7 April 2020

Medica Group PLC
Preliminary results demonstrate continued double-digit growth

Over 19% revenue growth in 2019, driven by strong performance from NightHawk and cross-sectional radiology reporting services

Strong start to 2020, with trading and radiologist recruitment in line with Board expectations, however, the COVID-19 pandemic is having a significant impact on short-term revenue

Strong balance sheet supports sustainability of the business during the coming months; management remain confident Medica will emerge from current challenges well-positioned to continue its growth strategy

Medica Group PLC (LSE:MGP, "Medica", the "Group" or the "Company"), the UK market leader by revenue in the provision of teleradiology services, announces its preliminary results for the year ended 31 December 2019. This is further to the publication of unaudited results on 23 March 2020 following the Financial Conduct Authority's request of the Group, and other listed businesses, to delay any forthcoming announcements of preliminary statements of annual results. With this moratorium over, further to the announcement on 23 March 2020, Medica provides an update in relation to commercial operations during the COVID-19 pandemic, as well as an update on a dividend.

COVID-19 update

The full impact of COVID-19 on revenue growth for the rest of the year is as yet unknown. The situation is unfolding and difficult to forecast at present. However, to date, the Company has experienced a significant reduction in both NightHawk and Routine cases being outsourced by our NHS clients.

In the case of NightHawk**,** the Company is experiencing a decline of around 50% in out-of-hours reporting activity. We could expect this to fall further to between 60-70%. The main factor driving the decline is the reduction of typical A&E admissions as the public are isolating at home. Any further fall from current levels may be offset by an increase in COVID-19 related imaging as the pandemic continues. In the last two weeks, we have tailored our NightHawk service to ensure we are able to support our NHS clients with dedicated COVID-19 care pathways.

In terms of Routine activity, the Company is experiencing a decline of around 90% in activity with many NHS hospitals having already suspended non-urgent elective procedures. We could expect up to 100% reduction in activity overall as the situation evolves and the NHS focus shifts entirely to dealing with COVID-19 cases. In terms of mitigation, we expect deferred elective cases to accumulate in the health system and this will lead to increased pressure to report routine cases later in the year.

The Company has a strong balance sheet and is well-placed to continue to deliver its high-quality service to support the NHS during this time of unprecedented pressure on healthcare resources.

Furthermore, the business model of the Company is such that approximately two-thirds of the cost base is variable as reporters are not paid unless there are images available to report.

Medica has activated its contingency plans and has been able to demonstrate that the Company can continue to provide its operational service remotely from home and maintain service levels. Medica's entire business model is focused around reporters 'working from home' and, as a result, our reporters are well-placed to continue to deliver the service despite the challenges.

Importantly, Medica has reacted quickly to the situation and is working closely with its NHS clients to invoke contingency planning and offer a *pro bono* 'pass through' service to enable their radiologists to report from home. This will allow reporters to report hospital cases using their Medica systems during daytime hours, as well as to continue to fulfil their reporting sessions with Medica.

The Board is closely monitoring the current COVID-19 situation and will work with the management team to ensure the Company is taking steps to maximise short-term cashflow. This would predominately include the postponement of discretionary CAPEX until Q3/Q4 2020 when the impact of the current pandemic is better understood.

The Company will reinstate short-term guidance once the impact of COVID-19 becomes clearer at a time when we have better insight on the length of impact and the recovery phase of the service. As the NHS returns to normal operations with the resumption of elective procedures and A&E activity increases as the population resumes normal activities, we could expect to see activity returning to pre-pandemic levels.

Financial highlights

Results	**Year ended 31 December 2019**	**Year ended 31 December 2018**	**% change**
Revenue (£'000)	46,542	38,969	19.4%
Gross profit (£'000)	22,250	19,086	16.6%
Gross Profit Margin	47.8%	49.0%	(120bps)
Adjusted EBITDA (£'000) (1)	13,030	11,938	9.2%
Adjusted EBITDA margin	28.0%	30.6%	(260bps)
Adjusted Operating profit (£'000) (2)	11,297	10,667	5.9%
Adjusted EPS (pence) (3)	8.13	7.75	4.9%

(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

- Delivered sales of £46.5m representing 19.4% revenue growth.
    - NightHawk, our urgent out-of-hours reporting service, continued to see significant growth, with revenue increasing by 14.3%
    - Routine cross sectional (CT and MRI reporting) performed well, with revenue increasing by 26.6%
    - Routine plain film (x-ray) revenue increased 9.7%
- Gross profit margin of 47.8% (2018: 49.0%) as anticipated due to NightHawk pricing pressure
- Adjusted EBITDA increased 9.2% to £13.0m

- Net cash significantly increased to £4.6m (2018: £nilm)

Considering the ongoing uncertainty surrounding the impact of COVID-19, the Board has not recommended a dividend for the year and the decision to pay a dividend will be deferred until later in the year once the Board has more clarity. The Company expects to hold its Annual General Meeting (AGM) on 20 May 2020 as planned, but in view of current guidance, the AGM will be held remotely via audio conference.

Strategy update

Since September, Medica has refocused its strategy 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.

The strategy aims to enable Medica to organically double its revenue within 5 years, as well as targeting upside revenue in the medium-long term from new services/ customers/international.

The strategy requires £5-6m total CAPEX investment until March 2022; of which up to £2m forecast in 2020. The aim is to unlock capacity and deliver scalability and operating leverage in the medium-long term.

Operational highlights

- Appointed Dr. Stuart Quin as Chief Executive Officer in September 2019
- Total number of reported body parts increased from 1.66m in 2018 to 1.94m in 2019
    - NightHawk reported body parts increased by 19.3%
    - Cross-sectional reported body parts increased by 26.4%
    - Plain film reported body parts increased by 9.4%
- Recruitment has been strong throughout 2019, with the total number of Radiologists (including radiographers and rheumatologists) contracting with Medica standing at 435 as at December 2019, representing a net increase of 73 year-on-year
- Increase in new capacity metric of rostered reporting hours equating to 20% compared to 2018
- Continued to gradually develop overseas reporting from Australia and other European markets
- Invested £1.3m in IT storage area network to support future growth and continued to invest in broader IT platform throughout 2019

Post period highlights

- Appointed Richard Jones as Chief Financial Officer to succeed Tony Lee, who will step down after 10 years as Finance Director following a transition period. Richard will join the Company later in the year at a date to be announced in due course
- Professor Mike Bewick to step down as a Non-Executive Director and Chairman of the Remuneration Committee at the AGM. Jo Easton, who was appointed as a Non-Executive Director in 2019, will replace Mike as Chair of the Remuneration Committee
- Appointed Clinical Director and Head of Reporter Liaison
- COVID-19: working closely with NHS clients to invoke contingency planning and offer a *pro bono* 'pass through' service to enable their radiologists to report from home
- Signed agreement with UK charity RefuAid. Medica providing financial and hands-on support for radiologists fleeing war-torn countries to re-train to join the NHS

- Signed contract with Qure.ai, a global leader in augmented intelligence (AI) solutions to develop AI tools for prioritisation of CT head scans and improved efficiency of radiology scan workload.
- IR35 strategy in place. No change anticipated to employment status

Dr. Stuart Quin, Chief Executive Officer of Medica, commented:
"I am pleased to report a strong financial and operational performance in 2019. Since joining in September, we have refocused our strategy to support the future growth and development of the business, as well as continue to improve the quality of our service offering. The market for teleradiology remains strong and we are increasingly supporting our clients with our high quality and responsive service both for urgent cases during out of hours and an increasing level of routine scans. I am particularly proud of the way our team has performed to innovate and respond to an increasing level and complexity of work and I would like to thank them for their continued efforts to provide a reliable service for our customers and their patients. With a strong balance street and leadership in a growth market, we are very optimistic about the long-term prospects of the business, notwithstanding the significant short-term impact on revenues from COVID-19. We are highly focused on executing our strategy to double our revenues in the next five years."

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Chairman's statement

I am pleased to provide my Chairman's statement for Medica Group PLC and to report good progress over the last 12 months.

In addition to consistently delivering on our financial and operational targets throughout the year, 2019 was a significant year for Medica Group having made a significant change in leadership of the Company.

Board and management changes

Last year I announced that John Graham planned to retire as Chief Executive Officer (CEO) in 2019 which he did in August. I would like to thank John for his commitment to Medica. John has successfully led the business since he joined Medica in 2011, delivering year-on-year organic growth and bringing Medica to the public markets in March 2017. The Board would like to thank John for his dedication to the business and wish him every success in the future.

On 1 September 2019, Dr. Stuart Quin joined the company as CEO. Stuart brings with him a wealth of experience from previous roles and has already set about refining the strategic vision for Medica. I am very pleased with the progress made since September and the achievements made overall during the last twelve months.

In addition to Stuart joining the Board, we were also fortunate to welcome Jo Easton as a Non-Executive Director in May 2019. Jo has been appointed to the audit, nomination and remuneration committees. She brings with her extensive experience in change management and employee relations including as group Director of Human Resources at De La Rue PLC where she developed and implemented a group-wide HR strategy with a key focus on culture change to forge a more dynamic and results-driven culture. In addition, Jo will become Chair of the Remuneration Committee in May 2020 following the departure of Professor Mike Bewick at the AGM. Mike notified the Board of his intention to stand down as a Non-Executive Director and Chairman of the Remuneration Committee on 6 April 2020. I would like to thank Mike for his valuable contribution to Medica during his tenure, both from a remuneration committee and clinical perspective. We wish him the very best for the future.

On 11 March 2020, the Board announced that Finance Director, Tony Lee, had mutually agreed with the Board that he will be leaving the Company to pursue other business opportunities. During his 10-year tenure at Medica, Tony made many significant contributions to the Company. In particular, he was instrumental in navigating the successful IPO in 2017 and strengthening Medica's position as a market leader in the provision of teleradiology services. I would like to thank him on behalf of the Board for his commitment and hard work during a time of significant change at Medica. The Board and I wish him well for the future.

On 30 March 2020, we announced the appointment of Richard Jones as Chief Financial Officer (CFO) and an Executive Director of the Board. Following a transition period, Richard will join the Company later in the year at a date to be announced in due course. Richard brings with him 20 years' extensive experience working with and in fast-growing healthcare businesses, nine of which as a proven CFO of two listed healthcare UK companies. Richard is currently CFO at Mereo BioPharma Group Plc and was previously CFO at Shield Therapeutics Plc. He is also currently a Non-Executive Director and Chair of Audit Committee at Alliance Pharma Plc.

Strong financial position and dedicated teams to support long-term growth

Notwithstanding the significant impact of COVID-19 on short-term trading, the Company remains in a strong financial position with cash of £16.6m at period end. There was no change in borrowing at £12m and a further £1m RCF is available if required. This strong cash position provides flexibility to invest as appropriate in the future. The Board is closely monitoring the current COVID-19 situation and will work with the management team to ensure the Company is taking steps to maximise short-term cashflow. This would predominately include the postponement of discretionary CAPEX until Q3/Q4 2020 when the impact of the current pandemic is better understood.

Revenue has grown by over 19% year on year to £46.5m and whilst we have experienced some gross margin pressure, the Group has increased profit before tax by 5% to £9.6m. This performance is a credit to the hard work of our team who deliver an outstanding service day and night. I would like to thank both our radiologist and radiographer teams, which report from all over the UK and overseas, as well as our dedicated team based in Hastings, who provide the support and systems to enable our highly skilled medical team to report in a high-quality and timely manner. Without their commitment, dedication and hard work Medica would not be the successful and exciting Company it is today.

Teleradiology as part of a portfolio career for radiologists has grown significantly, and most NHS Trusts now rely on companies such as Medica Group to be an integrated, trusted partner in the delivery of their vital radiology reporting services

The demand for Medica's services remains high due to the increasing number of diagnoses requiring imaging, more complex imaging modalities and a shortage of reporting capacity across the NHS at critical times, including during the night. Medica has expanded its range of services over the last 12 months to offer a wider portfolio and has also deepened relationships with many of its customers. Medica high-quality service delivery and clinical governance make the Company the partner of choice for approximately half of the NHS Trusts across the UK.

Our business remains dependent upon employing experienced reporters and reliable systems to enable them to deliver high-quality reports as fast as possible

Sustained growth requires a continued increase in our reporting capacity, and we have been able to increase the number of reporting hours by 20% this year. To be successful, we need to ensure that as well as continuing to attract new reporters to work for Medica, our existing pool of reporters is also able to increase the number of sessions of reporting performed and productivity per session. Over the last 12 months, we have expanded to recruit two reporters in Australia and have also enabled reporting within other EU countries. We will continue to focus on increasing capacity, as well as the depth and breadth of reporting capabilities.

The last 12 months has seen a focus on investment in our data centre to ensure that we are able to scale effectively. Whilst this investment was a necessity to keep pace with growth, we have recently also embarked on an assessment of our current capabilities to determine the benefit that can be derived from improved and upgraded systems and more focus on our internal processes. We have decided to embark on a programme of work that will see Medica deploy the next generation of reporting systems, as well as proprietary systems to enhance both the quality and speed of reporting for our customers and our reporters.

Medica's Board continues to maintain a progressive dividend policy seeking to maximise shareholder value

Medica's strong earnings and cash flow characteristics allow it to retain capital to fund ongoing operating requirements and to invest in the Group's long-term growth. Following the interim dividend of 0.85 pence for the period to 30 June 2019, the Board had intended to propose a further dividend in line with Company growth. However, in light of the ongoing uncertainty surrounding the impact of COVID-19 the Board has not recommended a dividend for the year and the decision to pay a dividend will be deferred until later in the year once the Board has more clarity. The Company expects to hold its AGM on 20 May 2020 as planned, but in view of current guidance, the AGM will be held remotely via audio conference.

We look forward to continuing Medica's growth story with a new CEO at the helm. I am confident Stuart, the Executive team and fellow Non-Executive Directors will continue to drive growth and to leverage the successful Medica platform to evaluate opportunities for deeper customer partnership and diversification in the years to come.

Roy Davis, Chairman
7 April 2020

Chief Executive Officer report

During the COVID-19 pandemic, the Board's priority is to safeguard the health and safety of the Group's employees. I would like to open my statement by recognising the professionalism and commitment shown by the entire Medica team, which include those working behind the scenes to ensure continuity of the service, as well as our reporters, many of whom are working on the front line during this incredibly difficult time.

It is only at times like this that our contingency plans are fully tested and have been shown to be resilient. With a strong balance sheet and variable cost base, I am confident our Company will emerge stronger as an organisation to continue to grow and develop and at the same time will continue to do what it can to support our clients during the COVID-19 outbreak. I am proud to have joined such an organisation and to have the opportunity, along with the executive team, to lead the Company through this challenging time.

The full impact of COVID-19 on revenue growth for the rest of the year is as yet unknown. The situation is unfolding and difficult to forecast at present. However, to date, the company has experienced a significant reduction in both NightHawk and Routine cases being outsourced by our NHS clients.

The company has a strong balance sheet and is well-placed to continue to deliver its high-quality service to support the NHS during this time of unprecedented pressure on healthcare resources.

Furthermore, the business model of the Company is such that approximately two-thirds of the cost base is variable as reporters are not paid unless there are images available to report.

Medica has activated its contingency plans and has been able to demonstrate that the Company can continue to provide its operational service remotely from home and maintain service levels. Medica's entire business model is focused around reporters 'working from home' and, as a result, our reporters are well-placed to continue to deliver the service despite the challenges.

Importantly, Medica has reacted quickly to the situation and is working closely with its NHS clients to invoke contingency planning and offer a *pro bono* 'pass through' service to enable their radiologists to report from home. This will allow reporters to report hospital cases using their Medica systems during daytime hours, as well as to continue to fulfil their reporting sessions with Medica.

Full year 2019 financial results

For the financial year ended 31 December 2019, the Company has delivered against both its financial and operational metrics:

Financial metrics

- Revenue of £ 46.5m demonstrating growth of 19.4% year-on-year
- Adjusted operating profit of £11.3m, an increase of 5.9% compared to 2018
- Adjusted EPS of 8.13 pence

Operational metrics

- Increase in reporter hours of 20% year-on-year
- Nighthawk turnaround time of 23 minutes
- Number of reported 'body parts' 1.94 million up 17% on last year

As the demand for imaging services and the requirement for more complex and sophisticated imaging modalities increases, there is a growing need for our customers to have a partner that delivers a reliable and trusted service within a comprehensive clinical governance framework as there is insufficient internal capacity in UK hospitals to meet this growing demand.

At its heart, Medica is an organisation that focuses on delivery of high quality, reliable and timely reports that enable doctors to make important decisions about the treatment of patients. It is clear that Medica provides a service which is trusted by doctors and the quality of our reporting is very high and typically forms the basis for the decision to select Medica as a partner. There is increasing competition to provide teleradiology reporting services, particularly during the busy night-time periods, but Medica remains well-positioned as the market leader with an enviable reputation and brand.

During 2019 we have seen an increasing demand for our services and have responded to customer needs by increasing our reporter capacity and by investing in systems and workflow improvements to improve productivity and system reliability. We have also invested in our delivery teams to ensure that we are planning and resourcing appropriately.

Increasing demand for our services

Teleradiology provides an essential service for hospitals and healthcare organisations. It is critical to patients that the service is provided as part of a carefully integrated pathway for medical reporting. This requires excellent clinical governance and working in close partnership with the Clinical Directors and Radiology Service Managers within the NHS and other healthcare organisations.

The demand for teleradiology remains strong. The Royal College of Radiologists report that only 2% of NHS Trusts in England and Wales can report all radiology cases using internal resource within normal hours with 96% of Trusts paying overtime to radiologists. This is driving a growing number of Trusts to look to teleradiology to fill the gap.

NHS Improvement has signalled that it intends Trusts to form reporting networks enabled by teleradiology. However, the issue remains that many reporters choose to work outside of the NHS for reasons described below and even if the reporting networks are realised in some areas of the country, the question remains how pooling reporting capacity will solve the problem unless consultants are willing to work more overtime in hospitals to meet the growing demand.

Increasing reporter capacity

Medica contracts with radiologists and radiographers, together “reporters”, predominantly on a part-time, but also on a full-time basis. Most reporters work for Medica on a part-time basis dedicating several routine and “Nighthawk” out-of-hours reporting sessions per week. Increasing numbers of UK Radiologists are taking part in external teleradiology reporting which means that as familiarity with teleradiology reporting increases, Medica can expect the number of radiologists looking to develop their careers via teleradiology to also increase. Those that are already working in teleradiology increase the number of sessions that they provide as they become confident with the systems and see the benefits of working in this way. Therefore, capacity can be driven through a combination of increased sessions from our installed base of reporters, as well as the addition of new reporters that meet the required criteria.

Why do reporters choose teleradiology?

- **Teleradiology offers the opportunity to build expertise:** if a consultant is looking to develop sub-specialisation, for example, in muscular skeletal (MSK) reporting, it is possible to supplement MSK case load through teleradiology reporting.
- **Teleradiology encourages flexibility and greater productivity:** reporters can work for Medica when it suits them, and the Company offers the flexibility of working from a one of its reporting centres or from a specially designed home reporting setting. It allows a reliable and productive workflow to supplement experience, as well as income.
- **Teleradiology provides peer review in a safe, familiar reporting environment:** Medica encourages a continuous learning environment where reporters can train to audit one another's work and provide feedback and guidance based on best practices. Our systems are familiar to reporters and we offer a reporting environment that is similar to the NHS in terms of access to prior scans and patient history that enables the reporter to give a more confident diagnosis.

Medica has increased the number of dedicated rostered reporting hours by 20% year on year. In future, Medica will use this revised metric rather than report on the number of contracted reporters. This change reflects how the business is run on a day-to-day basis and provides a more accurate and useful reflection of the actual reporting capacity.

Performance of Nighthawk and Routine reporting units

Medica provides urgent out-of-hours reporting services, as well as less time-sensitive routine and backlog reporting services.

Competition for out-of-hours service remains high due to the nature of the business: exclusivity with a Trust for urgent reporting through the night is often the first area for partnering with a teleradiology company to prioritise consultants to work during the daytime.

Medica has taken on two full-time reporters in Australia this year to support the service during the night and we will continue to gradually add to this number. In addition, our growing number of reporters in the UK has enabled us to continue to grow this part of our business. Performance of our NightHawk urgent out-of-hours service remains very high with an average time to report of 23 minutes against a target of 60 minutes. The quality and responsiveness of this critical service, as well as the availability of specialist radiologist experts during the night remains of paramount importance to the Group.

Routine reporting activity remains high and Medica has largely grown this year, as in prior years, by providing an increased service to existing customers who require this additional capacity to keep pace with demand, rather than offering net additional capacity to new customers.

Continued investment in systems, workflow and AI

Further investment has been made in systems during 2019 to bring the data storage capabilities up to a required standard. This investment means that as activity grows in the future, Medica has the flexibility to add more storage capacity. Investments have also been made in internally developed tools that assist in the allocation and prioritisation of workflow which both assists our reporters and customers, as well as improving the capacity and speed of reporting. This includes investment in robotic process automation to assist in allocation of cases. In the second half of the year, we also launched a new version of our proprietary NightHawk portal which includes service improvements based on continuous feedback from our reporters.

However, further focused investment will be required going forward to ensure that the platform can not only continue to support a fast-growing business, but also process images in a less manual, more efficient manner. Radiology reporting technologies are changing rapidly and Medica needs to ensure it can continue to provide fast and efficient systems for its customers, as well as a user-friendly, highly productive system for our 435 plus reporters.

Since September, Medica has been evaluating potential partners in augmented intelligence (AI). Medica prefers this term to 'artificial intelligence' as the current tools and algorithms available are best deployed in support of a reporter workflow and not to substitute the decision making of a highly trained doctor. Teleradiology has been identified as an obvious route to market for many AI vendors given both the scale of the teleradiology companies and the access to hospitals. Many AI tools are being deployed to triage and prioritise workflow and to act to bring to the attention of the reporter any potential abnormalities. However, the algorithms are not yet comprehensive enough to be deployed across our complex routine caseload in our current reporting setting and therefore Medica's initial focus will be on areas of clinical diagnosis where triage and fast decisions are critical to the outcome of patients such as stroke diagnosis. The other area of focus is the deployment of AI to improve workflow productivity and accuracy of allocation.

Medica is pleased to announce a partnership with Qure.ai, a global leader in augmented intelligence solutions for radiology, announce a strategic partnership to develop AI tools for prioritisation and improved efficiency of radiology scan workload. Under the terms of the agreement, Medica will partner with Qure.ai in two important areas:

The first is to launch a decision support tool for CT (computed tomography) head scan examinations. This tool will flag potential urgent examinations allowing prioritisation of reporting based on clinical priority as opposed to chronological allocation. The tool will also highlight potentially critical findings to reporters, which can be integrated into their diagnoses. The tool will be trialled and implemented to augment Medica's urgent, out-of-hours NightHawk service.

The second area is to co-develop a bespoke AI-based automated workflow improvement tool that aims to improve the efficiency of study allocation from NHS clients to Medica's network of over 435 reporters.

Medica will continue to work closely with its radiologist colleagues to assess the AI marketplace and ensure we can assist them to enhance their reporting capabilities and deliver excellent reports for patients. We have recently recruited a Clinical Director to assist in important projects such as these and his support will help to accelerate deployment.

Outlook and future strategy development

Our focus is to sustain double-digit revenue growth, whilst also delivering new systems and processes that will in time generate operating leverage by scaling more efficiently. In the short-term, volumes are expected to grow by similar numbers as 2019, which would indicate low double-digit revenue growth in 2020. However, given the expected impact of COVID-19 on routine reporting activity and the potential disruption to our ability to report, means that we are cautious in terms of growth forecasts for the rest of the year.

As advised above, the Company is experiencing a decline of around 50% in out-of-hours reporting activity. We could expect this to fall to between 60-70%. The main factor driving the decline is the reduction of typical A&E admissions as the public are isolating at home. In terms of Routine activity, the Company is experiencing a decline of around 90% in activity with many NHS hospitals having already suspended non-urgent elective procedures. We could expect up to 100% reduction in activity overall as the situation evolves and NHS focus shifts entirely to dealing with COVID19 cases. At this stage, there is no clarity on the expected length of the outbreak and at what point we could expect a resumption of normal business. We will provide a trading update at the appropriate time as and when the situation changes to a material extent.

Our refocused strategy will enable Medica to organically double its revenue within 5 years. Our plan is to deliver strong organic revenue growth in the core business with increased scalability and operating leverage with upside potential from new business lines and selective M&A. This plan does not consider the short-term uncertainty concerning impact of COVID-19 on reporting activity as this is still unclear and evolving rapidly. However, based on guidance above, the short-term outlook will be significantly impacted by decreased activity for a period of time until our clients resume normal operations in their hospitals.

Results	**2019** (IFRS 16)	**Short term** Outlook **Pre-COVID-19**	**Medium-long term** Outlook **Pre-COVID-19**
Revenue	£46.5m	12-14% organic growth. *Excludes COVID-19 impact*	12-14% organic growth
Gross Profit margin	47.8%	Reduce up to 200bp	Ongoing price pressure. Steady state c. 43-45%
Adjusted operating profit	£11.3m 24.3% margin	c. 20% steady-state	c. 20% steady-state. +ve operating leverage post new system implementation
CAPEX	£2.8m (Additional £1.3m IT storage investment)	Revised run rate £2.5m. Up to £2.0m additional (c. £4.5m total)	Further £3-4m additional over 3 years (project total up to £6m)

As well as focusing on the underlying business, the management team has made considerable progress assessing the opportunities for the business in the future. Medica has untapped potential in its existing platform that supports the core teleradiology reporting business, as well as the opportunity to leverage this platform to expand into new areas of growth and business development. This is an exciting time for Medica, its employees and customers and our challenge is to unlock this potential over the next few years to position the company for continued profitable growth.

To be able to realise this potential, Medica needs to continue to invest not simply to keep pace with growth, but to advance in anticipation of future growth. This applies as much to the training and developing our people, as it does to investing in our systems and processes and to the diversification of our services.

Developing our team

Medica has a highly motivated, young and diverse workforce that naturally embraces change and innovation. One of my priorities is to ensure Medica is a great place to work and a place to develop and grow our own talent.

In the fourth quarter of last year, Medica embarked on a programme to develop the future leaders of our Company. Over the course of 2020, this programme will deliver teaching and share insights to help support the next leaders of our Company.

Additionally, we are investing in 'human factors' training to inculcate and reinforce a culture of providing the highest quality service for customers and their patients. In our business, time matters. Even small delays in referring an image for review can have an impact on patient outcomes. Timely and effective communication between NHS radiology departments and the Medica reporting teams is critical and this training underpins this important interface.

Reporters have a choice about where they report. Medica understands that to remain competitive it needs to offer its reporters a combination of regular and reliable case mix via a system that is intuitive, reliable and supports reporters' productivity levels all within the required quality framework. To this end, Medica has recently recruited a reporter liaison lead who will ensure that new reporters are transitioned from our recruitment team to seamlessly become part of our trusted reporter pool and that their ongoing expectations of working at Medica are met and hopefully exceeded.

Developing our systems

Medica has relied on its current systems since before IPO and whilst they remain fit for purpose, technology has evolved and investment is required to upgrade the systems by which images are retrieved, processed and reported.

In 2020, we will embark on a £5-6m Capex investment programme until 2022, with up to £2m to be spent in 2020, to upgrade our systems and also invest in developing proprietary systems to improve the way in which we interface with our customers and reporters to allocate images for reporting and track and report on performance. The decision to invest up to £2m in Capex in 2020 will not be made until later in the financial year at which time we would expect more clarity concerning the COVID-19 impact on the Company.

Augmented intelligence will also play an increasing role in our future strategy and having systems where AI can be easily and flexibly deployed will be important to be able to offer a fast, accurate and efficient service. Our recently signed partnership with Qure.ai is an exciting first step to harnessing the benefits of AI on our business model.

Developing our service offerings

A core part of Medica's strategy at IPO was to expand the range of services provided to customers both in terms of service delivery and geographically.

Whilst Medica now provides reporting services from other countries, notably other European countries and Australia, the near-term focus remains on growing the pool of reporters to support UK work. Wherever Medica reports from, our reporters must be General Medical Council (GMC) registered and have experience of working at consultant level. This means that reporters are very experienced at working in the UK system and familiar with NHS reporting, but at the same time it limits the available pool of 'overseas' reporters who meet these criteria. Medica is looking at ways to improve this situation and to be able to expand the breadth and depth of its pool of reporters going forward.

This year Medica launched two important services, prostate MRI and PET-CT, amongst others. Specialist services will remain an important part of the growth story, but as they support development of routine reporting, it has been decided that the “specialist services” revenue will henceforth be reported within the ‘routine’ business line.

Medica’s radiology reporting platform can be further leveraged to expand into new areas of business outside of its core market of NHS teleradiology. Medica’s brand and reputation for quality should allow the Company to penetrate new markets and to explore new approaches to partnership with existing and new customers.

The Board would like to give its sincere thanks to the entire Medica team for their hard work in 2019 and their commitment to continuing success for the years to come.

Dr. Stuart Quin, Chief Executive Officer
7 April 2020

Financial Review

Preliminary results

Medica has enjoyed strong growth since IPO and this continued throughout 2019 with Group revenues growing by 19.4% to £46.5m (2018: £39.0m) and adjusted operating profit growing by 5.9% to £11.3m (2018: £10.7m). Statutory operating profit increased by 4.8% to £9.9m (2018: £9.4m).

Net profit increased by 7.4% from £7.4m to £7.9m and basic earnings per share increased by 7.6% from 6.62 pence to 7.12 pence. Adjusted profit after tax increased by 4.9% from £8.6m to £9.0m and adjusted basic earnings per share increased by 4.9% from 7.75 pence to 8.13 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 cross-sectional (CS) and Plain Film (PF; x-ray) scans which Medica has reported upon. This has primarily come from expanding existing accounts with our extensive network of NHS Trusts.

- NightHawk revenues increased to £22.1m, a 14.3% increase from 2018 revenue of £19.3m. 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. Revenue has grown more slowly than volume due to pricing adjustments for some NHS contracts.
- Routine Cross-Sectional revenues increased to £18.9m, a 26.6% increase from 2018 revenue of £15.0m. Growth has been driven primarily through increasing demand from existing customers and. Medica has continued to enhance its partnerships with Trusts and are reporting a greater proportion of their increasing scan volumes.
- Plain Film revenues increased to £4.3m, a 9.7% increase from 2018 revenue of £3.9m. This growth has been achievable by continuing to develop the Radiographer reporting service which started in 2016.

Our continued ability to increase reporting capacity is a key driver of revenue growth. To this end we invest in recruiting new radiologists and retaining and increasing commitment from our existing radiologists.

Medica added an additional net 73 reporters in 2019 and at 31 December 2019 there were a total of 435 reporters with whom Medica contracted, demonstrating the attractiveness of the Company as part of a portfolio career for reporters. As we look ahead, radiologist numbers are no longer the best method of demonstrating capacity increases as different radiologists contribute different amounts of capacity. Therefore, in the future we have decided to report on the overall percentage increase in the number of rostered reporting hours provided by both our new and existing network of reporters within the period.

Gross margins

Gross profit margin for the year was 47.8% (2018: 49.0%).

In 2019 the gross margins for the main service lines were as follows:

NightHawk:	48.6% (2018: 49.9%)
Routine Cross-Sectional:	51.9% (2018: 51.9%)
Routine Plain Film:	49.3% (2018: 49.4%)

The costs included within cost of sales relate to the costs of paying Medica's Radiologists, internal clinical audit costs and framework fees. Internal clinical audit costs which can be significant and framework fees are not included within the individual service line gross profit figures above. Currently these costs are reported separately but in future they will be attributed to specific service lines when reporting gross margins.

The gross profit margin declined further in 2019 due to the expected reduction in NightHawk gross profit margin which is as a result of the on-going renewal of contracts at moderately lower prices. There has been downward pressure on prices for some time as volumes increase and this is expected to continue. For this reason, gross margin is expected to continue to decline at approximately the same rate as 2019 for the next few years.

Adjusted EBITDA and operating profit

Since IPO the main profit metric has been adjusted EBITDA which was £13.0m in 2019 (2018 £11.9m). Going forward, the Company has decided to use adjusted operating profit as the main profit metric.

The adjusted operating profit for the period of £11.3m was 5.9% higher than 2018 (£10.7m. The adjusted operating profit margin reduced from 27.4% in 2018 to 24.3% in 2019. This was due to investment during the year in people and processes to ensure the long-term growth of the business. These additional costs were most notably in IT, projects and related areas. The full impact of the additional costs together with further expenditure required to keep pace with future growth will continue through 2020 and this is likely to result in the adjusted net operating profit margin reducing further towards 20%.

Exceptional costs

Exceptional costs of £0.4m (2018: £0.2m) are in relation to the recruitment process for both the Chief Executive Officer and an additional Non-Executive Director and the notice payments to John Graham. These are considered to be one-off costs.

Net finance expense

Finance costs were £0.3m for the year (2018: £0.3m).

Taxation

The Group has incurred a tax charge of £1.7m in the year ended 31 December 2019, compared with £1.8m in the year ended 31 December 2018. The effective rate of tax for 2019 is 19.0%.

Earnings per share

Adjusted earnings per share increased by 4.9% to 8.13p, reflecting the growth in the business. Basic earnings per share increased by 7.6% to 7.12.

Dividends

Following the interim dividend of 0.85 pence for the period to 30 June 2019, the Board had intended to propose a further dividend in line with Company growth. However, in light of the ongoing uncertainty surrounding the impact of COVID-19 the Board has not recommended a dividend for the year and the decision to pay a dividend will be deferred until later in the year once the Board has more clarity.

Cash flow and capital expenditure

The business continued to generate strong cash flow and cash flow from operating activities was £9.7m (2018: £9.6m)

Capital expenditure for the year was £2.8m (2018: £1.2m). In addition to normal expenditure on radiologist and client equipment the business continued to invest in its infrastructure to support volume growth and to improve its efficiency and service offering. The main additional investment in 2019 was £1.3m for a Storage Area Network (SAN) at our primary data centre which provides a more flexible approach to data storage in such a fast growth business. In addition to facilitating volume growth this also significantly enhanced the resilience of our core systems.

Property plant and equipment:

As at the year end, total value of property, plant and equipment was £3.8m (31 December 2018: £1.9m). Property, plant and equipment primarily relate to computer equipment, the majority of which is the servers installed with customers, radiologists' workstations and infrastructure technology. The growth reflects normal investment and the purchase of the SAN.

Intangible assets

As at the year-end, total intangible assets were £23.3m (31 December 2018: £24.2m): The Group's main intangible assets are goodwill of £15.9m and other intangible assets from the acquisition by the Company of Medica Reporting Limited in May 2013 of £6.2m (2018: £7.1m). In addition, there is a small proportion, which at the year-end was £1.2m (year ended 31 December 2018: £1.2m), in relation to purchased software and certain capitalised development software and licences including the PACS.

Net debt

At the time of listing in March 2017 the Group had net debt of approximately £10m. At the end of 2019 Medica achieved net cash of £4.6m being cash of £16.6m and a loan of £12m. These figures do not include a lease liability for our head office under IFRS 16 of £0.4m.

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

Anthony Lee, Chief Financial Officer
7 April 2020

Financial statements

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	31 December 2019 £000	31 December 2018 £000
Revenue	**46,542**	38,969
Cost of sales	**(24,292)**	(19,883)
Gross profit	**22,250**	19,086
Administration expenses	**(12,027)**	(9,424)
Operating profit before exceptional items	**10,223**	9,662
Other expenses – exceptional items	**(362)**	(245)
Operating profit	**9,861**	9,417
Finance income	**93**	68
Finance costs	**(360)**	(329)
Profit before tax	**9,594**	9,156
Analysed as		
Adjusted EBITDA	**13,030**	11,938
Share based payments charge	**(204)**	(135)
Exceptional items	**(362)**	(245)
Finance costs	**(360)**	(329)
Finance income	**93**	68
Depreciation	**(1,249)**	(853)
Amortisation	**(1,354)**	(1,288)
Profit before tax	**9,594**	9,156
Income tax charge	**(1,687)**	(1,794)
Profit attributable to equity holders of the parent	**7,907**	7,362
Statement of Comprehensive Income		
Profit for the year	**7,907**	7,362
Other comprehensive income	**–**	–
Total comprehensive profit for the year attributable to owners of the parent	**7,907**	7,362
Profit per share (basic and diluted)		
Basic profit per ordinary share (pence)	**7.12p**	6.62p
Diluted profit per ordinary share (pence)	**7.09p**	6.58p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

COMPANY REGISTRATION 08497963

As at 31 December 2019

	At 31 December 2019 £000	At 31 December 2018 £000
Non-current assets		
Goodwill	**15,948**	15,948
Other intangible assets	**7,384**	8,243
Property, plant and equipment	**3,783**	1,938
	27,115	26,129
Current assets		
Trade and other receivables	**10,168**	8,634
Cash and cash equivalents	**16,576**	12,588
	26,744	21,222
Current liabilities		
Trade and other payables	**(4,803)**	(3,970)
	(4,803)	(3,970)
Non-current liabilities		
Borrowings and other financial liabilities	**(12,334)**	(11,912)
Deferred tax	**(880)**	(1,128)
	(13,214)	(13,040)
Net assets	**35,842**	30,341
Equity		
Share capital	**222**	222
Share premium	**14,721**	14,721
Retained profit	**20,897**	15,398
Foreign exchange equity	**2**	–
Total equity	**35,842**	30,341

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	12 months ended 31 December 2019 £'000	12 months ended 31 December 2018 £'000
Operating activities		
Profit for the year	**7,907**	7,362
Add taxation	**1,687**	1,794
Profit before tax	**9,594**	9,156
Adjustments for:		
Depreciation	**1,249**	853
Amortisation	**1,354**	1,288
Shared based payments	**204**	135
Finance income	**(93)**	(68)
Finance costs	**360**	329
Changes in:		
(Increase) in trade and other receivables	**(1,534)**	(424)
Decrease in trade and other payables	**753**	536
Tax paid	**(2,180)**	(2,172)
Cash inflow from operating activities	**9,707**	9,633
Investing activities		
Purchase of property, plant and equipment	**(2,360)**	(920)
Purchase of software intangibles	**(467)**	(725)
Interest received	**93**	54
Cash outflow from investing activities	**(2,734)**	(1,591)
Cash flows from financing activities		
Repayment of lease liability	**(50)**	–
Dividends paid to ordinary shareholders	**(2,612)**	(2,056)
Interest paid	**(323)**	(305)
Net cash outflow from financing	**(2,985)**	(2,361)
Net change in cash and cash equivalents	**3,988**	5,681
Movement in net cash		
Cash and cash equivalents, beginning of period	**12,588**	6,907
Increase in cash and cash equivalents	**3,988**	5,681
Cash and cash equivalents, end of period	**16,576**	12,588

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital £000	Share premium £000	Retained earnings £000	Foreign exchange equity £000	Total equity £000
At 1 January 2018	222	14,721	9,957	–	24,900
Dividends paid to ordinary shareholders	–	–	(2,056)	–	(2,056)
Equity settled share-based payments	–	–	135	–	135
Transactions with owner	–	–	**(1,921)**	–	**(1,921)**
Profit and total comprehensive income for the period	–	–	7,362	–	7,362
At 1 January 2019	**222**	**14,721**	**15,398**	–	**30,341**
Dividends paid to ordinary shareholders	–	–	(2,612)	–	(2,612)
Equity settled share-based payments	–	–	204	–	204
Foreign exchange equity	–	–	–	2	2
Transactions with owner	–	–	**(2,408)**	**2**	**(2,406)**
Profit and total comprehensive income for the period	–	–	7,907		7,907
At 31 December 2019	**222**	**14,721**	**20,897**	**2**	**35,842**

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 One Priory Square, Priory Street, Hastings, East Sussex TN34 1EA

This consolidated financial information of the Group for the year ended 31 December 2019 (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 (IFRS) issued by the IASB and as adopted by the EU. This financial information has been prepared on the same basis as in 2017.

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

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2019 or 2018 but is derived from those accounts. Statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies and those for the year to 31 December 2019 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 2019 will be available at http://www.medicagroup.co.uk by 20 April 2020.

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. The Directors have considered the risks in respect of Covid-19 in making this assessment and have reviewed severe but plausible scenarios that could impact the Group's finances. Whilst there may be disruptions the Directors believe the Group's services will continue to be needed to support the NHS.

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 decision 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 generates revenue from only one geographic area, the UK. The Group incorporated a new subsidiary, Medica Australia Pty Ltd during the year, however this subsidiary does not yet generate any revenue and does not meet the criteria set out in IFRS 8 for disclosure as a reportable operating segment. Its purpose is to service contracts with customers of the Group UK trading subsidiary. These contracts related wholly to UK customers and all turnover is therefore generated in the United Kingdom. No customer accounted for more than 10% of the Group's revenues.

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

	2019	2018
	£000	£000
NightHawk	**22,072**	19,312
Routine Cross-Sectional	**18,944**	14,963
Routine Plain Film	**4,308**	3,927
Independent and specialist	**1,218**	767
	46,542	38,969

5 Exceptional items

	2019	2018
	£000	£000
Costs incurred in respect of Board succession and review	**362**	245

The costs for 2018 and 2019 are in relation to the international search and selection process for both the Chief Executive Officer and the Non-Executive Director. These are considered to be one off costs. In 2019 there is also additional costs in relation to a professional Board assessment review.

6 Finance costs

	2019	2018
	£000	£000
Loan interest	**325**	305
Amortisation of loan arrangement fees	**24**	24
Finance costs on lease liability	**11**	–
	360	329

7 Tax expense

	2019	2018
Major components of tax expense:	**£000**	£000
Current tax:		
UK current tax expense	**1,927**	1,971

Prior year adjustment	**(6)**	124
Medica Reporting Finance Ltd tax expense on FRS102 hedging gain	**6**	–
Australian current tax expense	**8**	–
Total current tax	**1,935**	2,095
Deferred tax:		
Originations and reversal of temporary differences	**(260)**	(214)
Effect of rate change	**12**	(87)
Total deferred tax	**(248)**	(301)
Tax expense on ordinary activities	**1,687**	1,794

Reconciliation of tax expense:

UK corporation tax is assessed on the profit on ordinary activities for the year and is the same as (2018: same as) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

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

Reconciliation of effective tax rate:	**2019** **£000**	2018 £000
Profit on ordinary activities before tax	**9,594**	9,156
Income tax using the Company's domestic tax rate 19% (2018: 19.00%)	**1,823**	1,740
Effect of:		
Expenses not deductible for tax purposes	**(156)**	17
Prior year adjustment – current tax	**(6)**	124
Effect of tax rate change – deferred tax	**12**	(87)
Medica Reporting Finance Ltd tax expense on FRS102 hedging gain	**6**	–
Australian current tax expense	**8**	–
Total tax charge for period	**1,687**	1,794

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.

	2019 **£000**	2018 £000
Profit for the year attributable to ordinary shareholders	**7,907**	7,362
Effects of exceptional items	**293**	245
Profit for the year before exceptional items attributable to ordinary shareholders	**8,200**	7,607
Effects of share-based payments charge	**132**	135
Effects of amortisation of acquired intangibles	**702**	870
Adjusted profit for the period attributable to ordinary shareholders	**9,034**	8,612

Weighted average number of ordinary shares	**111,111,114**	111,111,114
Dilutive effect of share options	**407,702**	681,954
Weighted average number of ordinary shares	**111,518,816**	111,749,191

Basic profit per ordinary share (pence)	**7.12p**	6.62p
Diluted profit per ordinary share (pence)	**7.09p**	6.58p
Adjusted basic profit per ordinary share (pence)	**8.13p**	7.75p
Adjusted diluted profit per ordinary share (pence)	**8.10p**	7.70p

As at 31 December 2019 the Directors assessed the potentially dilutive effect of contingently issuable shares, which comprise share options awarded as part of the Performance Share Plan. As at the end of the year there were 1,385,877 options outstanding of which 407,702 were considered dilutive. The calculation of diluted earnings per share above takes into consideration the Group's performance against the targets within the Performance Share Plan to date. There were no further instruments that had a potentially dilutive effect.

For 2019 adjustments for share based payments and amortisation of acquired intangibles have been reduced by the amount of the deferred tax credit on each item. The charge is not material for 2018 so the comparatives have not been restated.

9 Transactions with Directors and other related parties

On 31 December 2018 Anand Jain resigned as a Director and therefore CBPE Nominees Limited is no longer regarded as a related party. Prior to this CBPE Nominees Limited had been considered a related party as they had a controlling interest in the Group prior to 21 March 2017. Included in administrative costs are £nil (2018: £42,546) in respect of fees payable to CBPE Nominees Limited for services of the Investor Director to the Group.

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

During February and March 2020, the Covid-19 pandemic arose in the United Kingdom and introduced significant uncertainty in the UK economy as a result of various measures introduced by the UK government to combat the spread of the disease. The Directors consider the Covid-19 pandemic to be a material post balance sheet event, as the impact on the UK economy is likely to have a significant impact on the Group's operating activities and financial results for the foreseeable future. However, the circumstances surrounding the pandemic and the subsequent economic impact did not arise until after 31 December 2019, and therefore no adjustment to the Group's financial statements as at 31 December 2019 has been made. The financial effect on the Group's future financial results and financial position cannot be estimated or quantified reliably as at the date of approving the financial statements, due to the level of uncertainty regarding further measures to be introduced by the UK government and the uncertainties surrounding the extent to which NHS trusts and hospitals will be impacted.

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 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 2019 £000	31 December 2018 £000
Reconciliation of adjusted operating profit		
Operating profit before exceptional items	**10,223**	9,662
Adjustments for:		
Effects of amortisation of acquired intangibles	**870**	870
Effects of shared based payments	**204**	135
Refinance costs	**–**	–
Adjusted operating profit	**11,297**	10,667
Adjusted operating profit margin	**24.3%**	27.4%
Reconciliation of adjusted profit before tax		
Profit for the year	**7,907**	7,362
Adjustments for:		
Effects of amortisation of acquired intangibles	**702**	870
Effects of Exceptional items	**293**	245
Effects of share-based payments	**132**	135
Adjusted profit after tax	**9,034**	8,612
Income tax charge	**1,927**	1,794
Adjusted profit before tax	**10,961**	10,406
Reconciliation of net cash / (debt)		
Cash and equivalents	**16,576**	12,588
Borrowings due within one year	**–**	–
Borrowings due after one year	**(12,443)**	(11,912)
Net cash / (debt)	**4,133**	676

For 2019 adjustments for share based payments and amortisation of acquired intangibles have been reduced by the amount of deferred tax credit on each item. The tax charge also excludes these deferred tax elements. The same tax changes are not material for 2018 so the comparatives have not been restated.