675,802
Dilutive effect of share options	500,129	372,222	746,264
Weighted average number of ordinary shares including dilutive	111,611,243	106,572,347	109,422,066
Basic profit per ordinary share (pence)	3.19	0.73	3.99
Diluted profit per ordinary share (pence)	3.18	0.73	3.96
Adjusted basic profit per ordinary share (pence)	3.64	3.14	6.92
Adjusted diluted basic profit per ordinary share (pence)	3.63	3.13	6.87

6. Reconciliation of Non-IFRS Financial KPIs

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

Reconciliation of Adjusted Operating Profit	6 Months ended 30 June 2018 £	6 Months ended 30 June 2017 £	12 Months ended 31 December 2017 £
Operating profit	4,490	3,853	8,516
Adjustments for :			
Amortisation of acquired intangibles	435	435	870
Equity settled share based payments	65	37	74
Adjusted Operating profit	4,990	4,325	9,460
Adjusted Operating profit margin	26.8%	27.5%	28.1%
Reconciliation of Adjusted Profit Before Tax			
Profit for the year	3,547	780	4,331
Adjustments for :			
Amortisation of acquired intangibles	435	435	870
Exceptional items	-	1,503	1,661
Exceptional finance costs	-	582	582
Share based payments	65	37	74
Adjusted profit after tax	4,047	3,337	7,518
Income tax charge	807	510	1,331
Adjusted Profit before Tax	4,854	3,847	8,849

Reconciliation of Adjusted EBITDA cash conversion percentage

Cash inflow from operating activities	4,998	870	5,514
Adjustments for :			
Tax paid	1,100	604	904
Exceptional items	-	1,503	1,661
Non cash movement in exceptional items	-	612	612
	6,098	3,589	8,691
Adjusted EBITDA	5,610	4,873	10,582
Conversion rate	107.7%	73.7%	82%

Reconciliation of Net debt

Cash and equivalents	9,366	3,390	6,907
Borrowings due after one year	(11,900)	(11,876)	(11,888)
Net Debt	(2,534)	(8,486)	(4,981)

7. Related party Transactions

Included in administrative costs are £21,000 (2017: £21,000) in respect of fees payable to CBPE Nominees Limited for the services of Anand Jain to the Group.

Statement of Directors' Responsibilities
The Directors confirm to the best of their knowledge that

(a) The interim condensed consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union; and

(b) The Interim Report includes a fair view of the information as required by:

- DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of 2018 and their impact on the interim condensed consolidated financial information; and a description of the principal risks and uncertainties for the remaining second half of the year; and

- DTR4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of 2018 and any material changes in the related party transactions described in the last Annual Report.

The Directors of Medica Group PLC and their functions are listed below:

Roy Davis - Chairman
John Graham - Chief Executive
Stephen Davies - Medical Director
Tony Lee - Chief Financial Officer
Steve Whittern - Senior Non-Executive Director
Anand Jain - Non-Executive Director
Michael Bewick - Non-Executive Director

By order of the Board

Tony Lee
Chief Financial Officer
12 September 2018

Independent review report to the members of Medica Group plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of Medica Group plc for the six months ended 30 June 2018 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the half yearly financial report which comprises only the Chairman's Statement and the Financial and Business Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company's members, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company's members those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS

London
12 September 2018

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