



connected healthcare :
responsive and resilient

Medica Group Plc
Interim Results 30 June 2020

14 September 2020

Contents

Interim Results	3
Interim Management Report	7
Financial and Business Review	9
Condensed Consolidated Income Statement and Condensed Consolidated statement of comprehensive income	13
Condensed Consolidated Balance Sheet	14
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Cash Flow Statement	16
Condensed notes to the accounts	17
Statement of Directors' Responsibilities	22
Independent review report to the members of Medica Group plc	23

Interim Results

Key highlights

Interim results demonstrate resilient performance

*Significant improvement in reporting activity towards end of H1 2020 continuing into H2 2020
Well-positioned to support clients, manage backlog of elective procedures and for future 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 unaudited results for the six months ended 30 June 2020.

	Six months to 30 June 2020 £'000s	Six months to 30 June 2019 £'000s	Change
Revenue	16,981	21,978	(22.7)%
Gross profit	8,000	10,463	(23.5)%
Gross profit margin	47.1%	47.6%	
Adjusted operating profit ¹	2,028	5,339	(62.0)%
Adjusted operating margin	11.9%	24.3%	
<i>Operating profit before exceptional items</i>	<i>1,517</i>	<i>4,823</i>	<i>(68.6)</i>
Adjusted profit before tax ²	1,901	5,204	(65.4)%
<i>Profit before tax</i>	<i>1,311</i>	<i>4,658</i>	<i>(71.9)%</i>
Adjusted EPS (pence) ³	1.30	3.88	(66.5)%
<i>Basic EPS</i>	<i>0.74</i>	<i>3.49</i>	<i>(78.9)%</i>
Interim dividend (pence)	0.85	0.85	n/a
	30 June 2020 £'000	31 December 2019 £'000	
Gross cash balances	20,004	16,576	21%

(1) Adjusted operating profit is a non-IFRS measure and is calculated as operating profit before exceptional items, share based payments and amortisation in respect of assets acquired on acquisition.

(2) Adjusted profit before tax is a non-IFRS measure and is calculated as profit before tax before exceptional items, 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, share based payments and amortisation in respect of assets acquired on acquisition

A reconciliation of non-statutory measures is included in note 8.

Financial highlights

As previously announced, revenue declined during H1 2020 compared to H1 2019 due to the impact of the SARS-CoV-2 (Covid-19) pandemic on radiology reporting activity. Despite the decline in revenue, Medica's cash position remained strong, demonstrating the resilience of the business model, and reporting activity has continued to improve to date in H2 2020.

- Total revenue of £17.0m; a decline of 22.7% year-on-year (2019: £22.0m)
 - NightHawk revenue marginally declined 0.8% to £10.2m year-on-year (2019: £10.4m)
 - Elective (previously referred to as Routine) revenue declined 42.4% to £6.4m year-on-year (2019: £11.1m) due to the suspension of elective procedures by the NHS during the Covid-19 outbreak
- Gross profit margin reduced marginally to 47.1% (2019: 47.6%) reflecting both changes to the revenue mix compared to prior year and also some impact of contract renewals and updated framework pricing as forecast in March 2020
- Adjusted operating profit declined 62.0% to £2.0m (2019: £5.3m) predominantly due to the impact of Covid-19 but offset somewhat by careful management of the cost base. Statutory operating profits declined 68.6% to £1.5m (2019: £4.8m)
- Despite the pressures of Covid-19, at 30 June 2020, gross cash stood at £20.0m (31 December 2019: £16.6m) Net cash after taking account of £12.0m of term debt was £8.0m (31 December 2019: £4.6m).
- Interim 2020 dividend of 0.85 pence per share declared reflecting the strong cash position

Operational highlights

- Significant improvement in reporting activity towards the end of the period:
 - NightHawk reporting activity initially fell to around 60% of pre-Covid-19 levels before recovering to around 95% at the end of H1 2020
 - Elective reporting activity initially fell significantly to around 5% of pre-Covid-19 levels, recovering to around 10% at the end of H1 2020
- Continued drive to increase rostered reporter capacity with 8% increase in available rostered reporting hours and significant latent capacity available to service the recovery in demand
- Advanced projects in support of new strategy communicated in March 2020
 - Strong progress in AI programme with encouraging results from pilot study
 - Initiated the FutureTech programme with procurement process to appoint future provider for Picture Archiving and Communication System (PACS) and in-house development of complementary systems that will add capability and efficiency
- Initiated a company-wide operational excellence programme and accelerated training and implementation of new clinical protocols to improve the quality of services, as well as internal leadership training
- Medica has not required any government funding to support its business during the pandemic

Post period end highlights

- Continued improving trend in reporting activity in both NightHawk and Elective services to date
 - NightHawk reporting activity has returned to over 100% of pre-Covid-19 levels
 - Elective reporting activity has recovered to over 45% of pre-Covid-19 levels
- New long term PACS partner appointed as preferred bidder subject to contracting
- New Chief Financial Officer, Richard Jones joined Medica on 3 August 2020
- New Clinical Director, Dr Robert Lavis joined on 1 September 2020
- New Head of Reporter Recruitment joined on 3 August 2020
- Positive start to a change in culture following new strategy, with increased engagement with staff and radiologists reflected in new corporate branding and new website launched in September 2020

Roy Davis, Chairman of Medica, said:

“This year has brought unprecedented challenges both for Medica and its NHS partners. I am very proud of the way in which the Company was quick to set in motion contingency plans to migrate to a homeworking environment with no impact on service delivery. I am also exceptionally proud that the team reacted quickly to support our radiologists to enable them to report their Trust work on a *pro-bono* basis using Medica’s home workstations. On behalf of the Board and shareholders, I would like to thank the team for their commitment and perseverance during this time. I am certain this experience has strengthened the team, our culture and the business model, which can only benefit us in the future.”

Dr Stuart Quin, Chief Executive Officer of Medica, said:

“We have delivered a resilient performance during the first half of the year, rapidly adapting and responding to client’s needs, managing costs carefully and remaining in a strong financial position despite a significant reduction in radiology reporting activity as a direct result of the Covid-19 pandemic. We have used the time from a reduction in workload wisely, taking steps to improve our service performance and focusing on delivery of our strategic initiatives. As a result, I am confident we are emerging from this pandemic stronger as a team and well-positioned to help our clients as they deal with a large backlog of elective procedures. We are also encouraged by the increase in reporting activity over the last three months and expect to see a continued improvement in revenues in the second half of the year. I would like to thank our fantastic team at Medica for their fortitude, as well as for the supportive and adaptive behaviours they exhibited during the pandemic. In particular, my thanks go to all of our radiologists and radiographers who were working tirelessly, many in the frontline, to maintain a service for patients during this most challenging of times.”

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About Medica Group PLC

Medica is the UK market leader in the provision of teleradiology services, providing outsourced interpretation and reporting of MRI (magnetic resonance imaging), CT (computerised tomography) and plain film (x-ray) images. The Company currently offers two primary services to hospital radiology departments:

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

Medica contracts with the largest pool of consultant radiologists in the UK performing remote access teleradiology across its customer base of more than 100 NHS Trusts, private hospital groups and diagnostic imaging companies in the UK. This enables the Company to offer a fast, responsive service both during the day and importantly supporting urgent out-of-hours reporting.

Medica has developed a 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. For more information please visit www.medica.co.uk

About Teleradiology

Teleradiology is the remote electronic transmission of radiological patient images, including plain film (x-rays), CT scans and MRI scans, from one location to another for the purposes of diagnostic interpretation and reporting.

Interim Management Report

Chairman's statement

I am pleased to present Medica's interim financial statements for the six months to 30 June 2020.

It is only during challenging times such as these that leadership is truly tested, and I am grateful for the way in which the management team has led the Company through these tough times. On 3 August, we welcomed Richard Jones as Chief Financial Officer to further strengthen the management team. Richard has already started to have a positive impact on the way the financial function is run and on the various projects underway across the Company and I am confident he will continue to have a strong impact on the future growth of the business.

Covid-19

The Company performance before the onset of the Covid-19 pandemic in late February 2020 was strong. Since then, management attention has focused on the response to safeguard the services and to support customers. The impact on our trading has been significant with a c.23% reduction in revenue compared to the same period in 2019. This was to be expected as the pandemic forced hospitals to postpone elective procedures and the restrictions imposed by the UK government in an attempt to curb the spread of the virus meant people were confined to their homes, resulting in greatly reduced attendances.

Management were fast to react to the situation and have controlled costs throughout this period to maintain a strong net cash position of £8.0m at 30 June 2020 (compared to £4.6m at 31 December 2019). As a result, the Company did not need to participate in any government funding schemes to support the business. Instead, management has taken advantage of the reduction in workload to focus on driving forward its new strategy, delivery of operational excellence projects and accelerating training and implementation of new clinical protocols to improve the quality of our services and positioning the Company for future growth.

Focus on our revised strategy for growth

In an increasingly competitive environment, Medica has a clear plan to constantly improve the quality and efficiency of its services. During the last few months, Medica has initiated its technology investment programme collectively known as the FutureTech programme, which was conceived as part of the strategy announced in March this year.

We have also made promising progress in our first Augmented Intelligence pilot study which has been well-received by radiologists in the Group. I am pleased we have taken the opportunity to accelerate our strategy announced in March and we look forward to keeping investors updated on our progress over the coming months.

Dividends

The Board is encouraged by the recovery in trading seen since the impact of Covid-19 was first experienced earlier in 2020 and also by the robust cash position of the Group at the period end. Whilst further possible short-term negative impact from Covid-19 cannot be ruled out, the Board has decided to declare an interim dividend of 0.85 pence per share in line with 2019 despite the reduced financial performance as a sign of confidence and reflecting our strong cash position.

Outlook

We have seen a strong rebound in NightHawk activity to pre-pandemic levels and are now experiencing growth on these levels. We expect Elective activity to continue to steadily increase in the remaining months this year, driven by a significant backlog of elective procedures that will continue to be processed as the NHS increases the flow of patients through its hospitals. In turn, as private providers start to deliver more elective procedures, following the government's decision to provide financial support to reduce NHS waiting lists by using private hospitals, we expect more pressure to be put on NHS departments to meet their internal reporting targets of returning to pre-Covid-19 activity levels by October 2020.

During the period, we have advanced projects in support of our new strategy, focusing on delivering investment in people, systems and processes with the aim of continually improving the service we offer to our clients and, in turn, the outcomes they deliver for their patients. Our plan remains to deliver strong organic revenue growth in the core business, with increased scalability and operating leverage, with upside potential from new business lines, geographic expansion and selective M&A in the medium-long term.

Whilst the Company is not in a position to re-initiate full guidance at this time due to the unpredictable nature of the Covid-19 pandemic and its impact on recovering NHS services, we expect to see a continued improvement in revenues in the second half of the year. We are confident we are emerging from this pandemic stronger as a team, better prepared to help our clients and well positioned for future growth.

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 and this is focused on two primary services to hospital radiology departments: NightHawk and Elective (previously Routine) which includes both cross-sectional and plain film reporting and the previously separately reported Independent and Specialist.

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 when either there is insufficient urgent capacity or specific expertise available within a hospital during the night. The second key service offering, Elective, is designed to assist hospital radiology departments in managing their demand/supply imbalance for less urgent daytime reporting on (typically elective) examinations. This includes CT and MRI scans (both forms of Cross-Sectional scan) and also plain film examinations and both services typically have a 48-hour turnaround time.

As the 2020 Royal College of Radiologists workforce census states, across the devolved nations of the UK, there is between a 27-37% shortage in the numbers of radiologists. This lack of specialist resource leads NHS hospitals to seek support for reporting of radiological images. Our core business strategy includes a focus to increase our net rostered reporting hours by recruiting and deploying high calibre clinical, General Medical Council certified radiologists and radiographers in the UK and overseas. To do this, we ensure that reporting is conducted within our robust clinical governance structure and that the reporting process is made as efficient as possible by improving workflow. Medica continues to evaluate and monitor new advances in technologies that support our core business. This includes specialist imaging modalities and Augmented Intelligence that could improve workflow, assist in clinical prioritisation and provide radiologist decision support. Through this, we can continue to expand the high-quality clinical services we offer to our clients and grow and develop the business efficiently.

Resilient performance in H1 2020

As previously announced, our performance in H1 2020 was significantly impacted by the impact of Covid-19 on radiology reporting activity. Total revenues were down 22.7% from £22.0m in H1 2019 to £17.0m in H1 2020. This is highlighted by comparing Q1 2020; when the impact of Covid-19 first materialised in March, which had revenue of £11.9m; with the performance in Q2 2020 with revenue of £5.1m.

NightHawk reporting activity was impacted to a lesser extent and faster to recover than Elective activity. NightHawk activity initially fell to around 60% of pre-Covid-19 levels before recovering to around 95% at the end of H1 2020 and since has continued to improve after the period end to over 100% of pre-Covid-19 levels.

Elective reporting activity was more significantly impacted than NightHawk as hospital elective and other non-urgent work was postponed. Reporting activity initially fell to only around 5% of pre-Covid-19 levels, recovering to around 10% in June 2020 as some elective work returned, and we have seen steady improvements since the period end to 45% of pre-Covid-19 levels currently.

Gross profit margin reduced marginally to 47.1% (2019: 47.6%) reflecting both changes to the revenue mix compared to prior year and also some impact of contract renewals and updated framework pricing as forecast in March 2020. Whilst we were able to reduce unnecessary variable costs, as a result of the reduction in revenues, our adjusted net profits reduced by 62.0% to £2.0m (H1 2019: 5.3m)

Whilst reporting activity has been impacted this year, the business has responded very positively. We were able to rapidly transition to a homeworking environment and were fast to respond to our reporter's requests to allow them to use Medica reporting stations to enable them to report their hospital work from home, rather than risk reporting from their hospitals.

Early on in the Covid-19 outbreak, the Company made the decision not to apply for government funds and not to furlough staff. Instead, we asked the team to take advantage of this reduction in workload and we established a series of operational excellence projects across all facets of the business to improve our performance once activity resumed. This focus will stand us in good stead as we start to support our clients to process the significant backlog of procedures. In addition, management were able to devote more dedicated time to our new strategy which, as a result, is expected to realise opportunities in the short-term.

The Company has made good progress embarking on projects in support of its new strategy announced in March this year. Among these is the FutureTech programme which was conceived as part of the new strategy. This project will deploy a new PACS and orchestration tool to automate the process in which studies are allocated for reporting, as well as design proprietary, Medica software to integrate with clients. This exciting and ambitious programme will deliver a new technology platform, bespoke, proprietary client interfaces and the opportunity to deploy augmented intelligence solutions in a more seamless way. This is expected to deliver an enhanced reporting experience for reporters, increased productivity and, in time, generate operating leverage in our business model. Medica has appointed a preferred partner to deliver a new PACS solution. The partnership is expected to be signed and announced shortly with the new service commencing in 2022.

In March 2020, the Company announced that it had signed an exciting partnership with Qure.ai, a global leader in artificial intelligence solutions for radiology. This represented the first step in our AI strategy. The initial focus was to review "qER" a tool to aid the diagnosis of intracranial haemorrhage (brain bleeds) in support of our NightHawk service. The foundations of our infrastructure, programme control and subject matter expertise are now in place which will support future AI developments. We have completed a two-stage pilot with qER. The results are very encouraging, demonstrating a high level of sensitivity for the Qure.ai algorithm to detect instances of brain haemorrhage in CT head scans. This provides confidence that if qER has processed an exam and did not identify an intracranial haemorrhage, it is highly unlikely one is present.

The launch of Medica's new strategy in March prompted a review of our mission, vision and values which are now presented on our website. This in turn led to a decision to develop a new brand that reflects not only the strengths inherent in the Company that are recognised by our existing clients, but also presents an opportunity for Medica to go forward confidently into new areas of business and new geographies. Our new brand and website were launched in early September.

Earnings per share

Basic EPS reduced by 78.9% to 0.74 pence (2019:3.49 pence). Adjusted earnings per share³ reduced by 66.5% to 1.30 pence (H1 2019: 3.88 pence) These reductions reflecting the impact of Covid-19 on profits together with the impact of tax at a higher effective tax rate on Profit before tax due to the impact of deferred tax.

Cash flow and net cash

The Company remains in a strong financial position with more cash on the balance sheet than it did before we entered the pandemic which is testament to the resilience of our business model.

Careful cash management during the period and the positive impact on working capital from a reduction in activity resulted in gross cash balances increasing by £3.4m to £20.0m (31 December 2019: £16.6). In H2 2020 we expect cash to reduce somewhat due to a combination of:

- Positive operating cashflow being offset somewhat by negative working capital as operating performance continues to improve
- The impact of the initial capex spend for our FutureTech programme which we expect to commence in H2 2020
- The payment of the interim dividend of 0.85 pence per share

However, overall, we expect gross cash balances at the end of 2020 to be ahead of 31 December 2019 despite the impact of Covid-19 on trading and without any government or other support being required which again is a testament to Medica's robust business model.

Fixed asset investment

Tangible additions to tangible fixed assets were £1.2m in H1 2020 (H1 2019: £2.2m) reflecting investment in new reporter PACS equipment, with the first capital expenditure on our FutureTech programme not expected until H2 2020.

Rostered reporting hours

Recruitment and retention of radiologists is key to providing a reliable, high-quality service and is core to Medica's growth strategy. However, it should be noted that increasing capacity is more than simply the overall number of contracted radiologists and depends on the total number of available reporting hours. To this end, our strategy therefore seeks to obtain greater commitment from existing and newly contracted radiologists thereby improving capacity and overall productivity.

Historically, Medica has reported absolute numbers of reporters recruited in period. However, as we outlined in our FY 2019 results in March 2020, we think that available rostered reporting hours represents a better measure of reporting capacity. During the period, available rostered reporting hours increased by 8%; a significant achievement given the reduction in volumes encountered due to the reduction in demand as a result of Covid-19. In addition, Medica continued to build a strong pipeline of reporter capacity through H1 2020 such that it is well-positioned to take advantage of providing increased capacity to our clients through recovery and beyond. We expect that the deployment of these additional reporters will continue through the second half and into next year as we continue to focus both on new reporter recruitment, as well as an increased contribution from existing reporters.

People

Medica's employees are core to the quality of the service delivered to our clients and in turn to their patients. We have continued to recruit high calibre individuals to support our growth and employee numbers rose by five full-time equivalents since last June to 120, primarily in the Service Delivery and NightHawk teams, but also in IT support and delivery. Additionally, we have welcomed our new Chief Financial Officer, Richard Jones who joined Medica on 3 August 2020 and our new Clinical Director, Dr Robert Lavis who joined on 1 September 2020. Finally, Medica's new Head of Reporter Recruitment also joined on 3 August 2020 to lead our reporter capacity growth both in the UK and internationally.

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

The Directors have concluded that the Group will be able to continue its operation and meet its liabilities as they fall due for the foreseeable future and are satisfied that it is appropriate to adopt the going concern basis of preparation in the financial statements.

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.

Stuart Quin
Chief Executive Officer
14 September 2020

Richard Jones
Chief Financial Officer
14 September 2020

Condensed Consolidated Income Statement and Condensed Consolidated statement of comprehensive income

For the six months ended 30 June 2020

		Unaudited 6 Months ended 30 June 2020 £'000	Unaudited 6 Months ended 30 June 2019 £'000	Audited 12 Months ended 31 December 2019 £'000
	Note			
Revenue	4	16,981	21,978	46,542
Cost of sales		(8,981)	(11,515)	(24,292)
Gross profit		<u>8,000</u>	<u>10,463</u>	<u>22,250</u>
Administration expenses		(6,483)	(5,640)	(12,027)
Operating profit before exceptional items		<u>1,517</u>	<u>4,823</u>	<u>10,223</u>
Other expenses - exceptional items	5	(98)	(30)	(362)
Operating profit		<u>1,419</u>	<u>4,793</u>	<u>9,861</u>
Finance income		62	44	93
Finance costs		(170)	(179)	(360)
Profit before tax		<u>1,311</u>	<u>4,658</u>	<u>9,594</u>
Income tax charge		(491)	(777)	(1,687)
Profit attributable to equity holders of the parent		<u>820</u>	<u>3,881</u>	<u>7,907</u>
Statement of Comprehensive income				
Profit for the period		820	3,881	7,907
Other comprehensive income		50	(1)	-
Total comprehensive profit for the period attributable to the owners of the parent		<u>870</u>	<u>3,880</u>	<u>7,907</u>
Basic profit per ordinary share (pence)	6	0.74	3.49	7.12
Diluted profit per ordinary share (pence)	6	0.74	3.47	7.09

Condensed Consolidated Balance Sheet

As at 30 June 2020

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Notes			
Non-current assets			
Goodwill	15,948	15,948	15,948
Other intangible assets	6,860	7,778	7,384
Property, plant and equipment	4,291	4,055	3,783
	27,099	27,781	27,115
Current assets			
Trade and other receivables	6,170	10,616	10,168
Cash and cash equivalents	20,004	11,519	16,576
	26,174	22,135	26,744
Current liabilities			
Trade and other payables	(3,194)	(3,832)	(4,803)
Non-current liabilities			
Borrowing and other financial liabilities	(12,278)	(12,474)	(12,334)
Deferred tax	(1,012)	(976)	(880)
	(13,290)	(13,450)	(13,214)
Net assets	36,789	32,634	35,842
Equity			
Share capital	9 223	222	222
Share premium	14,721	14,721	14,721
Retained profit	21,844	17,692	20,897
Foreign Exchange Equity	1	(1)	2
	36,789	32,634	35,842

Condensed Consolidated Statement of Changes in Equity

As at 30 June 2020

	Share Capital	Share Premium	Retained Earnings	Foreign Exchange Equity	Total Equity
	£'000	£'000	£'000	£'000	£'000
Audited					
As at 1 January 2019	222	14,721	15,398	-	30,341
Dividends	-	-	(1,668)	-	(1,668)
Share based payments	-	-	81	-	81
Transactions with owner	-	-	(1,587)		(1,587)
Profit for the period	-	-	3,881	-	3,881
Other comprehensive income	-	-	-	(1)	(1)
Total comprehensive income for the period	-	-	3,881	(1)	3,880
As at 1 July 2019	222	14,721	17,692	(1)	32,634
Dividends	-	-	(944)	-	(944)
Share based payments	-	-	123	-	123
Transactions with owner	-	-	(821)		(821)
Profit for the period	-	-	4,026	-	4,026
Other comprehensive income	-	-	-	3	3
Total comprehensive income for the period	-	-	4,026	3	4,029
As at 1 January 2020	222	14,721	20,897	2	35,842
Unaudited					
Dividends	-	-	-	-	-
Share based payments	-	-	76	-	76
Issue of ordinary shares	1	-	-	-	1
Transactions with owner	1	-	76	-	77
Profit for the period	-	-	820	-	820
Other comprehensive income	-	-	51	(1)	50
Total comprehensive income for the period	-	-	871	(1)	870
As at 30 June 2020	223	14,721	21,844	1	36,789

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Unaudited 6 Months ended 30 June 2020 £'000	Unaudited 6 Months ended 30 June 2019 £'000	Audited 12 Months ended 31 December 2019 £'000
Operating activities			
Profit before tax	1,311	4,658	9,594
<i>Adjustments for:</i>			
Depreciation	690	579	1,249
Amortisation	689	670	1,354
Share based payments	76	81	204
Finance income	(62)	(44)	(93)
Finance costs	170	179	360
<i>Changes in:</i>			
Decrease/(Increase) in trade and other receivables	3,998	(1,982)	(1,534)
(Decrease)/Increase in trade and other payables	(1,054)	108	753
Tax paid	(847)	(1,177)	(2,180)
Cash inflow from operating activities	4,971	3,072	9,707
Investing activities			
Purchase of property plant and equipment	(1,221)	(2,188)	(2,360)
Purchase of software intangibles	(216)	(167)	(467)
Interest received	62	44	93
Cash outflow from investing activities	(1,375)	(2,311)	(2,734)
Cashflows from financing activities			
Repayment of borrowings lease liability	(18)	-	(50)
Dividends paid to ordinary shareholders	-	(1,667)	(2,612)
Interest paid	(150)	(163)	(323)
Net cash outflow from financing activities	(168)	(1,830)	(2,985)
Net increase/(decrease) in cash and cash equivalents	3,428	(1,069)	3,988
Movement in net cash			
Cash at start of period	16,576	12,588	12,588
Increase/(Decrease) in cash	3,428	(1,069)	3,988
Cash at end of period	20,004	11,519	16,576

Condensed notes to the accounts

1. Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 annual report. They have been reviewed by Grant Thornton UK LLP but have not been audited.

2. 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. The Directors have considered the impact of Covid-19 on the reported results and the risk of a further deterioration(s) in performance in the future in making this assessment and have reviewed severe but plausible scenarios that have been updated for recent trading that could negatively impact the Group's finances. Whilst there may be further, potentially significant disruptions, the Directors believe the Group's services will continue to be needed to support the NHS and the resilience in particular of the Group's NightHawk service is evidence of this.

The Directors have concluded that the Group will be able to continue in operation and meet its liabilities as they fall due for the foreseeable future and are satisfied that it is appropriate to adopt the going concern basis of preparation in the financial statements.

3. 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 2019. In addition 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 2020. Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual earnings.

4. Revenue

Management have revised the basis for reporting revenue streams to reflect how the business is managed on an ongoing basis and these are now consolidated into two key revenue streams:

- NightHawk (unchanged)
- Elective (previously Routine CT and Routine Plain Film).

In addition, Independent and Specialist revenues which were previously reported separately are now included within Elective. A breakdown of revenue on the revised basis (together with comparatives restated to the same basis) is as follows:

4. Revenue (continued)

	Unaudited 6 Months ended 30 June 2020	Unaudited 6 Months ended 30 June 2019	Audited 12 Months ended 31 December 2019
NightHawk	10,249	10,409	22,072
Elective	6,732	11,569	24,470
	<u>16,981</u>	<u>21,978</u>	<u>46,542</u>

5. Exceptional costs

	Unaudited 6 Months ended 30 June 2020	Unaudited 6 Months ended 30 June 2019	Audited 12 Months ended 31 December 2019
Costs incurred in respect of Board succession	98	30	362
	<u>98</u>	<u>30</u>	<u>362</u>

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.

The costs for 2019 and 2020 are in relation to the international search and selection process for the Chief Executive Officer, Chief Financial Officer and the Non-Executive Directors. These are considered to be one off costs. In 2019 there were also additional costs in relation to a professional Board assessment review.

6. 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.

6. Earnings per share (continued)

	Unaudited 6 Months ended 30 June 2020 £000	Unaudited 6 Months ended 30 June 2019 £000	Audited 12 Months ended 31 December 2019 £000
Profit for the year attributable to ordinary shareholders	820	3,881	7,907
Effects of exceptional items *	79	30	293
Effects of amortisation of acquired intangibles *	472	435	702
Effects of share based payments charge *	76	81	132
Adjusted profit for the period attributable to ordinary shareholders	<u>1,447</u>	<u>4,427</u>	<u>9,034</u>
Weighted average number of ordinary shares	111,279,650	111,111,114	111,111,114
Dilutive effect of share options	<u>161,746</u>	<u>802,922</u>	<u>407,702</u>
Weighted average number of ordinary shares including dilutive	111,441,396	111,914,036	111,518,816
Basic profit per ordinary share (pence)	<u>0.74</u>	<u>3.49</u>	<u>7.12</u>
Diluted profit per ordinary share (pence)	<u>0.74</u>	<u>3.47</u>	<u>7.09</u>
Adjusted basic profit per ordinary share (pence)	<u>1.30</u>	<u>3.88</u>	<u>8.13</u>
Adjusted diluted basic profit per ordinary share (pence)	<u>1.30</u>	<u>3.86</u>	<u>8.10</u>

* these figures are net of tax effects

7. Dividends

	Unaudited 2020 £000	Audited 2019 £000
Interim dividend of 0.85 pence per share (2019: 0.85 pence per share)	<u>946</u>	<u>944</u>
Final dividend (2019: Nil pence per share)	<u>N/A</u>	<u>-</u>

8. 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.

8. Reconciliation of Non-IFRS Financial KPIs (continued)

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

	Unaudited 6 Months ended 30 June 2020 £'000	Unaudited 6 Months ended 30 June 2019 £'000	Audited 12 Months ended 31 December 2020 £'000
Reconciliation of Adjusted operating Profit			
Operating profit	1,517	4,823	10,223
<i>Adjustments for:</i>			
Amortisation of acquired intangibles	435	435	870
Share based payments	76	81	204
Adjusted Operating Profit	2,028	5,339	11,297
Adjusted operating profit margin	11.9%	24.3%	24.3%
Reconciliation of adjusted profit before tax			
Profit for the period	820	3,881	7,907
<i>Adjustments for:</i>			
Effects of exceptional items *	79	30	293
Effects of amortisation of acquired intangibles *	472	435	870
Effects of share-based payments *	76	81	132
Adjusted profit after tax	1,447	4,427	9,034
Income tax charge	454	777	1,927
Adjusted profit before tax	1,901	5,204	10,961
Reconciliation of net cash/(debt)			
Cash and cash equivalents	20,004	11,519	16,576
Borrowings due after one year	(12,278)	(12,474)	(12,334)
Net cash/(debt)	7,726	(955)	4,242

* these figures are net of tax effects

9. Equity

Ordinary share capital issued and fully paid

	Unaudited	Audited
	30	31
	June	December
	2020	2019
	£000	£000
111,279,650 (2019:111,111,114) ordinary shares of £0.002	<u>223</u>	<u>222</u>
Total ordinary share capital of the Company	<u><u>223</u></u>	<u><u>222</u></u>

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 2020 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 2020 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
Stuart Quin	Chief Executive Officer
Richard Jones	Chief Financial Officer
Stephen Davies	Medical Director
Steve Whittern	Senior Non-Executive Director
Joanne Easton	Non-Executive Director

By order of the Board

Richard Jones
Chief Financial Officer
14 September 2020

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 (the 'Company') for the six months ended 30 June 2020 which comprises 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.

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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 1, 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 to the Company 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.

The impact of macro-economic uncertainties on our review

Our review of the condensed set of financial statements in the half-yearly financial report requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit and Covid-19. Such reviews assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit and Covid-19 are amongst the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no review of interim financial information should be expected to predict the unknowable factors or all possible future implications for a Company associated with these particular events.

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 2020 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Company, 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 those matters we are required to state to it 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 as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
11 September 2020