12 March 2018

Medica Group PLC
Maiden preliminary results for the year ended 31 December 2017 deliver double digit growth

18.2% revenue growth driven by strong performance from NightHawk and Cross Sectional services

Good start to 2018 with trading and radiologist recruitment in line with board expectations

Medica Group PLC (LSE:MGP, "Medica" or the "Company"), the UK market leader by revenue in the provision of teleradiology services, today announces its full year results for the 12 months ended 31 December 2017.

Financial highlights

- Delivered sales of £33.7m representing 18.2% revenue growth
    - NightHawk, the out-of-hours reporting service, continued to see significant growth, with revenue increasing by 24.1%
    - Routine Cross Sectional performed well, with revenue increasing by 19.4%
    - Routine Plain Film revenue fell 5.4% to £3.7m, reflecting strategy to focus on NightHawk and Cross Sectional
    - Specialist services and Independent revenue increased by 18.1%
- Gross profit margin of 48.7% (2016: 49.8%) as expected
- Net debt significantly reduced to £5m (2016: £22m)
- Adjusted EBITDA increased 14.7% to £10.6m reflecting ongoing customary costs associated with listing, underlying overheads were up only 10%
- EBITDA cash conversion 82.1% (2016: 83.6%)
- Proposed maiden final dividend of 1.10p per share to give a proposed total dividend for the year of 1.65p

Operational highlights

- Total number of reported body parts increased by 7.7%, from 1.35m in 2016 to 1.46m in 2017
    - NightHawk reported body parts increased by 31.1%
    - Cross-Sectional reported body parts increased by 23.8%
    - Plain Film reported body parts decreased by 5.9%
- Recruitment has been strong throughout 2017, with the total number of Radiologists (including radiographers and rheumatologists) contracting with Medica standing at 306 as at December 2017. Representing a net increase of 58 year-on-year.

Post Period End

- Net increase in radiologists recruited in January and February is 12, bringing the total to 318

John Graham, Chief Executive Officer of Medica, commented:
"I am pleased to report our maiden results as a listed company, which demonstrate the progress we have made against our strategic objectives. We delivered double-digit growth from both our key NightHawk and routine Cross Sectional services, which remain our core focus. This growth reflects our ability to expand our relationships with existing clients by providing more and more complex services, demonstrating their confidence in the service we are providing and the growing market opportunities available to the company.

Additionally, we also increased the number of radiologists under contract with Medica by more than 20%, enabling the company to meet the increased demand for our services.

We have had a strong start to 2018 in terms of both sales and recruitment of radiologists. The company continues to trade in line with board's expectations which gives me confidence in our outlook for 2018. We expect that in the short- to medium-term Medica will continue to grow revenues at a double-digit rate similar to that seen in 2017."

	Year ended 31 December 2017	Year ended 31 December 2016	% change
Revenue (£'000s)	33,715	28,522	18.2%
Gross profit (£'000s)	16,433	14,209	15.7%
Gross Profit Margin	48.7%	49.8%	
Adjusted EBITDA (1) (£'000s)	10,582	9,229	14.7%
Adjusted Operating profit (2) (£'000s)	9,460	8,125	16.4%
Adjusted profit before tax (3) (£'000s)	8,849	5,954	48.6%
Adjusted EPS (pence) (4)	6.92	4.98	39.0%
EBITDA cash conversion % (5)	82.1%	83.6%	

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

(4) 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

(5) EBITDA cash conversion % is calculated as Cash Flows from Operating activities pre-exceptional items and pre tax payments divided by Adjusted EBITDA. The EBITDA cash conversion percentage calculation has been updated and the 2016 comparative figure has been restated for consistency. See note 12 for details.

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CHAIRMAN'S STATEMENT

I am pleased to provide my Chairman's statement for Medica Group PLC's first year as a public company.

In 2017, Medica continued to grow strongly and achieved another impressive set of results. The Group saw growth across its main teleradiology offerings with revenue increasing by 18% on last year. This growth has been underpinned by strong recruitment in the period which saw a net increase of 58 radiologists on the prior year.

In March 2017, Medica successfully listed on the Main Market of the London Stock Exchange, raising gross proceeds of £15m for the Company, which were used to pay down the net debt of the Group to approximately £10m. By the end of the year cash generation had further reduced the net debt to £5m and Medica's strengthened financial position provides us with a strong platform to support growth and future development of the Group. Medica is well placed to pursue further organic and other growth opportunities to generate long-term value for shareholders.

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

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

Medica's key focus is to support NHS Trusts at a time when they are dealing with increased demands for reporting against a backdrop of limited in-house capacity. Through investments in clinical process and technology Medica is able to provide a high quality clinical service to its clients' patients in a timely and cost effective manner. Increasingly Medica is able to partner with clients to bridge geographical and specialist gaps across the UK.

Recruitment of radiologists has been strong in 2017 and is expected to continue to be so as Medica focuses on improving the radiologist reporting experience with Medica through strong technical support and robust clinical governance. Despite the relatively low proportion of reporting currently outsourced, the Company's investment to increase the productivity of its radiologists is important in increasing the overall reporting capacity in the UK.

Medica's employees have performed exceptionally well again in 2017 supporting clients and radiologists and always focused on trying to ensure the best patient care. I have been impressed with the level of professionalism and dedication since joining Medica and express my gratitude on behalf of the Board to all of our staff for their contributions during the year.

The Board has adopted a progressive dividend policy for the Company from Admission, which seeks to maximise shareholder value and reflect Medica's strong earnings and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Group's long-term growth. Following the interim dividend of 0.55 pence for the period to 30th June 2017, the Board proposes a final dividend of 1.10 pence for the year ended 31st December 2017.

The Group has performed well in 2017 and I believe we are well positioned to continue to create value for all shareholders by delivering high levels of service to our clients and helping to improve patient outcomes.

ROY DAVIS
Chairman

12 March 2018

CHIEF EXECUTIVE'S REVIEW

Introduction

I am delighted to present my Chief Executive's Review statement for Medica's first year as a public company. 2017 has been a milestone year in the development of the Group with the successful listing on the Main Market of the London Stock Exchange an important step in Medica's development.

The business has continued to develop throughout the year, improving services to clients, growing volumes and engaging with increasing numbers of radiologists whilst at the same time adapting to life as a public company.

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

Delivered robust volume growth

This has been another strong year of double-digit growth for Medica with revenue increasing by 18.2% from last year. The Group has successfully grown organically year-on-year through the continued successful deployment of new clients and by increasing the revenue generated from existing customers, which has been the main driver of revenue growth in the year.

Significantly volume growth was driven by both NightHawk and Routine Cross Sectional (CS) computerised tomography (CT) and magnetic resonance imaging (MRI) reporting which saw scan volumes increase by 31.1% and 23.8% respectively. Routine Plain Film x-ray (PF) decreased by 5.9%.

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

The high quality of Medica's clinical governance process has given clients more confidence in outsourcing. Increasingly NHS Trusts are planning their activities around a deeper partnership with Medica and our services are more embedded within departments than ever before. Although the overall proportion of scans outsourced remains modest, the proportion is growing as the market develops. Medica continues to attract new clients but the primary reason for growth is through additional reporting for existing customers.

Gross profit margin edged down from 49.8% to 48.7% as anticipated, reflecting the on-going renewal of the Group's contracts at marginally lower prices as the teleradiology market develops and outsourcing becomes normal practice. Increases in sales volume for our NHS services more than offset the reduction in average price in 2017 from anticipated pricing pressures

Recruitment

Recruitment remained a key focus during 2017 and we significantly increased the number of radiologists from 248 at the start of the year to 306 at 31st December to meet growing market demand. Investment in recruitment, retention and training are priorities for the business as we seek to ensure radiologists are supported at all times, that the reporting experience is as smooth and efficient as possible and that radiologists can work in a high quality clinical environment.

Word of mouth recommendations from existing Medica radiologists who contract with the Group has become the most significant factor in bringing new radiologists into the recruitment process to be converted by our skilled recruitment team. In addition, the Group maintains a presence at many specialist and national events and maintains a database of candidates for recruitment. Medica's recruitment pipeline remains stronger than ever.

Continued investment and development

During 2017 we have continued to invest in our clinical governance, technical and operational infrastructure and processes and we continue to raise the bar for the quality of teleradiology services in the UK.

The Clinical governance base is arguably the strongest element of Medica's offering giving clients the confidence to outsource greater volumes and more complex work. Work in this area has continued apace in 2017 with particular emphasis on improving the quality of clinical internal audit and managing clinical issues.

As volumes grow it is important to continue to improve the operational processes so as to be able to deal with increasing volume whilst minimising cost increases. Considerable effort has gone into refining workflow management processes and as the proportion of more specialist exams increases the balancing of capacity and demand in a timely manner is more important than ever.

There has been considerable investment in Medica's technical platform in recent years which continued in 2017. As the volume of scans and the number of clients and radiologists continued to grow the scalable platform has expanded but it has been important that Medica has continued to innovate and improve its systems and that information security has remained at the heart of all we do.

Strategy

The Directors have to date focused on building a platform that can deliver a high quality teleradiology service to the Group's core customer base of NHS hospitals, centred on its NightHawk and Routine offerings.

The Group's strategy can be broadly categorised into three areas: developing the core business; accelerating the expansion into areas closely related to the core business; and broader diversification.

Developing the core business

The Group's core strategy remains to develop and grow its business by adding additional Medica reporting capacity to meet growing demand, maintaining the highest clinical standards and continuing to win new work for its existing service lines.

Having invested in the Group's IT and services platform, both in terms of the technical and clinical aspects and the ongoing recruitment of Medica Radiologists, the Directors believe that the business can continue to grow strongly within its existing service lines. Continual development of the current core services, improving the offering to clients and the radiologist experience as well as improving the efficiency of Medica's internal infrastructure are a key part of Medica's strategy.

Medica will continue to improve the workflow for clients and radiologists and a good example is the forthcoming launch of a new NightHawk portal and process. This will bring considerable advances for both clients and our radiologists and enable improved efficiency and performance in the specialist emergency services Medica can offer.

Increasing specialisation of radiologists and demand from clients will evolve the Routine CS service line and using Medica's substantial and growing pool of specialist radiologists Medica can offer national cover to the NHS for specialist reporting services.

Radiographer reporting is a key growth area for the core business. Launched in August 2016 this service has been grown in a steady and controlled way and advanced practitioner radiographers represent an increasing part of Medica's routine PF capacity, representing 14% of the total PF exams in 2017. Underpinned by strong clinical governance growing this service can play an important role in the NHS managing their waiting times and minimising backlogs.

There are also further opportunities in the independent sector and internationally that can expand Medica's core business.

Accelerating expansion into related areas

Medica has developed specialist reporting lines including virtual colonoscopy and dual energy X-ray absorptiometry (DXA) Osteoporosis scanning. The service lines have been developed with specialists but currently form a small part of Medica's business and the next stage is to increase the number of clients using these services.

Most recently we have developed a Cardiac reporting service, which has launched in the first quarter of 2018 and there are other specialist services currently under development. After an initial piloting stage these services can be expanded to new and existing clients.

The Group has a strong clinical governance structure, including an internal clinical audit function focused on maintaining the high clinical and service standards of Medica Radiologists. Having been approached by our customers and others to audit their own in-house radiology departments, there is a clear opportunity to market this service to existing and new clients. Medica has developed bespoke software in 2017 to facilitate this service with a view to growing demand in 2018.

Broader Opportunities

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

Outlook

Looking forward to 2018, the year has started well, with trading in line with the Board's expectations. The prospects for new work from existing and new clients and the pipeline for recruiting radiologists in the new financial year continues to be strong which gives me confidence in our outlook for 2018. As the market evolves the Board is confident that, in the short- to medium-term, Medica will continue to grow revenues at a double-digit rate similar to that seen in 2017.

JOHN GRAHAM
Chief Executive Officer
12 March 2018

FINANCIAL REVIEW

Trading results

Medica has enjoyed strong growth in recent years, and this continued throughout 2017, with Group revenues growing by 18.2% to £33.7m (2016: £28.5m) and adjusted operating profit growing by 16.4% to £9.5m (2016: £8.1m).

Net profit increased by 30.6% from £3.32m to £4.33m and basic earnings per share increased by 20.2% from 3.32 pence to 3.99 pence. Adjusted profit after tax increased by 51.0% from £4.98m to £7.52m and adjusted basic earnings per share increased by 39.0% from 4.98 pence to 6.92 pence. A full reconciliation between statutory and adjusted profit metrics is shown in note 12

Revenue

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

- NightHawk revenues increased to £16.8m, a 24.1% increase from 2016 revenue of £13.5m. The increase in volumes and revenue was due to continued growth in existing clients' emergency service requirements as the number of A&E admissions and the proportion of patients requiring a scan both increase and Trusts expand the scope of the services they procure, as well as new client wins.
- Routine CS revenues increased to £12.5m, a 19.4% increase from 2016 revenue of £10.5m. Similarly to NightHawk, growth has been driven primarily through existing customers as their scan volumes increased and Medica enhanced its partnership with Trusts reporting a greater quantity and proportion of their work, as well as new customer wins.
- Plain Film revenues decreased to £3.7m, a 5.4% decrease from 2016 revenue of £3.9m. During the period, Plain Film volumes were actively managed so as to focus on the faster growing routine CS service. Radiographer reporting, from launching in August 2016, started in a controlled way but increased during the year.

Our ability to recruit and retain radiologists is a key driver of revenue growth. Medica added an additional net 58 reporters in 2017 and at 31 December 2017 there were a total of 306 with whom Medica contracted which is a record high for the Company.

Gross margins

Gross profit margin for the year was 48.7% (2016: 49.8%).

Gross profit margin edged down in the year as expected. There are a number of contributing factors with the main reason being on-going renewal of contracts often through migration to framework agreements. There has been downward pressure on prices for some time as volumes increase and this is expected to continue. The reduction in average price has been more than compensated by increases in volume.

The Company looks to achieve a similar gross margin across each of its service lines. In 2017, the gross margins for each service line were as follows:

- NightHawk: 50.5%
- Routine Cross-Sectional: 52.1%
- Routine Plain Film: 49.4%

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

Adjusted operating profit

The successful listing in March 2017 led to customary additional costs which represented approximately 7% of total overheads in the year. Overheads remained controlled in the period, increasing only 10%

on a like for like basis on the prior year compared to an 18.2% increase in revenues with adjusted operating profit growth constrained by margin contraction.

The adjusted operating profit for the period of £9.5m was 16.4% higher than 2016 (£8.1m), which represents continuing good progress for the business. Despite the additional costs of being a public company the adjusted operating profit margin only reduced moderately from 28.5% in 2016 to 28.1% in 2017.

Exceptional costs

The total costs of listing on the London Stock Exchange were £2.6m, of which £0.8m were recognised in 2016 and £1.8m in 2017. Of these costs £0.2m was deducted from the share premium account and £2.4m over the two years has been presented as exceptional items on the income statement. These costs have been added back in to calculate adjusted operating profit and adjusted earnings per share.

In addition, part of the proceeds were used to repay bank debt, and previously capitalised fees of £0.6m have been presented as exceptional financing costs and have also been added back in to calculate adjusted profit before tax and adjusted earnings per share.

Net finance expense

Finance costs were £0.7m for the year (2016: £2.2m). The Group refinanced its existing debt facility at listing post the year end, with the net proceeds of the IPO used to pay net debt down to approximately £10m, reducing its bank debt and repaying loan notes from CBPE Capital LLP, the majority owners of Medica prior to the IPO, in full.

Taxation

The Group has incurred a tax charge of £1.3m in the year ended 31 December 2017, compared with £1.0m in the year ended 31 December 2016.

Earnings per share

Adjusted earnings per share increased by 39.0% to 6.92p, reflecting the growth in the business and the altered capital structure post listing. Normal earnings per share increased by 20.2% to 3.99p.

Dividends

The Board has adopted a progressive dividend policy, following the interim dividend of 0.55 pence the Board proposes a maiden final dividend of 1.10 pence per share to give a total dividend for the year ended 31 December 2017 of 1.65p per share. This will, subject to approval by shareholders at the annual general meeting on 23 May 2018, be paid on 22 June 2018 to shareholders listed on the register on 1 June 2018.

Cash flow

The Group continues to deliver strong cash generation with operating cash flow before tax and exceptional IPO costs of £8.7m (2016: £7.7m).

EBITDA cash flow conversion was 82% (2016: 84%). Cash flow from operating activities was £5.5m (2016: £6.8m), the reduction being due to exceptional costs. There was a moderate increase in trade debtors caused by small delays in clients settling their invoices. This was limited in number and the delays due to changes in their administrative processes. The business continues to generate strong cash flows from its core business.

Capex for the year was £1.8m (2016: £1.2m) as the business continued to invest in its infrastructure to support volume growth and to improve its efficiency and service offering.

Net debt

The Company used the net proceeds of the IPO to fund the repayment of the £6.9m of outstanding loan notes held by CBPE as well as contributing to the repayment of £8.6m of the Group's outstanding indebtedness under the Group's existing term loan and revolving credit facilities, which the Directors believe will result in an appropriate level of gearing going forward, given the size of the Group and the Company's status as a listed company. Following this repayment, the Company had net debt of approximately £10m which reduced to £5m as the business generated cash during the year.

On 7 March 2017, the Group entered into a new facilities agreement (the "New Facilities") for the purpose of refinancing that part of the facilities that were not repaid out of the proceeds of the Offer. Under the New Facilities, up to £13m in aggregate is available to the Group under a £12m term loan facility and a £1m revolving credit facility. Both facilities will mature on 6 March 2022, being the fifth anniversary of entry into the New Facilities. Interest is payable under the New Facilities at the rate of LIBOR + 1.75. As at the balance sheet date, the revolving credit facility was undrawn.

Intangible assets

As at the year-end, total intangible assets were £25.2m (31 December 2016: £25.3m): The Group's intangible assets are the goodwill of £15.9m and other intangible assets from the acquisition by the Company of Medica Reporting Limited in May 2013. In addition, there is a small proportion, which at the year-end was £1.3m (year ended 31 December 2015: £0.6m), in relation to purchased software and certain capitalised development software and licences. The main addition during the year was the renewal of Medica's PACs system contract for a five year period.

Property plant and equipment:

As at the year end, total value of property, plant and equipment was £1.9m (31 December 2016: £1.8m). Property, plant and equipment primarily relate to computer equipment, the majority of which is the servers installed with customers, radiologists' workstations and infrastructure technology. The growth in property, plant and equipment reflects the net increase, i.e. after depreciation, of additional capital expenditure for new customers and new radiologists and software for new projects.

Key Performance Indicators (KPIs)

The Board receives monthly KPIs on the Group. These include clinical and operational performance measurements such as turnaround times and clinical audit results as well as financial KPIs.

As noted above 2017 was a year of record volume and as the business grows a key challenge for the Group is to maintain turnaround times ahead of contractual agreements with clients and during 2017 turnaround times remained consistent with 2016's performance.

Clinical quality is a key part of Medica's performance and we have a robust system of internal clinical audit where 10% of NightHawk and CS exams and 2% of Plain Film exams are reviewed. During 2017 the Group continued to meet its targets for clinical audit rates.

The key financial KPI is adjusted EBITDA which was £10.6m for the year to 31 December 2017 (£9.2m for the year to 31 December 2016).

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	31 December 2017 £000	31 December 2016 £000
Revenue	4	**33,715**	28,522
Cost of sales		**(17,282)**	(14,313)
Gross profit		**16,433**	14,209
Administration expenses		**(7,917)**	(6,993)
Operating profit		**8,516**	7,216
Other expenses – exceptional items	5	**(1,661)**	(757)
Operating profit after exceptional items		**6,855**	6,459
Finance income		**50**	10
Exceptional finance costs		**(582)**	-
Finance costs		**(661)**	(2,181)
Profit before tax		**5,662**	4,288
Analysed as			
Adjusted EBITDA		**10,582**	9,229
Exceptional items	5	**(1,661)**	(757)
Share based payments charge		**(74)**	-
Exceptional finance costs	6	**(582)**	-
Finance costs	6	**(661)**	(2,181)
Finance income		**50**	10
Depreciation		**(775)**	(883
Amortisation		**(1,217)**	(1,130)
Profit before tax		**5,662**	4,288
Income tax charge	7	**(1,331)**	(971)
Profit attributable to equity holders of the parent		**4,331**	3,317
Statement of Comprehensive Income			
Profit for the year		**4,331**	3,317
Other comprehensive income		**–**	–
Total comprehensive profit for the year attributable to owners of the parent		**4,331**	3,317
Profit per share (basic and diluted)			
Basic profit per ordinary share (pence)	8	**3.99p**	3.32p
Diluted profit per ordinary share (pence)	8	**3.96p**	3.32p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

COMPANY REGISTRATION 08497963

As at 31 December 2017

	At 31 December 2017 £000	At 31 December 2016 £000
Non-current assets		
Goodwill	**15,948**	15,948
Other intangible assets	**9,218**	9,402
Property, plant and equipment	**1,880**	1,835
	27,046	27,185
Current assets		
Trade and other receivables	**8,210**	6,073
Cash and cash equivalents	**6,907**	4,713
	15,117	10,786
Current liabilities		
Trade and other payables	**(3,932)**	(3,283)
Borrowings	**-**	(1,362)
Derivative financial instruments	**(14)**	(52)
	(3,946)	(4,697)
Non-current liabilities		
Borrowings and other financial liabilities	**(11,888)**	(25,369)
Deferred tax	**(1,429)**	(1,596)
	(13,317)	(26,965)
Net assets	**24,900**	6,309
Equity		
Share capital	**222**	146
Share premium	**14,721**	1,309
Retained profit	**9,957**	4,854
Total equity	**24,900**	6,309

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	12 months ended 31 December 2017 £	12 months ended 31 December 2016 £
Operating activities		
Profit for the year	**4,331**	3,317
Add taxation	**1,331**	971
Profit before tax	**5,662**	4,288
Adjustments for:		
Depreciation	**775**	883
Amortisation	**1,217**	1,130
Shared based payments	**74**	-
Finance income	**(12)**	(10)
Exceptional finance costs	**582**	-
Finance costs	**661**	2,181
Changes in:		
(Increase) in trade and other receivables	**(2,138)**	(1,740)
(Decrease)/increase in trade and other payables	**(365)**	949
Movement of derivative financial instruments	**(38)**	30
Tax paid	**(904)**	(924)
Cash inflow from operating activities	**5,514**	6,787
Investing activities		
Purchase of property, plant and equipment	**(820)**	(789)
Purchase of software intangibles	**(612)**	(438)
Interest received	**12**	10
Cash outflow from investing activities	**(1,420)**	(1,217)
Cash flows from financing activities		
Loan finance raised	**-**	13,600
Equity funds raised	**15,000**	-
Costs of equity funds raised	**(203)**	-
Repayment of borrowings	**(15,270)**	(15,150)
Loan fees paid for refinancing	**(130)**	(476)
Dividends paid to ordinary shareholders	**(611)**	-
Interest paid	**(686)**	(916)
Net cash outflow from financing	**(1,900)**	(2,942)
Net change in cash and cash equivalents	**2,194**	2,628
Movement in net cash		
Cash and cash equivalents, beginning of period	**4,713**	2,085
Increase in cash and cash equivalents	**2,194**	2,628
Cash and cash equivalents, end of period	**6,907**	4,713

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2016	146	1,309	1,537	2,992
Profit and total comprehensive income for the period	–	–	3,317	3,317
At 1 January 2017	**146**	**1,309**	**4,854**	**6,309**
Cancelation of share premium	–	(1,309)	1,309	-
Shares issued during the year	76	14,924	-	15,000
Share issue costs	–	(203)	-	(203)
Dividends paid to ordinary shareholders	–	-	(611)	(611)
Equity settled share based payments	–	–	74	74
Transactions with owner	**76**	**13,412**	**772**	**14,260**
Profit and total comprehensive income for the period	–	–	4,331	4,331
At 31 December 2017	**222**	**14,721**	**9,957**	**24,900**

NOTES TO THE ACCOUNTS

1 General information

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

This consolidated financial information of the Group for the year ended 31 December 2017 (including comparatives) comprise the Company and its subsidiaries (together referred to as "the Group"). The Group's principal activity is the provision of teleradiology reporting and is the leading independent provider in the UK.

2 Accounting policies

This financial information has been prepared under International Financial Reporting Standards (IFRSs) issued by the IASB and as adopted by the EU. This financial information has been prepared on the same basis as in 2016.

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

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2017 or 2016, but is derived from those accounts. Statutory accounts for the year ended 31 December 2016 have been delivered to the Registrar of Companies and those for the year to 31 December 2017 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unmodified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

A copy of the annual report for the year ended 31 December 2017 will be available at www.medicagroup.co.uk by 13 April 2018.

3 Going Concern

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

4 Segment reporting

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

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

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

	2017 £000	2016 £000
NightHawk	**16,798**	13,536
Routine Cross-Sectional	**12,542**	10,508
Routine Plain Film	**3,665**	3,876
Independent and specialist	**710**	602
	33,715	28,522

5 Exceptional items

	2017 £000	2016 £000
Costs incurred in respect of Initial Public Offering	**1,661**	757
	1,661	757

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

6 Finance costs

	2017 £000	2016 £000
Bank interest	**414**	978
Amortisation of loan arrangement fees	**68**	291
Exceptional loan arrangement fees expense	**582**	-
Interest on secured loan notes	**179**	882
Fair value movement on derivative financial instruments	**-**	30
	1,243	2,181

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

7 Tax expense

Major components of tax expense:	2017 £000	2016 £000
Current tax:		
UK current tax expense	**1,544**	1,214
Prior year adjustment	**(45)**	6
Total current tax	**1,499**	1,220
Deferred tax:		
Originations and reversal of temporary differences	**(168)**	(189)
Effect of rate change	**-**	(60)
Total deferred tax	**(168)**	(249)
Tax expense on ordinary activities	**1,331**	971

Reconciliation of tax expense:

UK corporation tax is assessed on the profit on ordinary activities for the year and is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

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

Reconciliation of effective tax rate:	2017 £000	2016 £000
Profit on ordinary activities before tax	**5,662**	4,288
Income tax using the Company's domestic tax rate 19.25% (2016: 20%)	**1,090**	858
Effect of:		
Expenses not deductible for tax purposes	**286**	167
Prior year adjustment – current tax	**(45)**	6
Effect of tax rate change – deferred tax	**-**	(60)
Total tax credit for period	**1,331**	971

8 **Earnings per share**

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

	2017 £000	2016 £000
Profit for the year attributable to ordinary shareholders	**4,331**	3,317
Exceptional items	**1,661**	757
Exceptional finance costs	**582**	-
Profit for the year before exceptional items attributable to ordinary shareholders	**6,574**	4,074
Share based payments charge	**74**	-
Refinance costs	**-**	39
Amortisation of acquired intangibles	**870**	870
Adjusted profit for the period attributable to ordinary shareholders	**7,518**	4,983
Weighted average number of ordinary shares	**108,675,802**	100,000,002
Dilutive effect of share options	**746,264**	-
Weighted average number of ordinary shares	**109,422,066**	100,000,002
Basic profit per ordinary share (pence)	**3.99p**	3.32p
Diluted profit per ordinary share (pence)	**3.96p**	3.32p
Adjusted basic profit per ordinary share (pence)	**6.92p**	4.98p
Adjusted diluted profit per ordinary share (pence)	**6.87p**	4.98p

On 15 March 2017, the subdivision of the 1,455,000 ordinary shares of £0.10 each was approved so that each ordinary share of £0.10 each was sub-divided into 50 ordinary shares of 0.2p and by way of a bonus issue the Company allotted 27,250,002 ordinary shares of 0.2p each at nominal value to its existing shareholders pro rata to their existing shareholdings. The weighted average number of ordinary shares after these transactions amounted to 100,000,002 and in accordance with IAS33 the earnings per share calculation has been retrospectively adjusted.

All share options outstanding under the Performance Share Plan were dilutive as at 31 December 2017. There were no further instruments that had a potentially dilutive effect.

9 Transactions with Directors and other related parties

Included in administrative costs are £42,600 (2016: £43,500) in respect of fees payable to CBPE Nominees Limited for services of the Investor Director to the Group. CBPE Nominees Ltd are considered a related party as they had a controlling interest in the Group prior to 21st March 2017.

On 2 May 2013 Medica Group PLC issued £18.4m in loan notes to CBPE Nominees Ltd. In accordance with the terms of the loan note dated 2 May 2013, interest accrued quarterly on the principal amount of the loan notes outstanding and unpaid interest was rolled up and compounded at the end of each quarter.

On 21 March 2017 the outstanding loan notes and accrued interest of £6.9m were repaid in full. Interest charges of £178,000 (31 December 2016: £882,000), have been recognised in the consolidated statement of comprehensive income.

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

10 Controlling party

There is no overall controlling party of the Group following the admission of the Company's ordinary shares onto the premium listing segment of the Official List and to trading on the London Stock

Exchange's Main Market for listed securities on 21 March 2017.

11 Post balance sheet events

There are no post balance sheet events.

12 Reconciliation of non-IFRS financial KPIs

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

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

	31 December 2017 £000	31 December 2016 £000
Reconciliation of adjusted operating profit		
Operating profit before exceptional items	**8,516**	7,216
Adjustments for:		
Amortisation of acquired intangibles	**870**	870
Shared based payments	**74**	-
Refinance costs	**-**	39
Adjusted operating profit	**9,460**	8,125
Adjusted operating profit margin	**28.1%**	28.5%
Reconciliation of adjusted profit before tax		
Profit for the year	**4,331**	3,317
Adjustments for:		
Amortisation of acquired intangibles	**870**	870
Exceptional items	**1,661**	757
Exceptional finance costs	**582**	-
Share based payments	**74**	-
Refinance costs	**-**	39
Adjusted profit after tax	**7,518**	4,983
Income tax charge	**1,331**	971
Adjusted profit before tax	**8,849**	5,954
Reconciliation of EBITDA cash conversion percentage *		
Cash inflow from operating activities	**5,514**	6,787
Adjustments for:		
Tax paid	**904**	924
Exceptional items per income statement	**1,661**	757
Non cash movement in exceptional items	**612**	(750)
Operating Cashflow before tax and exceptional items	**8,691**	7,718
Adjusted EBITDA	**10,582**	9,229
EBITDA cash conversion rate *	**82.1%**	83.6%
Reconciliation of net debt		
Cash and equivalents	**6,907**	4,713
Borrowings due within one year	**-**	(1,362)
Borrowings due after one year	**(11,888)**	(25,369)
Net debt	**(4,981)**	(22,018)

*The EBITDA cash conversion percentage calculation has been updated to take account of non-cash movements in exceptional items to provide a more appropriate figure for Operating Cashflow before tax and exceptional items. The 2016 comparative figure has been restated for consistency. This reflects the calculations used in the day to day management of the business.