



medica: Improving your outcomes through a collaborative approach to care

Creating value through our core commitments

Our worldwide breadth and scale:



330+

Employees



700+

Current network of specialist doctors and clinical staff



200+

Clients



2m+

Reports and exams in 2022

Our mission:

Our mission is to lead the way in delivering collaborative and responsive telemedicine solutions that put patient outcomes at the heart of what we do. We will achieve this through technical innovation underpinned by the highest standards of clinical excellence.

Our vision:

Our vision is to provide market leading diagnostic services by connecting healthcare professionals and organisations with talent and technology. A trusted partner, we will be pioneering in adapting our offering to deliver sustainable and scalable services for customers and their patients.

Medica Group PLC is the market-leading provider of teleradiology services in the UK and Ireland.

Medica prides itself on delivering the highest quality service, underpinned by strong clinical governance and a culture of customer-centric process improvement. Medica provides a fast and reliable service during out-of-hours for urgent reporting, as well as support for routine diagnostic reporting throughout the week. Medica has developed a bespoke IT interface with customers, allowing comprehensive access to diagnostic images enabling our reporters the best opportunity to deliver high-quality reports for our clients and in turn, for their patients.

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

Our values:

Patient first and truly collaborative

We are focused on our goal of improved patient experience and outcome and achieve so much more together by working in a collegiate and cooperative way.

Adaptive and pioneering

We strive to offer the best at all times which means adapting our services and using pioneering software and technologies to ensure the best customer and patient experience.

Responsive and accountable

We are responsive and flexible in our approach, processes and services in order to meet the changing requirements of our customers. We take our responsibilities seriously and act professionally at all times.

Excellence in our DNA

Our reliability and quality of delivery is what our customer's value most highly about Medica. We are always prepared to go the extra mile to deliver a service that adds value and exceeds expectations.

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¹ The Section 172 report forms part of the 2022 strategic report which was approved by the Board on 5 April 2023

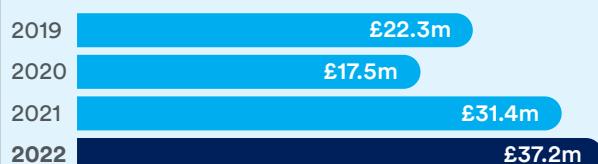
Highlights



Financial highlights



£77.0m
Revenue



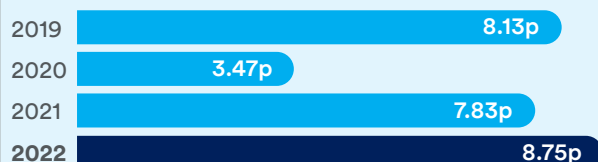
£37.2m
Gross profit



48.3%
Gross profit margin



£13.6m
Underlying operating profit¹



8.75p
Underlying earnings per share²

(1) Underlying operating profit is a non-IFRS measure and is calculated as operating profit before exceptional items, share-based payments, and one-off costs including deal fees.

(2) Underlying Earnings per share is a non-IFRS measure and is calculated based on underlying operating profit less financing costs and taxation

- Delivered sales of £77.0 million representing 24% revenue increase on 2021
 - UK revenues increased by 15% to £54.0 million as a result of continued strong performance from Acute services including NightHawk ("NH") and a full recovery in Elective reporting capacity with record performance in Q4 2022
 - Medica Ireland extended the strong results reported in the first half, with overall revenue of £12.5 million up by 30% compared to 2021
 - RadMD performed ahead of expectations delivering £10.4 million of revenue and closed the year with a combined risk-adjusted pipeline and order book of over \$63 million up from \$54m at the end of 2021
- Gross profit margin remained resilient at 48.3% although, as expected, was lower than 2021 (50.7%) due to a large number of contracts successfully renewed in year at current market pricing, but gross profit margin remains ahead of 2019 (47.8%)
- Like-for-Like (LFL) revenues, excluding RadMD which was acquired in 2021, increased by 17%
- Reported adjusted net operating profit of £13.6 million up from £12.1 million in 2021, with underlying net operating margin at 17.7% compared to 19.5% in 2021
- Net cash at 31 December 2022 of £0.8 million
- Earlier in 2022, the Board declared an interim dividend of 0.93 pence per share and is now proposing a final dividend for 2022 of 1.88 pence per share which will, if approved, result in total dividends for 2022 of 2.81 pence per share, up 5% on 2021



Operational highlights

- Strong recovery in UK Elective volumes from September onwards as radiologist availability returned to normal levels (following a period of reduced capacity in Q2 and Q3 primarily caused by annual leave accrued during the pandemic). This resulted in a record month of reporting in September 2022
- Continued growth in Acute services in the UK through the year due to the positive impact of increased volumes from existing clients extending the hours of our NightHawk service and using more urgent and same-day reporting during daytime hours, together with the positive impact of new contracts commenced during the year
- Reported a 16% increase in net rostered reporting hours supported by adding new overseas reporting functionality to our reporting platform in Q4, accelerating recruitment of radiologists in other geographies
- Reached first major milestone of FutureTech programme with launch of the new PACS in February delivering experience and functionality improvements for our radiologists
- Record number of new reporting contracts won in Ireland with the addition of six new hospital clients
 - Medica Ireland now has contracts across all seven hospital groups; and
 - 5 additional hospitals added to our HSE Hospital ultrasound waiting list management portfolio
 - Now providing out-of-hours services at 15 of the 25 HSE hospitals
- Medica Ireland supported 'go-live' at the new Carrickmines clinic of VHI, Ireland's largest healthcare insurer in south Dublin; higher-than-expected demand post-launch has required increased staff and hours of service
- Medica Vision reduced significant post-pandemic Diabetic Retinopathy screening backlog in Ireland to zero patients by the end of the year which was a significant achievement
- RadMD demonstrated strong conversion of pipeline and backlog to revenue whilst bringing more diversification into the pipeline, including sizeable clients with potential for strong account growth in 2023 and subsequent years



Post-period highlights

- New contract wins across the business underpinning strong start to the year
- Completion of a small UK acquisition that delivers radiologist training internationally; complements our existing UK business and offers opportunities for our network of reporters to continue their professional development while also supporting potential new international radiologist hires
- Completion of small bolt-on acquisition in the US to provide expanded radiologist reader capacity and medical expertise for RadMD to support growth ambitions
- First new contract win for Medica's Australian joint venture, MedX, and growing pipeline of opportunities for international teleradiology, particularly in the Middle East.



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

"Against a market backdrop in which demand for Medica's services is higher than ever, we are pleased to report a period of double-digit growth underpinned by the expansion of our acute services, new contract wins, the continued strong performance of Medica Ireland and RadMD, and the recovery of Elective capacity after some mid-year capacity constraints.

We are committed to continuing investment in our people and systems in 2023. With our new PACS system and changes to our platform, we are in a strong position to onboard radiologists and deliver a best-in-class experience for our reporters. Our recent UK acquisition reinforces our commitment to radiologist training and development globally. We will also continue to evaluate business development opportunities that provide scale for our fast-growing US business, as demonstrated early in 2023 through our bolt-on acquisition to provide additional radiologist reader capacity.

Following the progress we have made over the last year, Medica remains well-positioned for continued growth and is on track to deliver on the strategic and financial targets we presented to the market in September 2021."

Chairman's statement



"I am pleased to announce a solid set of results for the Company in 2022. We continue to deliver on our strategy to diversify and grow revenues across all of our service lines and these efforts have contributed to a strong start to the year. We remain focused on investments in our systems and efforts to grow our international network of radiologists and radiographers to meet the demands of our clients going forward".

Roy Davis
Chairman

Good performance characterised by continued client expansion and strong growth from recent acquisitions

I am pleased to report a positive year of continued growth for Medica Group resulting in annual revenue increasing by 24% to £77.0 million with a resilient gross profit margin of 48.3% and underlying operating profit of £13.6 million, up 13% from 2021. As a result, the board is pleased to announce that it has declared a final dividend of 1.88 pence per share reflecting the strong performance of the business last year.

It has been a challenging time for clients in the markets in which we operate. In the UK, the impact of the pandemic was still apparent, particularly in the first half of 2022 when clients prioritised urgent elective procedures and radiologists were required to dedicate more time to supporting their own hospitals. This fact, combined with the overhang of outstanding annual leave resulting from the pandemic, meant that we saw some periods of capacity constraint. However, these market dynamics meant that demand for our services increased throughout 2022 and, aided by the recruitment of more reporters in the second half of the year and a resumption in normal hours of reporting across our existing network, Medica was able to help service this demand. Whilst overall

Elective activity was reduced compared with our initial projections for the year, our NightHawk and broader acute service performed consistently throughout the year with annual revenue growth of 12%. This strong performance meant that overall Medica derived 62% of its total UK revenue from acute reporting, up from 47% in 2019 pre-pandemic. Elective capacity recovered strongly in Q4 2022, delivering a 20% increase year-on-year.

I am pleased that our acquisitions in Ireland and the US performed very well during the year. The Irish healthcare market in many respects reflected the same challenges as the UK, although our breadth of services, including ultrasound and X-ray scan and report, as well as diabetic retinopathy screening services, meant that we were able to grow revenue at over 30% year-on-year, reflecting the value of our diversification strategy. Similarly, Medica's clinical trial imaging services business based in Pennsylvania also expanded, taking on some notable new clients, as well as supporting existing clients with important new therapy launches. RadMD continued to diversify away from pure reader services into end-to-end imaging core lab services which will support an expansion of gross margin. Further, RadMD closed the year with a strong risk-adjusted pipeline and order book that underpins 75% of 2023 revenue. The pipeline is also increasingly diversified with significant new large biotech client wins, as well as extensions to existing client relationships.

Leadership development and strategy execution

During 2022, Medica focused on the development of senior leadership roles across the business. This included internal promotions to Managing Director for Sarah Burns and Kim Scanlan in the UK and US respectively and the appointment of Fiona Carr as our first director of Human Resources. We have also successfully nurtured our own talent which has resulted in other senior internal promotions across the Company. I am proud that as we start 2023, four out of the nine roles in the executive team are now held by women, which is up from only one in 2019, which I believe better represents the wider business as well as bringing a diversity of thinking to key decisions. As well as HR, Medica has also invested in the development of its senior medical team with appointments in radiologist audit, training and development and quality and governance amongst the changes. Medica continues to invest in its medical expertise and our recent Care Quality Commission inspection, which gave a highly positive review of our services, is testament to our continued focus on quality. Furthermore, our recent UK acquisition of a highly respected radiologist training specialist in this space is evidence of further commitment to ensure that radiologists working for Medica continue to feel valued and are provided with essential skills that can be taken back into their NHS day jobs.

In 2022, we also made progress with our respective technology platforms across the business. This included ongoing developments in our FutureTech programme in the UK which is focused on developing an enhanced reporting environment for our radiologists and radiographers including those reporting from overseas in India, Australia, New Zealand and beyond. We also made progress in Ireland working with the Health Service Executive to improve access to scans and in the US, with our first image upload platform ready for beta testing. Since 2019 we have recognised the need to invest in technology to support our operations and to offer greater functionality for our radiologists, be they reporting urgent cases overnight or clinical trial images during the daytime.

Medica remains well positioned for growth in 2023

The outlook for our business remains strong with ongoing demand underpinning continued double-digit growth in the medium term. Therefore, our focus continues to be on meeting this demand by increasing reporting capacity and enabling greater productivity for radiologists, radiographers and other specialist doctors who choose to work with Medica. To do this, we will continue to expand the reach of our reporting network, as well as continue to accelerate recruitment of radiologist consultants in the UK and Ireland. We are already starting to grow our international reporting presence by expanding into India to provide capacity for both our teleradiology and clinical trial reading businesses and to support MedX, our joint venture in Australia.

As we look to the remainder of 2023 and beyond, we continue to evaluate options for both new avenues of organic growth and M&A in support of our strategy including two small acquisitions completed already this year. Our focus remains on growing international scale in our US clinical trials business, RadMD, as well as looking at new areas of telemedicine such as digital pathology into which we can expand. In this respect, I am hopeful that 2023 will continue to be an exciting year for Medica and I would personally like to thank all of our talented team across Medica, including over 700 radiologists with whom we work regularly, as well as our partners, board and investors for their ongoing support for the business strategy.

Roy Davis
Chairman

5 April 2023



Business model and services

Our services

At its core, our business model can be summarised as identifying opportunities to improve the service available to our clients and patients using technology and a strong governance framework. Improvements in services are demonstrated by any combination of the following:

- Higher clinical quality, leading to improved patient outcomes;
- Timely delivery, facilitating improved patient outcomes and/or improved patient satisfaction;
- Increased return on investment for our clients.

Medica Group provides teleradiology, clinical trial reading teleophthalmology and managed imaging services.

Teleradiology is the secure electronic transmission of radiological patient images, including plain film X-rays (PF), computerised tomography (CT) scans and magnetic resonance imaging (MRI) scans, from one location to another, for the purposes of diagnostic interpretation and reporting by highly qualified radiologist experts. Through teleradiology, images can be transmitted from the hospital setting, where the images are created, to a reporter who can review and report on the images remotely.

In the case of Medica, these reporters comprise consultant radiologists, cardiologists, reporting radiographers and rheumatologists, all specialising in their relevant field, reporting on the images from their own home office. Teleradiology improves patient care by enabling reporters to provide their services remotely, thereby facilitating the rapid availability of trained specialists 24 hours a day, 365 days a year.

Clinical trials imaging services support the development of new treatments (drugs, therapies and devices) to improve patient care and patient outcomes. A large proportion of clinical trials utilise medical imaging performed at regular intervals to provide empirical data on the impact of the new treatment. Medica provide consultancy, project management, training and reader services for clinical trial imaging. Clients include pharmaceutical and BioTech companies, device manufacturers and contract research organisations.

Teleophthalmology is the secure electronic transmission of photographs of the eye from one location to another, for the purposes of diagnostic interpretation and reporting by highly qualified experts. Teleophthalmology is particularly useful in the context of community screening for potential eye diseases. Medica Group currently provide the Diabetic Retina Screen service to around half of the Irish population in partnership with the Irish National Screening Service. We provide a full end-to-end screening service, arranging appointments, taking photos of the eye in convenient community locations which are then collated centrally for review and reporting. If the images show no evidence of disease progression (or other abnormality) the service user is kept on the surveillance cycle and we will see them again after an appropriate interval. If there are signs of disease progression (or other abnormality) they will be referred to a specialist centre for further investigation or treatment.

Managed imaging services, is the provision of end to end imaging to healthcare providers. For Medica this includes the provision of facilities, staffing, imaging equipment, appointment scheduling, imaging, and reporting via our teleradiology service. We provide a service which is tailored to the client's requirement giving them the flexibility to provide elements of the service themselves. We provide X-ray, CT, MRI, Ultrasound and DEXA managed services. These range from short-term contracts to aid with waiting lists or improved patient access, right through to long-term contracts where we establish lasting partnerships with our clients. In 2022 we were delighted to renew our contract with VHI, one of Ireland's largest private healthcare insurers, extending a successful partnership for well over a decade.

Supporting radiology departments under increasing pressure

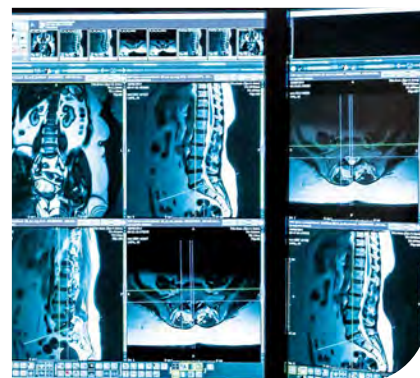
Pressure on radiology departments is increasing year on year. This, together with our investment in quality and expansion of our panel of daytime reporters, has increased volume of rapid turnaround reports during core hours Monday to Friday 9-5. Through our SameDay service we provide reports in under four hours to provide urgent subspecialty reports and assist with hospital patient flow (including bed management).

Multi-disciplinary teams (MDT) Medica provides MDT support as part of our elective reporting service. This service supports clients who have specialist radiologist capacity gaps by leveraging the large cohort of radiologists at Medica who have experience and expertise of working in an MDT environment.

Medica radiologists attend virtual meetings on a regular basis to discuss the diagnosis and suggested treatment for individual patients alongside the hospital's on-site clinical team. Working with other healthcare professionals such as pathologists, haematologists, and clinical oncologists they assist in making timely decisions that directly affect patient treatments and outcomes.

Why might a client choose Medica?

- Rapid flexible set up options, providing support to clients when they need it;
- Experts are available to discuss or clarify reports with clients;
- Experienced in-house technical team offering full support 24/7;
- Platform designed with contingency systems providing a robust and resilient network;
- Access to a network linking Medica's over 500 reporters with over 100 hospitals;
- Market-leading emergency service delivering high quality reports in a timely manner to support critical decisions in patient care.
- Decades of experience in clinical trial design and execution, coupled with an extensive network of experienced readers.



Divisional KPIs

UK financial metrics

Revenue:

£54m

Gross profit margin:

47.5%

Underlying operating profit:

£10.8m

UK operational metrics:

Increase in total capacity:

16%

Increase in total exams reported
vs. 2021:

34%

NightHawk SLA adherence:

92%

Ireland financial metrics

Revenue:

£12.5m

Gross profit margin:

46.7%

Underlying operating profit:

£2.1m

Ireland operational metrics:

Increase in total exams reported
vs. 2021:

38%

Increase in number of registered
diabetic ophthalmology patients:

25%

USA financial metrics

Revenue:

£10.4m

Gross profit margin:

54.2%

Underlying operating profit:

£0.8m

USA operational metrics:

Repeat business:

25%

Increase in number of
active studies:

12%

ESG



Our approach to understanding our impact and building a sustainable business

In order to achieve our mission of leading the way in telemedicine and putting patient outcomes at the heart of what we do, we recognise the importance of the Environmental, Social and Governance (ESG) activities that underpin our business. Our employees, clients, consultant radiologists, radiographers, specialist doctors and wider stakeholders make achieving our mission possible. Following a detailed review and materiality assessment in 2021, our framework and approach to ESG was updated to focus on four key pillars; **People and Community**, **Responsible Operations**, **Environmental Impact** and **Customer Centricity**.

Each pillar is relevant to the Group's business strategy and the framework has been approved by Medica's ESG sub-committee, chaired by independent Non-Executive Director Dr. Junaid Bajwa. The committee meets quarterly and provides advisory oversight, supporting the board and management to develop policies, frameworks and strategies for key ESG matters. Please refer to the chair's letter for more details on the committee and its activities during the year on page 40.

For each of our ESG pillars, we have outlined the key areas of focus below and the contents of this report includes commentary highlighting the main activities aligned to these focus areas and progress we have made to date.

SASB (Sustainability Accounting Standards Board)

We are pleased to continue to report against the SASB standard for healthcare delivery. Medica considers this to be the most appropriate internationally recognised ESG reporting standard for healthcare companies such as Medica.



Unless otherwise noted, this report summarises the ESG activities and impact of our UK and Ireland operations for the reporting period of 1 January to 31 December 2022.



Measuring our impact

As part of our ongoing commitment to building a sustainable business, the below table sets out how we measure our ESG impact and progress.

	People and Community	Responsible Operations
Our commitments	<ol style="list-style-type: none"> 1. Attract, retain and develop our people to deliver sustained business growth 2. Promote equality, diversity and inclusion across our business 3. Supporting and encouraging initiatives resulting in positive community impact 	<ol style="list-style-type: none"> 4. Protect the privacy and security of the data we are entrusted with 5. Promote ethical standards within our workforce and onward supply chain
KPIs	<ul style="list-style-type: none"> • Percentage of women on the board of directors • Percentage of women on the wider management team • Internal appointments as a percentage of total appointments 	<ul style="list-style-type: none"> • Number of material regulatory compliance breaches • Total amount of monetary losses as a result of legal proceedings associated with data security and privacy
Actions taken in 2022	<ul style="list-style-type: none"> • Reporting on diversity and inclusion within the wider business • Plan in place that focuses on improving our reporter experience through the delivery of our future tech programme 	<ul style="list-style-type: none"> • Reviewed the United Nations Sustainable Development Goals (SDGs) reviewed and aligned to our ESG strategy • Provided our staff with training on the risks of modern slavery • Carried out an employee salary review against the National Living Wage in Ireland
Targets for 2023	<ul style="list-style-type: none"> • Conduct staff survey across the wider business and assess engagement and areas for improvement • Report on Diversity and Inclusion metrics and ensure consistent inclusion of D&I metrics as part of Medica's recruitment approach 	<ul style="list-style-type: none"> • Review of Cyber Security strategy and action plan • Gain Cyber Essentials Plus accreditation

	Environmental Impact	Customer Centricity
Our commitments	<ol style="list-style-type: none"> 6. Minimise our impact on the environment 7. Minimise our carbon emissions 	<ol style="list-style-type: none"> 8. Put patient outcomes at the heart of everything we do 9. Deliver exceptional clinical quality 10. Developing long-term partnerships built on trust
KPIs	<ul style="list-style-type: none"> • Carbon emissions, tCO₂ 	<ul style="list-style-type: none"> • Percentage of NightHawk studies completed within SLA
Achievements in 2022	<ul style="list-style-type: none"> • Introduced further green travel initiatives including incentivising employees to use other modes of transport to the office for example by introducing a 'cycle to work' scheme • Introduced accredited recycling of redundant IT equipment 	<ul style="list-style-type: none"> • Increased the reporter engagement programme across the Group with more regular engagement to manage rosters and development
Targets for 2023	<ul style="list-style-type: none"> • Begin developing Medica's net zero strategy 	<ul style="list-style-type: none"> • Review and align the client survey programme across the Group

ESG

continued

People and community

Our commitments

- Attract, retain and develop our people to deliver sustained business growth
- Promote equality, diversity and inclusion across our business
- Supporting and encouraging initiatives resulting in positive community impact

KPIs

- Percentage of women on the Board of Directors
- Percentage of women on the Wider Management team
- Internal appointments as a percentage of total appointments

Promoting equality, diversity and inclusion

Our people are our most valuable assets. They have been vital to the success of Medica as market leader in teleradiology in the UK and Ireland, as well as driving growth in our clinical trial imaging business. Our ability to attract, retain and develop a diverse and talented team is crucial to delivering our business strategy and ensuring our continued sustainability going forward.

We are determined to make Medica a great place to work and have a firm commitment to equality of opportunity in all of our employment policies, practices and procedures. Our recruitment and selection processes are geared to selecting the best candidate regardless of their age, gender, sexuality, ethnicity, full or part-time status, disability and marital status. Our equal opportunities policy ensures that no employee or applicant is discriminated against. We also apply these principles to the recruitment of the radiologists, radiographers, specialist doctors and other clinicians that we contract with across our business.

In October 2022 we introduced Equal Opportunity questionnaires into our recruitment process. Up to that point there was no mechanism in place to ensure that equal opportunities were offered, discrimination was prevented and under-represented groups were supported. Our aim is to create a culture of diversity and inclusivity and also to understand our workforce better. Ultimately, our plan is that this will help us to target specific groups through our recruitment advertising, and also train hiring managers how to sift applications and conduct interviews fairly and without bias, and provide reasonable adjustments for disabled applicants.

Our employees in numbers

	2022
Total no. of employees ¹	413
Employee growth year on year	+ 26%
Split by gender	Female – 65% Male – 35%
Percentage with a permanent contract	98%
Total no. of full-time employees	212
Total no. of part time employees	191

¹ Total number of people employed (headcount)

Our reporters in numbers

	2022
Reporters by gender diversity	Female – 22% Male – 72% Other – 6%

We note that none of our employees are subject to a collective bargaining agreement or represented by a trade or labour union and our relationship with employees remains very positive.

Fostering a diverse leadership team

This year we are reporting for the first time on diversity within our Board of Directors and senior management team (SMT). Although the Group is not currently in scope, we are pleased to report positive progress against the targets set out by the Hampton-Alexander and Parker reviews. Our performance on ethnic and gender diversity, is outlined in the tables below.

Our board of directors in numbers

Number of individuals on the Board	6
Percentage of women on the Board	33.3%
Number of women holding chair or senior positions	2
Number from an ethnically diverse background	1

Our wider management team

Number of individuals on the WMT	31
Percentage of women on the WMT	45%
Number from an ethnically diverse background	1

Engaging with our team and communicating our strategy

An engaged team of employees and reporters is vital to our current and future success. We hold regular “town hall” style meetings, led by Dr. Stuart Quin, CEO, to share updates of our progress and good news stories with employees across our UK, Ireland and US based teams. In Q1 2023, we also held the first Medica Company Day in the UK which gave the teams the opportunity to meet the executive team, hear first-hand about our evolving strategy and how they can get more involved. It was also an opportunity to be able to ask questions directly to management. Further updates are shared with our employees and reporters through our newsletter the ‘Medica Reporter’. New members of our teams are welcomed into the business, including interview styled introductions.

Alongside this we conduct regular education and “lunch and learn” sessions with employees, as well as organising a dedicated educational programme for our reporters which is run by one of our internal radiologist experts.

Our independent non-executive director, Jo Easton, hosted virtual employee forums during the year to hear directly from employees on a number of topics and better understand how our people strategy is performing. Topics discussed included retention, workplace pressures, leadership communication, understanding of Medica’s longer term strategy and for RadMD, the acquisition and integration experience. A formal review of the output and feedback was undertaken by the Board.

The Group defines employee performance management through the setting of company-wide strategic objectives and these are cascaded throughout the organisation. Performance against objectives is reviewed and managed via an appraisal process and through regular meetings between our managers and their teams.

During 2022 we continued to review and improve our staff benefits across the group. To support our staff with the growing cost of living we made a one-off payment in July to all group staff, excluding the executive team. Following further review later in the year an additional salary increase of 2.5% was awarded to all group staff, below the executive team which was over and above the annual pay uplift in April. These payments were made with the assurance that salaries would be kept under review into 2023.

In the UK we introduced a cycle to work scheme, which was already in place in Ireland. We also appointed an external Pension Advisor in the UK, to provide staff with expert advice on their pension arrangements. In the US we have appointed an external HR consultant to support our colleagues on all HR related matters.

In addition to the benefits we provide, our ethos of recognising and rewarding our staff remains at the heart of what we do. At the end of 2022, our colleagues and the leadership nominated individuals who embodied Medica's values and we celebrated their success with the annual virtual 'Medica Awards' event in the UK and Ireland.

Developing and growing our talent

We have continued to develop and grow our in-house talent as we have done in previous years and build on the ethos of growing our own talent.

In 2022, in the UK, we have established links with the local education authority to start building relationships with schools and become local Industry Champions. In 2023 we will have a programme of Work Experience students in the office, for a week at a time, giving our staff and the students many learning opportunities.

The groundwork was carried out in 2022 to launch a Leadership Development Programme in 2023 enabling all managers and team leaders across the group to develop their leadership skills and support their teams effectively.

To further enhance our commitment to clinical excellence, we developed a 'Training Blueprint', for our out of hours NightHawk service. Developing key communication skills ensures that our teams deal effectively with critical messages when liaising with our customers and reporters.

Our compliance teams continued to deliver a suite of e-learning modules for our employees and reporters. This included the induction process and ongoing training during their time with the organisation. This resulted in improved employee and reporter engagement and streamlining of training.

During 2022 we continued with our virtual 'lunch and learn' sessions in the UK, Ireland and US, enabling staff to access additional training and increase cross-functional awareness within the organisation.

We have supported the further education of our employees, including individuals working towards MBAs, masters degrees and specialist training, such as ITIL, AAT, leadership training and recertification across the business.

We continue to invest in our talented workforce, and this continues to lead to regular internal promotion. This enables the Group to develop a loyal and highly engaged workforce, as well as continuing to maintain and develop our culture. We continue to adopt our "grow your own" approach to talent and where possible, will always seek to fill internal roles by offering existing team members the opportunity to grow and develop within the organisation.

When internal promotion was not possible, our in-house recruitment team were on-hand to source new talent to join the organisation, whilst keeping external recruitment agency costs down.

Internal appointments as a percentage of total appointments	14%
Number of training hours per employee	6

Sustaining the wellbeing, health and safety of our people

This year we continued our focus on wellness by running a series of wellbeing training sessions across the entire group.

We started with Mental Health Awareness training; providing staff with a better understanding of mental

health and how it impacts their colleagues. Also educating staff to recognise the signals in themselves and others.

We followed on with financial wellbeing training across the group and pension seminars for UK staff. In addition to this we have appointed a pension advisor in the UK to support our staff and review the current pension arrangements.

The social committees across the group continue to setup a social committee with members joining across the organisation to arrange social events inside and outside of the workplace.

We continue to offer all staff in the UK, Ireland and US, the flexibility to work from home, with some of the team fully remote. In the US market, our employee health care premiums are fully paid by the Company with an additional fund provided annually in a health savings account to assist managing the cost of health care expenses (insurance deductibles). The health plan offers coverage for health and wellbeing, including psychological counselling and is a market-leading plan offering for our employees.

We have published the health and safety data collated across all three divisions for the first time this year, demonstrating Medica's safety record across the Group:

TRIR (total recordable incident rate)	0
DART (days away, restricted, or transferred)	0

Attracting and retaining the highest calibre of medical expertise

In addition to the earlier stories on our recruitment, engagement and development activities, the Group continues to invest in our dedicated in-house recruitment team and our approach to attract and retain our reporters. Delivering telemedicine solutions with clinical excellence requires the highest calibre of expertise. Our clinical recruitment and retention strategy focuses on the needs of all stakeholders to ensure clinical quality for our clients and a satisfying and rewarding experience for our doctors. Although the majority of our reporters are not employed with us, our strategy focuses on the importance of investing in ongoing professional development, training and regular audit which reinforces the quality of their reporting output. The addition of augmented intelligence tools also helps to assist our radiologists with reporting of critical, highly time sensitive diagnosis of stroke out-of-hours.

Our people strategy considers all aspects of a reporter's interaction with us and encourages long-term retention. In addition to our dedicated reporter recruitment and training teams, our reporter relationship functions in the UK and Ireland provide assistance with day-to-day queries, requirements and 24/7 support. Our clinical governance team oversee the management of our reporters. Investment as part of our Future Tech programme in the UK is targeted to improve the workflow experience for reporters and functionality of the system to enhance both the quality of reports, as well as reporter productivity.



ESG

continued

In 2022 we implemented support for busy radiologists working on night shifts to report urgent exams. We have reduced the number of interruptions doctors receive to take so-called justification calls – in other words authorisation to give a patient ionising radiation – whilst working on our NightHawk service by providing additional support. This not only reduces interruption allowing reports to be finalised faster, but it also enables our specialist radiologists to increase the throughput of reports without having to be disturbed to answer calls from hospital clients.

Reporters who partner with Medica experience more than just reporting and reading work. We provide flexible scheduling, with both ad-hoc and regular reporting work to suit their availability. This year, we offered leadership development initiatives, allowing reporters to participate in working groups, focus group involvement and present on a series of educational seminars. We also supported our reporters with mentorship opportunities and access to the seminar series. Our reporters in the UK and Ireland also have an exciting prospect of undertaking work for both divisions as we continue to align and develop our service offering in both countries.

In the US, our reporters are offered a flexible schedule and the ability to be fully remote and work from anywhere in the world. We support them through regular communication channels including updates on upcoming projects and sharing feedback from labs.

Community impact and charitable causes

The Medica team is proud to work for a company that makes a real difference to improving patient welfare and contributes to saving lives. Our NightHawk and Elective services in the UK do this by providing high quality complex reports back to hospitals quickly to support diagnosis of illness and disease that directs the care of the patient. In Ireland, our diabetic retinopathy (DR) screening service can quickly identify and reduce the likelihood of blindness through a cost-effective screening approach. Further, in the US, we support our clients to analyse imaging data from clinical trials that aim to demonstrate safety and efficacy of novel therapies including for cancer.

We are always looking to innovate and improve the quality of our services. A recent example of this is the extended investment in critical communication training for our emergency out of

hours team. This was directly aimed to improve patient outcomes particularly in time-sensitive conditions such as stroke and trauma diagnosis pathways.

Our business continues to help improve the day-to-day reporting experience for our consultant radiologists and this ultimately improves patient outcomes. There are many ancillary benefits of teleradiology to the NHS apart from providing much-needed reporting capacity. Radiologists want a more flexible portfolio career that allows specialisation and telemedicine is a great way to achieve this. Our consultants continue to augment their expertise by focusing on particular types of sub-specialist reporting which benefits the NHS and in the case of reading for clinical trials, our pharmaceutical and biotech clients. Medica's clinical audit process is valued by our radiologists as this is rarely conducted in the NHS or HSE systems. They receive support and feedback on their reporting quality and approach and we also share best practices that help to develop sub-specialist expertise that is highly valued in their roles working for the NHS in the UK or HSE in Ireland and is an important benefit of working for Medica.

Our core business model relies on us to continually “do well by doing good” and through our business model and strong company values, we believe that we will have a positive impact on our people and the Group's future growth. During the year we continued to support our charitable partner RefuAid to sponsor doctors arriving in the UK as refugees as they retrain to become qualified in the UK.

Our employees in the UK and Ireland raised further charitable donations, including fundraising for local mental health and homeless charities; the latter by collecting and donating clothing and supplies, essential during the winter months.

Responsible operations

Our commitments

- Protect the privacy and security of the data we are entrusted with
- Promote ethical standards within our workforce and onward supply chain

KPIs

- Number of material regulatory compliance breaches
- Total amount of monetary losses as a result of legal proceedings associated with data security and privacy

Behaving ethically with good governance at the heart of what we do

We remain committed to maintaining and implementing policies to ensure we operate in a manner that is both responsible and ethical. This is essential to ensuring that our business grows in a sustainable manner. Behaving ethically involves everyone at Medica from our Board of Directors down and all employees are required to abide by our employee code of conduct that is made available via Medica's internal network.

We operate in accordance with the Universal Declaration of Human Rights and take account of other internationally accepted human rights standards. We also promote human rights through our employment policies and practices, our supply and value chains.

We conducted a review of the hourly rate of all UK staff and workers in 2022 as we have done in previous years, to satisfy ourselves that the National Minimum Wage and National Living Wage were being paid in all circumstances.

We continue to maintain this position and obtained the National Living Wage accreditation during the year as a further statement of our commitment.

The Group publishes a Modern Slavery statement in line with the requirements of the Modern Slavery Act 2015. We also have a Modern Slavery Policy that reflects our commitment to act ethically and with integrity in all our business relationships. The policy is made available to all workers to ensure they understand our responsibility and attitude towards modern slavery. Our annual Modern Slavery Statement can be found on the footer of our website at www.medicagroupplc.com.

Medica maintains and implements policies that demonstrate commitment to adhere to regulations on tax and financial transparency. We refrain from using offshore jurisdictions for tax planning and our tax payments are aligned with revenue generating activity.

We continue to adhere to regulations on anti-bribery, anti-corruption and anti-money laundering. We reviewed our policies and process with external auditors to ensure continued adherence with the Criminal Finances Act 2017.

Our whistleblowing policy enables anyone from any level of the organisation to report known or potential breaches of our code of conduct and policies.

We have further developed our risk management framework and this has been further embedded into our business, following our acquisitions in 2020 and 2021. During the year we aligned risk, project and performance management across our UK, Ireland and US divisions. Further information on our approach to risk can be found in our Risks & Uncertainties report on pages 24 to 27.

We would also refer you to our Corporate Governance report on pages 30 to 33.

Number of material regulatory compliance breaches	0
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Ensuring we work with ethical and responsible supply chain partners

We are committed to working with suppliers who demonstrate highly ethical business practices. Our supplier management and assurance process ensures that suppliers are assessed for supply chain risks, including modern slavery, privacy and data security. This is driven by our internal Information Security & Risk team with support and engagement across the business. In 2023, we shall continue to develop a supply chain code of ethics policy to further support our existing supplier risk processes.

Protecting the security and privacy of the data we are entrusted with

The risks from cyber security continue to rise globally and so too does the need to protect our customer's patients, our employees and Medica's other information assets.

Cyber and privacy risk is reviewed alongside our wider risk management approach and was regularly reported on by our head of information security & head of risk management and discussed with the senior management team and board of directors.

Our UK and Ireland divisions are accredited and certified to a number of quality and security focused standards, including the Quality Standards of Imaging (QSI) and CHKS for our teleradiology operations and both ISO 27001 and Cyber Essentials to support our internal information security management system. In addition to our own internal audit process, our management systems are regularly audited by external certification and accreditation bodies

to provide assurance against the standards, our policies and our controls.

To fully support and develop awareness, employees are provided with regular training on relatable security and privacy topics, including the risks from the internet, email security and data protection (UK and EU GDPR).

Medica has dedicated budget for investment in cyber security with a particular focus on staff awareness and IT security technologies. We have also obtained Cyber Insurance for the Group.

More information can be found in our 'Information Security and Data Protection Overview' publication, located on our website at www.medicagroupplc.com/privacy-security-overview.

Total amount of monetary losses as a result of legal proceedings associated with data security and privacy	(£) zero
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Environmental impact

Our commitments

- Minimise our impact on the environment
- Minimise our carbon emissions

KPI

- Carbon emissions, tCO₂

Minimising our environmental impact

Medica actively considers its environmental footprint and the impact that decisions may have on the environment and particularly climate change. As a technology and services focused Group with most of its staff either working from home or employed in one office location and radiologists contracted mainly from their own homes, we believe our own environmental footprint remains small.

Our environmental policy sets out our core foundation of environmental and sustainability principles, a copy is available on our website at: www.medicagroupplc.com/environmental-policy.

Following on from the pandemic we have implemented a working from home policy in our UK and Ireland divisions. This has resulted in higher levels of

remote working and reduced travel into the office. Although we do not have the data available, we believe that reducing employee travel has positively impacted our related carbon footprint. In the US our team already benefit from home working and reduced travel time.

We have continued to reduce our environmental impact through partnerships including leveraging existing delivery networks, rather than delivering reporter workstations around the UK ourselves. This also benefits our business with reduced lead times, quicker overall deployment of workstations and an improved experience for reporters.

In 2022, we deployed the use of virtual desktop infrastructure (VDI) to further minimise the potential transport of large workstations, in particular as we continue to grow our overseas based reporters.

We continue to maintain our clear approach to recycling by encouraging those in the office to use conveniently placed bins for standard paper & plastic recyclables, and separate secure confidential paper recycling.

During the year, we continued to drive the recycling of higher value items such as redundant workstations, laptops, PCs and cabling etc. Our process has been further adopted for non-office based equipment, such as server infrastructure. Due to our approach to re-use equipment where practicable, we did not require any physical recycling by our Waste Electrical and Electronic Equipment (WEEE) regulated partners in 2022. In 2022 we took steps to improve our recycling of computer equipment. Medica is working with a WEEE certified provider to recycle hundreds of devices – workstations, servers, screens, routers – anything that cannot be re-furnished and re-deployed.

In 2022, our documents requiring execution were processed using an e-signature solution. The use of this solution has positively impacted our environmental impact with estimated savings of over 1,700kg of carbon, 100kg of physical waste, and 700kg of wood.

Following a review of our leased head office, we have been advised that the building was supplied with 100% renewable source electricity during the year.

ESG

continued

Climate Disclosure Project (CDP) and Task Force on Climate-Related Financial Disclosures (TCFD)

The Group submitted its first corporate response to the annual CDP Climate Change survey and also recognises the TCFD recommendations, in particular the relevance for organisations who have identified key risk exposure to climate change impact. Medica's exposure to climate risk over the near-term has been assessed and is considered immaterial due to our operating model, we have however set a target to start beginning the development of a climate strategy that will set out our ambition to become carbon neutral and achieve net zero in the future. Please find our responses to the TCFD recommendations and our disclosures as required under LR 9.8.6R(8) and LR 14.3.27R and consistent with the TCFD's recommendations and recommended disclosures below:

TCFD recommendation	Our disclosure
Description of Medica's governance arrangements to assess and manage climate-related risks and opportunities.	Medica's environmental social and governance committee has been appointed by the Board to identify, assess and strategically manage climate-related risks and opportunities that materially impact the Group. The Group's Audit Committee is responsible for providing oversight of Group risks and opportunities, and this includes environmental and climate-related risk. This includes risk mitigation, strategic alignment, scenario analysis and reviewing progress against targets where these have been set.
Description of how Medica identifies, assesses and manages climate-related risks and opportunities.	The ESG committee met twice during 2022. Medica has a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions. Therefore, climate risk has been assessed as very low and is considered immaterial to the Group's future success. However, the Group recognises that it still has a key part to play in global climate-related challenges and continues to seek out opportunities to positively impact in this area. Our actions and impact is outlined in the 'Minimising our environmental impact' section on page 13.
Description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process.	Climate risks and opportunities are identified, assessed and managed through the Group's existing risk management framework and further details on this can be found in our risks and uncertainties report on pages 24 to 27.
Description of the climate-related risks and opportunities that Medica has identified and the time period(s).	Medica has reviewed climate-related risk and as a business we are not materially exposed to environmental risks in the next five years. The Group employs more than 400 employees globally and all of our offices are leased. Therefore we have not yet carried out an assessment of climate-related scenarios.
Description of the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	For transparency, we have detailed the climate-related risks and opportunities that we have identified and assessed, below: Risk: Environmental impact events (floods, fires, storms etc.) Our offices in the UK and Ireland are located in areas of very low risk to flooding, fires and storms. Our office in the US is located in an area known for flood risk, however there has been no historical impact from floods in the region. Medica's remote working strategy, combined with resilient IT infrastructure, means that our employees and reporters who are dispersed globally, minimise any potential impact from such localised environmental events.
Description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy.	Risk: Changes to government or regulatory policies on climate change Our leadership team continue to monitor climate policy changes and ensure that Medica are able to comply and disclose appropriately. Opportunity: Increasing demand for healthcare delivery Demand analysis shows that if global temperatures rise, this may increase the impact on human health and this could increase the demand on healthcare delivery and in particular Medica's services.
Analysis of the resilience of the business model and strategy against different climate-related scenarios.	Medica recognises that the effects of climate change need to be continually assessed and analysed for the short, medium and longer term and we will continue to report on this annually.
Description of targets to manage climate-related risks and/or realise climate-related opportunities and performance against them.	As stated earlier, Medica has assessed climate-related risk to be immaterial, however we have set ourselves targets to introduce further green travel initiatives and to begin developing a net zero strategy as set out in the 'measuring our impact' table on page 9.
Description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	In addition we continue to report on carbon emissions metrics as a KPI in line with SECR and have enhanced our disclosure this year to include limited scope 3 reporting. These will continue to be monitored to assess climate-related risks and opportunities. Further details of greenhouse gas emissions can be found on page 15.

Energy use and greenhouse gas (GHG) emissions during the year

The Group reports on energy consumption and the associated GHG emissions in compliance with the Streamlined Energy and Carbon Reporting (SECR) legislation.

Greenhouse gas emissions and energy use data – UK and Offshore (for the period 1 January to 31 December 2022)	2022	2021	2020
Scope 1 in tCO ₂ e	0	0	0
Scope 2 (location based) in tCO ₂ e			
Purchased electricity	8.2	8.9	10.3
Total Scope 2	8.2	8.9	10.3
Total Scope 1 and 2 in tCO ₂ e	8.2	8.9	10.3
Intensity Ratio			
tCO ₂ e per £m Revenue	0.1	0.1	0.3
Scope 2 emissions in metric tonnes CO ₂ e (Market based)			
Purchased electricity	0	0	No data
Total Scope 2 – Market based	0	0	No data
Scope 3 emissions in metric tonnes CO ₂ e			
Business travel in employee owned vehicles	17.88	13.3	No data
Total Scope 3	17.88	13.3	No data
Total Energy Consumption used to calculate scope 1 & 2 emissions (kWh)			
Electricity	39,041	42,029	44,263
Total	39,041	42,029	44,263

Scope

As per previous years reports and for the 2022 report, the scope includes our UK operations only. For 2022, our non-UK subsidiaries are not included as they are excluded by way of the SECR exemptions, as they would not be obliged if reporting on their own account and they are also considered immaterial.

We did not purchase or combust fuel directly, so Scope 1 was not applicable. Scope 2 emissions are limited to our UK operations and specifically to electricity usage at our Group's head office building. We have also chosen for the first time to make a voluntary disclosure for Scope 3 emissions relating to business travel in employee-owned vehicles this year.

Calculation methodology

The reporting methodology used is the GHG Protocol Corporate Accounting and Reporting Standard, operational control approach. This year we have also reported market-based scope 2 emissions as this data was made available from our third party building landlord.

The calculations for Scope 2 are derived from electricity meter readings for lighting and power and estimates where applicable. The calculations for Scope 3 are derived from mileage claims for UK employee expense forms for travel during the period. Scope 2 & 3 GHG emissions have been calculated this year using the 2022 UK Government GHG Conversion Factors for Company Reporting.

Scope 1: includes emissions from activities for which the Company own or control including combustion of fuel and operation of facilities for the UK.

Scope 2: includes emissions from purchase of electricity, heat, steam or cooling for own use for the UK.

Scope 3: includes emissions from business travel in employee owned vehicles.

We have disclosed one intensity ratio this year and it is calculated based on total tCO₂e emissions in the reporting period divided by total Group revenue in £m.



ESG

continued

Customer centricity

Our commitments

- Put patient outcomes at the heart of everything we do
- Deliver exceptional clinical quality
- Developing long-term partnerships built on trust

KPI

- Percentage of NightHawk studies completed within SLA

Keeping patient outcomes at the heart of what we do underpinned with clinical excellence

Clinical governance remains paramount to the delivery of our critical services. The Group's oversight utilises regular reporting from clinical committees in the UK and Ireland and is consolidated by the Medical Advisory Board, led by our Group Medical Director, Dr. Robert Lavis. The Clinical Governance and Quality sub-committee of the PLC Board chaired by Dr. Junaid Bajwa meets quarterly to ensure oversight of clinical excellence, highlighting potential clinical risk and enabling the Board to review and manage this in line with the Group's wider risk management framework.

Onboarding: All of our reporters are taken through a thorough review, accreditation and assessment to assure quality of patient care. This is balanced with careful management of reporter engagement, hours worked and wellbeing.

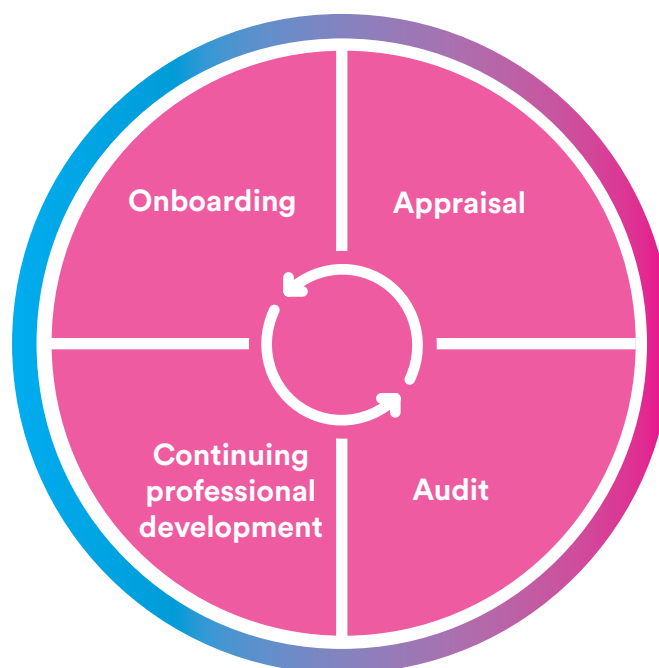
Appraisal: Our high quality appraisal team are now engaging with overseas reporters to assist in regaining GMC registration to further increase our overseas rostered capacity.

Audit: We provided ongoing evolutions of our clinical audit processes to harmonise systems across the clinical aspects of our business. We have changed the focus of some of our internal audit to target patient groups with complex studies such as major trauma so that they were effectively reviewed in a shorter time frame.

Percentage of NightHawk studies completed within SLA	92%
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Continuing Professional Development (CPD):

We drive excellence through our reporter engagement exercises such as feedback surveys, educational seminars and working groups to enhance reporter experience and education.



Building partnerships with clients that go beyond excellence in service delivery

In H2 2021 and in 2022, Medica was proud to renew over 65% of its NightHawk contracts for urgent reporting with its NHS customers, with the remaining 35% expected to renew over the coming years. This is testament to the ongoing positive relationship between Medica and its clients. Additionally, Medica is working closely with clients to help to prioritise and respond to as many requests for Elective reporting as possible given capacity constraints. Medica prides itself in close collaboration with clients to manage expectations and deliver against them.

Care Quality Commission inspection: Medica UK was routinely inspected by the CQC in July 2022. The report rated Medica "Good" overall with a "Good" rating for the categories "Responsive" and "Safe" and "Outstanding" for the category "Well led".

CHKS inspection: Medica Ireland was routinely inspected by CHKS in Ireland. The report was similarly positive and Medica retained its CHKS accreditation.

In 2022 RadMD continued to strengthen its quality and compliance performance by conducting over 50 internal process audits for the second year in a row. Additionally, RadMD is routinely audited by our sponsors as an outside and independent check on our adherence to industry and regulatory best practices. RadMD hosted seven sponsor audits in 2022 with no critical or major findings reported.

Future Tech

The Future Tech programme had a very strong start in 2022. On the 7th February, Medica deployed the central plank of its Future Tech strategy with the deployment of the new Sectra PACS (Picture Archiving and Communication System). The system provides enhanced reporting capabilities across the entire reporting cohort and increased scalability for the core business.

As part of the upgrade, we also integrated our intracranial haemorrhage AI tool (qER from Qure.ai) into the platform allowing our NightHawk reporters to continue to provide their excellent patient care.

We further built upon the PACS deployment, enhancing our shared worklist capability such that reporters who wanted to provide more capacity were able to do so without any manual intervention by our service delivery team.

On the technical side of the programme, we have enabled the PACS to be deployed to reporters over a Virtual Desktop Infrastructure (VDI), making our deployment much more 'nimble'. This is not our standard deployment, but another tool in the box moving us towards a 'report from anywhere' model.

Throughout the rest of the year analysis and design work has continued our digital telepathology solution and our new reporting platform in preparation for launch in 2023.



CEO report



“We are committed to continuing investment in our people and systems in 2023. With our new PACS system and changes to our platform, we are in a strong position to onboard radiologists and deliver a best-in-class experience for our reporters. Our recent UK acquisition reinforces our commitment to radiologist training and development globally. We will also continue to evaluate business development opportunities that provide scale for our fast-growing US business, as demonstrated early in 2023 through our bolt-on acquisition to provide additional radiologist reader capacity.”

Dr Stuart Quin
Chief Executive Officer

In 2022, Medica's clients faced the challenge of dealing with substantial backlogs in elective procedures and the resumption of clinical trial testing. I am pleased that we have been able to play a vital role in supporting them throughout this time and deliver a strong period of double-digit growth while continuing to execute against our strategy.

Waiting lists for diagnosis requiring imaging in the UK and Ireland remain at all-time highs and we expect demand will continue to grow for our services over the medium term as governments continue to fund investment into scanning capacity. Given Medica's scale and having the largest network of radiologists in the UK, I am proud that during 2022, as during the pandemic, we continued to work in close collaboration with our clients to be as responsive as we can to deliver high quality, fast and reliable reporting services.

Continued progress against our strategic goals

As set out below, during 2022, we continued to deliver against our core strategic objectives focused on our technology, people and service offering.

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

Acute services (UK) – Most service procurement exercises were deferred in 2020 and early 2021 until after the pandemic had abated. During 2022, Medica successfully renewed many of its existing NightHawk contracts, as well as winning a net positive number of new contracts. Combined with the renewal success in 2021, this means that Medica managed to successfully renew over 60% of NightHawk contracts renewed by value in the 18 months prior to period end, with the balance expected to renew in future years as they reach the end of their existing term. Since contracts typically run for three years with the option of a two-year extension, this provides strong revenue visibility and growth potential.

Medica has increasingly benefited from the high demand for acute services not only during the night, but also during the day. As busy radiologists are required to do more complex and time-consuming procedures during the daytime in their hospitals, Medica is being trusted by clients to fulfil more urgent requests during normal daytime hours, as well as many hospitals asking Medica to extend the hours classified as NightHawk. These dynamics together drove revenue growth at over 1% month-on-month throughout 2022 which is expected to continue in 2023 and beyond as demand builds and

both the complexity and number of scans per patient continue to grow.

In terms of performance, Medica continued to provide a reliable, safe and trusted service, delivering against our Service Level Agreement (SLA) of exams reported within 60 minutes at 92% of urgent exams within SLA against a target of 90% and continuing to focus on delivering reports within 30 minutes and suspected stroke reports within 20 minutes. To continue to offer high service quality as our offering grows, Medica's strategy is to expand the reach of our recruitment network to support sub-specialist reporting 24/7 from countries where there is a time-zone benefit, as well as continue to recruit radiologist consultants in the UK. To this end, Medica has started to report using UK General Medical Council certified radiologists based in India. Our new systems have supported this change and we expect that we will expand to other jurisdictions in 2023, Medica reported a 16% increase in rostered reporting hours year-on-year which is our measure of total radiologist capacity growth.

Acute services (Ireland) – Medica expanded the number of clients using its out-of-hours, NightHawk reporting services, from seven to 15 over the course of 2022 which is up from five clients when Medica acquired the company in 2020. Not only did Medica expand the number of clients, but it also expanded the hours of operation at many of the existing clients. This underlines Medica's investment thesis at the time of acquisition where we expected the Irish market opportunity

to grow rapidly and shift towards a greater demand for out-of-hours urgent reporting of CT scans in particular. Medica is now present in all seven hospital clusters across the Republic of Ireland which positions us well for continued expansion. During 2022, Medica Ireland doubled the number of radiologists reporting to support this growth and we have built a strong pipeline to continue to build our capacity into 2023 and beyond.

Elective services (UK) – as the NHS prioritises the reduction in waiting time lists, demand for Elective radiology reporting services remains high with continued unmet demand across the market. The level of outsourcing of reporting is correlated with NHS scanning capacity and hence Medica works closely with clients to plan capacity needs on a weekly basis. As described above, our strategy is to expand recruitment of new radiologists, radiographers and specialist doctors in the UK and internationally as well as help reporters to improve their productivity by improving our technology platform.

Elective and screening services (Ireland) – Medica Ireland continued its expansion across the HSE with the addition of six new hospital clients including 5 additional hospitals added to our HSE Hospital ultrasound waiting list management portfolio. Medica continues to be well positioned in the Irish market as the go-to provider of teleradiology services having expanded the number of hospitals to which it is providing services from 19 in 2020 to 33 in 2022. Alongside close partnership with the HSE, Medica is also proud to have supported Ireland's largest healthcare insurer, VHI, with the launch of its flagship clinic in Carrickmines in south Dublin. This contract grew ahead of expectations in 2022 which required Medica to accelerate the recruitment of radiographers and sonographers to support the demand.

Medica Vision, our diabetic retinopathy screening service was proud to report that by the end of 2022, had zero backlog remaining post Covid. We are pleased with this impressive result which sets the Company apart from other providers across the UK and Ireland.

Clinical trial imaging services (US and International) – Medica's clinical trial business recorded another strong year of growth in 2022 with revenues of £10.4 million for the first full year post-acquisition. Importantly,

underpinning sustainable strong growth were new contract wins with a number of sizeable new pharma and biotech companies, as well as a continued shift from providing radiologist reader services towards full imaging contract research services (2022 represented 70% of sales up from 65% in 2021). Following a period of investment post-acquisition, operating margins are not yet at target levels, however strong revenue growth is expected to be delivered in the medium term. RadMD reported strong conversion of its signed order book to revenue and a combined risk-adjusted pipeline and order book of over \$63 million at 31 December 2022. This means that RadMD started 2023 with a revenue underpin of over 75% for the year.

MedX joint venture – international teleradiology reporting – In 2022, Medica's joint venture with Integral Diagnostics Pty (IDX), an Australian listed leader in radiology clinics and teleradiology services, focused on international business development, leveraging the expertise of both parent teleradiology companies. MedX was successful in winning its first out-of-hours contract and is now exploring strategic partnerships in the Middle East and more widely overseas. As Medica expands its focus on reporting, training and development of radiologists outside the UK, this will also help to develop our network of international radiologists for MedX.

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

People development and engaged team – Medica continues to invest in its people and grow the size of its operational and clinical team in the UK, Ireland and US to support growth. In 2022, we established an HR team in-house comprising an experienced Director of HR and two managers to support payroll and HR processes across the Group.

Our focus remains on 'growing our own' staff. Examples of this include on-the-job training for sonographers and radiographers in Ireland which we are looking to expand in 2023 and clear career path management for our operations and clinical governance teams in the UK. In the US, RadMD made a series of internal promotions in the project management and operations teams, as well as hiring in some experts to bolster our clinical expertise.

In terms of the development of our team, we continue to invest in resources to support our reporting radiologists, radiographers and specialist doctors to ensure that they can be as productive as possible during the time that they spend with us. This has seen us increase the size of our Reporter Relationship Management team to support rostering of shifts and to manage ongoing relationships with reporters.

Medica was quick to address the increased cost of living pressures incurred by our employees by delivering a second annual pay increase of an average of 2.5% in October 2022, in addition to an average of 3.0% in April 2022. Further, Medica issued a one-off payment to all staff in July 2022 which proportionally benefited those on lower incomes. Neither the October salary increase, nor the one-off payment applied to senior management. This helped to continue to ensure that we have an engaged and motivated team during what was a tough inflationary environment. Medica continues to proactively and regularly benchmark salaries and to make annual adjustments where necessary.

Medica also introduced a new restricted stock unit scheme which rewarded eligible employees with a simple option incentive that vested after three years of employment. These will be awarded annually and are a meaningful incentive and retention mechanism for employees.

Systems investment – 2022 marked a significant step forward in the development of our new reporting system in the UK. Our FutureTech programme delivered on its first major milestone of a new Picture Archiving and Communication System (PACS) which was launched in February. Throughout 2022, we continued to make changes to our systems to support radiologist productivity. This also included the development of a new application to enable Medica reporters overseas to improve the speed and access to data to at least an equivalent level to colleagues based and reporting in the UK. This will enable Medica to increase overseas reporting capacity which will deliver not only additional revenue growth but will also be margin enhancing as radiologists reporting from overseas will spend more time reporting during daytime hours, rather than during the night-time when a premium fee rate needs to be paid.

CEO report

continued

The next phase of FutureTech will be to further improve the reporting environment for radiologists by streamlining workflows and aiming to increase the productivity of reporting during sessions.

During 2022, Medica invested in a new image transfer platform for its clinical trials business, RadMD. This proprietary platform has been developed in house and is expected to deliver a bespoke environment for clients to upload and transfer imaging data to RadMD, as well as a more cost-effective solution for the Company.

Finally, Medica invested in the first phase of a new Enterprise Resource Planning (ERP) system which was delivered on time and on budget in Q4 2022. The initial focus is to improve financial reporting across the three business lines with additional functionality planned for 2023 and 2024.

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

Clinical governance, training and development

Medica was proud to have successfully passed a Care Quality Commission inspection and continued to be rated overall "Good" with two areas where we scored "Outstanding" including clinical governance and leadership of the service. Medica continues to lead the way in the market in terms of offering a consistently high quality and reliable service to clients and we have made progress in many areas during 2022.

Medica continued to invest in its seminar series in 2022 which provided regular in-depth expert lectures on topics relevant to radiology reporting. Additionally, Medica has focused on making clinical improvements to our service including reducing interruptions to reporting during NightHawk shifts by up to 50% by improved management of so-called justification calls which a hospital needs to make to a radiologist where a protocol is not in place before embarking on administering ionising radiation to patients with acute conditions. Not only does this increase quality by reducing interruptions to reporting, but it also thereby increases the number of cases that a radiologist can report

on an hourly basis. This project, led by our Medical Director Dr. Robert Lavis, has not only delivered quality improvements, but also enabled Medica to take on additional hospitals without having to increase the number of radiologists due to the productivity gains delivered.

In 2022, Medica recruited a new clinical lead and radiologists in India, as well as radiologists in Australia and New Zealand. As the Company increases its focus on international reporting, Medica was excited to welcome the acquisition of Jane Chandler Associates (JCA) in January 2023. JCA is an internationally recognised provider of radiologist training courses that meet international continuing professional development and training qualifications. Whilst the majority of courses are still provided in the UK for UK-certified radiologists, over the past few years, JCA has expanded to offer courses to radiologists based in Asia. Medica's strategy is to support the continued growth and expansion of the business into new markets which will both accelerate revenue growth, and offer exciting training and development opportunities for our international network of radiologists in Medica UK, Ireland and RadMD in the US, as well as our joint venture, MedX.

Improvement in radiologist enrolment and onboarding

During 2022, Medica focused on improving the time taken to onboard a radiologist from initial interview through to deployment of a workstation at their home and training to be ready to start reporting by over 50%. This has the combined benefit of reducing the time before the reporter starts receiving work from us, but also providing Medica with additional reporting capacity sooner.

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

In 2022 Medica delivered total revenue growth of 24%, with 30% coming from non-UK operations. This translated into a 13% increase in underlying operating profits despite continued investment to support future growth. Progress against financial targets is summarised in the financial review.

Commitment to ESG

In 2021, Medica significantly revised its approach to measuring and reporting ESG metrics. Our framework focuses on four key areas of our business that benefit from our commitment to ESG. These areas are aligned to the SASB (Sustainability Accounting Standards Board) international standards for healthcare companies.

1. People and community
2. Responsible operations
3. Environmental impact
4. Customer centricity

A detailed ESG report will be provided in our annual report. In summary, Medica has made good progress introducing further green travel initiatives including incentivising employees to use other modes of transport to the office, for example by introducing a 'cycle to work' scheme, and has also improved recycling of redundant IT equipment. Further, Medica has taken steps to start to report on diversity and inclusion within the wider business. Further, the business has focused on improving our reporter experience through the delivery of our future techFT programme.

Diversified growth opportunities

Telepathology reporting

Medica is well-placed to take advantage of the growth in reporting digital pathology cases. Histology and cytology specimens embedded in glass slides can be digitised to create an image that can be reported remotely by pathologists in much the same way as Medica's core teleradiology business transfers digital radiology images to radiologists. This not only presents a new market opportunity for Medica, but importantly it offers existing clients an integrated service that focuses on broader diagnosis of a patient's condition. The best example is diagnosis of cancer which requires often both analysis of tissue or individual cells, as well as radiological examination of the tumour in situ. These data, taken together, would provide an integrated report for the oncologist and medical team in the hospital.

“Following the progress we have made over the last year, Medica remains well-positioned for continued growth and is on track to deliver on the strategic and financial targets we presented to the market in September 2021.”

Medica is planning to launch a digital pathology reporting service in the second half of 2023. This will require integration of pathology reporting applications into our current PACS reporting system. Additionally, Medica is in the process of building a network of pathologists to be able to remotely report the images in the same way that we currently provide this service for radiology. It is expected that Medica will be able to build on its existing network of clients to grow this exciting new business line.

Expansion of imaging contract research services

Further expansion of Medica's RadMD clinical trial business which provides medical imaging services for pharma and biotech clients, will continue to be an area of focus in 2023. The nature of the market is such that it provides services to clinical trials operating across the globe. RadMD's customers are also international and increasingly we are growing our customer base outside of the US into Europe and Asia where there is a fast-growing life sciences market. The fast growth of the business will generate operating synergies across our customer base and enable the Company to benefit from the scale effects that growth brings. Medica will continue to expand both the range of services and therapeutic areas covered, as well as the international footprint of clients during 2023. Already this year, we have acquired a reader services business called VoxelMetrix that has worked with Medica for many years. This brings not only an established network of clinical trial readers, but also a leading radiologist expert in clinical trials who will support the ongoing growth and development of RadMD's services.

Post-period update and outlook

In the UK, 2023 has started well with new contract wins and service deployments. Whilst 2021/22 saw over 60% of our NightHawk contract pipeline being renewed, there are still contracts that will be renewed this year, as well as opportunities to win new contracts, and to extend the provision of services under both new and existing contracts.

In Ireland, we have launched two new hospital contracts for out-of-hours reporting already this year and we continue to expand services within our existing network of hospitals

In the US, RadMD continues to focus on winning new contracts for oncology trials, as well as new therapy areas. RadMD has a risk-adjusted pipeline and signed order book of over \$63m which is expected to convert to revenue over the coming three years. This visibility underpins over 75% of anticipated revenue for 2023. Meanwhile, the team continues to focus on developing new client relationships in the US, Europe and Asia, as well as winning additional contracts from existing clients.

Medica has already completed two small acquisitions this year in the UK and US strengthening our commitment to training and development of radiologists and also boosting our reading capacity for clinical trials. Medica will continue to evaluate opportunities to expand its range of services, particularly in the US to support out clinical trials business RadMD.

The focus for 2023 remains to increase the capacity for reporting in both our UK and Ireland businesses. To do this, we need to continue to expand the number of radiologists working for Medica as well as ensuring that the time radiologists, radiographers and specialist doctors choose to work with us is as seamless and productive as possible. To this end, we continue to focus on the development of our FutureTech platform in the UK and to enhance our systems to improve the overall reporting experience. Further, our focus on international recruitment across Europe, India, Australasia and other regions will help to build capacity, particularly for our NightHawk reporting service. Medica will also continue to pursue our organic growth strategy to further diversify our remote reporting services into areas such as telepathology, and to expand the scale and breadth of our telemedicine services via potential acquisitions.

Medica holds the leading position in the market and is ideally placed to support our clients to reduce backlogs, as well as capitalise on the growth in funding for clinical trials. Medica has made significant progress since 2019 to diversify its service offering and to invest in its team and I am excited for us to continue building on these foundations to ensure that Medica remains a trusted, go-to partner across our services and geographies. I would like to thank all our employees for their continued support for our ambitious growth strategy and continue to be excited by the opportunities that lie ahead for Medica Group.

Dr. Stuart Quin
Chief Executive Officer

5 April 2023



Financial review



“2022 saw a strong recovery in our core UK business and very strong growth from our Irish and US businesses acquired in 2020 and 2021 respectively”.

Richard Jones
Chief Financial Officer

Progress against our strategic financial goals

Strategic financial target ¹	Medium term Target	Actual 2022
Revenue growth rate		
UK	12%-14%	15%
Ireland	>15%	30%
US ²	>15%	63%
Target Margins		
Gross Profit Margin	>45%	48%
Underlying Net Operating Profit margin	20%	18%
Return on Capital Employed³		
Group	>20%	20%
Ireland	>15%	20%
US	>15%	14%
Group Operating Cash conversion	>80%	64%

¹ Non-GAAP unaudited operational performance measures as set out in the CMD presentation in September 2021

² YoY comparison including periods pre-acquisition

³ Defined as underlying operating profit (excluding PLC costs) divided by total assets less current liabilities and long-term debt.

Revenue

Overall revenue increased 24% to £77.0m in 2022 from £61.9m in 2021. Excluding the impact of acquisitions on 2022 and 2021, on a like-for-like basis, revenues increased 17%.

UK

Acute services including NightHawk and day-time urgent reporting services, as well as SameDay reporting increased revenues by 12% to £33.3m in 2022 from £29.8m in 2021. Elective reporting services, which had been more severely impacted than NightHawk and for longer due to the impact of COVID and in-year capacity constraints, recovered steadily throughout the year and ended the year at its highest ever run-rate driven by a backlog of scanning demand in the NHS. Revenues increased by 20% to £20.7m in 2022 from £17.3m in 2021.

Ireland

Revenues increased 30% to £12.5m in 2022 from £9.7m in 2021 as a result of the positive impact of a number of new contract wins together with strong growth from the existing business. ROCE at 20% for the year continued to track above our 15% target for acquisitions.

US

RadMD, based in the US and focused on imaging services for clinical trials, was acquired in March 2021. Total revenue in 2022 was £10.4m, up 100% compared to the nine-month period in 2021 and over 63% on a like for like basis assuming it had been owned for the whole of 2021. The strong growth in the year was attributed to a strong conversion of a larger pipeline into signed contracts and sustained conversion of the orderbook to recognised revenue.

Gross Profit and Gross Profit Margin (GPM)

Gross Profit is stated after the cost of reporters, internal audit costs required to deliver contractual commitments and other cost of sales such as framework costs in the UK. In 2022, Gross Profit increased by £5.8m or 18% to £37.2m in 2022 from £31.4m in 2021. As expected, particularly following the large number of UK contract renewals together with the impact of a change in mix from Ireland and the US, overall GPM reduced by 2.4 ppts to 48.3% in 2022.

Underlying operating profit

For 2022, consistent with prior years we have reported underlying operating profits that consider the impact of non-underlying items to provide a representative depiction of underlying activity. Underlying operating profits increased to £13.6m in 2022 from £12.1m in 2021. Underlying profit margin reduced from 19.5% to 17.7% due to the impact of the increased mix of US and Ireland at lower margins and continued investment to support future growth.

Non-underlying costs

Non-underlying costs before tax decreased by £0.4m to £3.5m in 2022 from £3.9m in 2021. These costs included £2.4m (2021: £2.2m) relating to the amortisation of acquired intangible assets, £1.8m (2021: £0.8m) relating to share-based payments, £0.3m relating to implementation of accounting system, £0.2m relating to alignment of depreciation policies on implementation of new accounting software system and £0.3m (2021: £0.6m) relating to one off legal and professional costs.

In addition, non-underlying costs included finance costs of £0.2m (2021: £0.6m) relating to a fair value adjustment on contingent consideration and finance income of £1.1m relating to foreign exchange gains on acquisition related loans.

The income tax credit on total non-underlying costs was £0.8m (2021 £0.2m).

Net finance expense

Finance costs net of finance income were £0.6m for the year (2021: £0.5m). During the year, an additional £4.4m of the revolving credit facility was drawn down to fund deferred consideration payments made in respect of a previous acquisition. The interest costs for the year of £0.6m represent interest on drawn down balances together with non-utilisation fees on undrawn amounts.

Profit before Tax

Underlying profit before tax increased by £1.4m to £12.9m in 2022 from £11.5m in 2021 reflecting the increase in revenues and gross profit, offset by the increase in operating costs. Total profit before tax, after taking account of non-underlying and exceptional items increased by £1.3m to £8.6m in 2022 from £7.3m in 2021 (23.1%).

Taxation

The Group has incurred a tax charge of £1.4m in the year ended 31 December 2022 (2021 £1.9m), with tax on underlying profits of £2.2m (2021: £2.1m). The effective rate of tax for 2022 is 16.7% with the effective tax rate on underlying profits of 17.0%.

Earnings per share

Underlying basic earnings per share (EPS) increased by 12% to 8.75 pence per share in 2022 from 7.83 pence per share in 2021, reflecting the increase in profits. Basic EPS, after taking account of non-underlying and exceptional costs increased by 29% to 5.88 pence in 2022 from 4.56 pence in 2021.

Dividends

In 2022, an interim dividend of 0.93 pence per share was declared in September 2022 and paid in November 2022. In line with our progressive dividend policy, the directors are proposing a final dividend for 2022 of 1.88 pence per share. The final dividend will be paid on 21 July 2023 to shareholders on the register on 23 June 2023 subject to approval by shareholders at the 2023 Annual General Meeting (AGM). The total dividends for 2022 of 2.81 pence per share represent an increase of 5% over 2021.

Capex

Total capex was £3.2m in 2022 compared to £2.7m in 2021. This included: intangible capex of £1.1m (2021: £0.8m), tangible capex on infrastructure and equipment for contracted radiologists of £1.8m (2021: £1.4m) and right-of-use asset additions of £0.2m (2021 £0.5m).

Cash and debt at 31 December 2022

Operating cash generation in 2022 reduced to £8.7m in 2022 from £9.7m in 2021 after taking account of an increase in debtors in December 2022 which reversed in early 2023. Operating cash conversion therefore reduced to 64% compared to 81% in 2021 albeit cash generation is expected to return to normal levels in 2023.

After taking account of net deferred consideration payments relating to the acquisitions of Global Diagnostics Ireland and RadMD of £5.8m, gross cash at 31 December 2022 was £11.0m (2021 £9.6m) and net cash was £0.8m (2021 £3.9m).

Joint venture

During the year £0.2m was invested into Med-IDX Pty (MedX), the 50/50 JV with Integral Diagnostics Pty.

Post balance sheet events

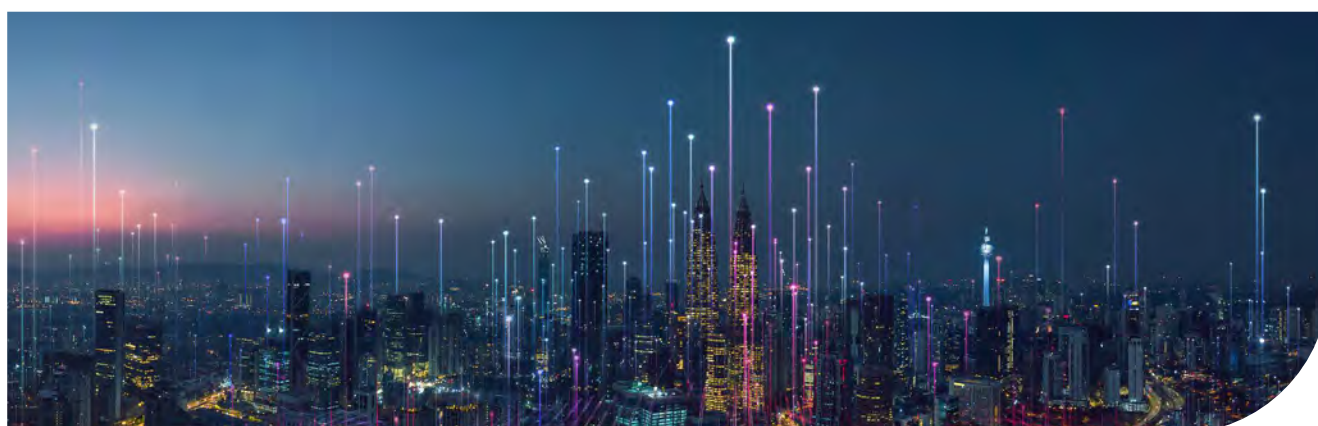
On 5th January 2023, the Company issued and allotted 200,000 shares of 0.2 pence each in the capital of the Company to the trustee of the Company's Employee Benefit Trust and these shares will be used to satisfy future awards and options vesting in the Medica Group PLC Performance Share Plan 2017. Following admission, the Company had 122,633,635 ordinary shares in issue.

On 27 January 2023, RadMD LLC, a Delaware limited liability company that is a subsidiary of the Company, acquired the assets of VoxelMetrics LLC, a North Carolina Limited Liability company engaged in the management of radiology readers for clinical trials. The acquisition expands the network of radiology readers across the US, further increasing reporting capacity to support our clients. The initial consideration paid for the assets of VoxelMetrics LLC was \$2.6m. At the date the financial statements were authorised for issue, all information in respect of the acquisition was not available and therefore disclosures required under IFRS 3 will be made in subsequent financial statements.

On 3 February 2023, the Company acquired the entire issued share capital of JCA Seminars Limited, an international radiologist training company based in the UK. This acquisition diversifies the offering to our customers whilst increasing the value of the service offered. The initial consideration paid was £1.4m. At the date the financial statements were authorised for issue, all information in respect of the acquisition was not available and therefore disclosures required under IFRS 3 will be made in subsequent financial statements.

Richard Jones
Chief Financial Officer

5 April 2023



Risks and uncertainties

Managing risk is integral to the continued success of our business and our ability to offer safe and compliant critical services to our customers. The Group has continued to develop its risk management framework this year following a period of integration of its US and Irish businesses last year. The Group has ensured that the processes in place have supported strategic risk-based decision-making and is clearly defined and quantified across all business divisions. It is through the risk management process that significant risks faced by the Group continue to be identified, assessed and managed appropriately.

Although the board of directors is ultimately responsible for risk management within the Group, it has delegated responsibility for monitoring the effectiveness of the Group's risk management and internal systems to the audit committee. The audit committee receive a quarterly report and dashboard summary of updates from the executive management team on the principal risks and uncertainties and the steps being taken to manage them. This summary is based on detailed risk reports prepared by each relevant team and co-ordinated and summarised at group level by our designated head of enterprise risk management. This process is monitored and reviewed regularly to ensure it is fit for purpose and adequately reflects risks in an ever-changing business environment. An overview of the risk management framework is illustrated below:



Risk assessment process

The risk management process has been established and embedded within the UK, Ireland, and US divisions, and is underpinned using a suite of risk registers. Each Group register is maintained by an owner within the senior management team and is overseen by the risk moderator. The identification and evaluation of risks is carried out through collaboration between senior management and their teams.

All emerging risks are identified, reviewed and assessed as part of the risk management framework process. Risks may also be identified through the use of industry and horizon scanning, internal forums and workshops with management teams. Any potential new risk is considered by the senior management team and its impact and likelihood is assessed before inclusion in the Group risk register.

The impact and likelihood of each risk is identified, and this generates a risk score that can be holistically judged on a relative scale to other risks and the changes to each individual risk over time. Existing controls are then identified and assessed resulting in a residual (or current) risk score being calculated.

The individual risk registers are reviewed by group and divisional management teams and then summarised in an overall corporate risk register that is regularly reviewed by the executive management and audit committee. The principle risks listed below are drawn from the risk registers and noted below is also how they are connected to the Group's strategic activities.

The business regularly assesses progress against project plans and updates the risk register accordingly when risks are assessed to have changed as a result of progress implementing various quality and performance improvement projects.

Medica's main strategic risks include the post-acquisition integration of RadMD and Medica Ireland into the Group and the implementation of new technology including our new PACS system into the Group.

Climate-related risk



Medica has reviewed its exposure to climate-related risk through the existing risk management process and has assessed that the Group is not materially exposed to this emerging risk. The Group will continue to monitor and assess climate-related risks and opportunities in 2022 and for the foreseeable future. Further details on this topic can be found in the TCFD section of our ESG report on page 14.

Embedding the Group's recently acquired divisions into the risk management process



The Group's risk management process continues to evolve and develop in line with changes in Group complexity and as the level of risk maturity changes.

Following our acquisitions in Ireland in 2020 and the US in 2021, the risk management framework was enhanced to adopt the Group's risk process into the acquired companies. In addition, the risk framework was also improved to recognise the risks that are specific to individual geographies and/or divisions and also new risks that are common to the enlarged Group. Details of Medica's principle risks, how they have changed compared to the prior year and our mitigation strategy for each are set out below:

Strategic risk

Description	Change	Commentary for 2022
Acquisitions and integrations There is a risk that acquired companies are more complicated to manage or integrate fully into the group or introduce new risks to the group.	 Decreased risk	<p>Integration activities for both our Irish and US companies acquired were completed in 2022. This included the successful introduction of a single group financial system during the year to replace three separate systems and also allow for proper consolidated management reporting on a regular basis.</p> <p>Both divisions positively contributed to our overall group performance and continued to grow in line with our expectations.</p>
Advances in future technology There is a risk that technology advances reduce our ability to offer a market-leading and best in class service to our clients. This could be in areas such as PACS, AI (“augmented intelligence” or “artificial intelligence”), client connectivity and other areas.	 Decreased risk	<p>The Group’s FutureTech programme continued to progress well during the year focused on the upgrade of technology and systems to create a more efficient and advanced platform for future growth, including:</p> <ul style="list-style-type: none"> • The new PACs platform was successfully launched as planned in Q1 2022. • The UK continued to utilise its successfully launched AI tool to aid the identification of potential brain bleed in urgent reporting of suspected stroke patients, the first such tool launched in the UK.

Financial risk


Description	Change	Commentary for 2022
Contract risks In the UK a number of competitors qualify to undertake Elective and out of hours work for the NHS and the market remains highly competitive. Medica typically undertake out of hours work under our NightHawk service with contracts tendered for typically three to five years directly with NHS trusts, or through framework contracts. There is a risk that competitor activity leads either to a loss of key contracts or reductions in pricing on renewal of key existing contracts.	 Decreased risk	<p>During 2022 Medica successfully re-tendered a large number of key contracts and despite the loss of a small number of contracts had a net overall positive win rate in the year.</p> <p>In addition, a continued focus on cost improvements meant that Medica’s UK’s GPM, whilst reducing slightly from the prior year, remained in line with its historic average.</p> <p>Medica remains the market leader in both the UK and Ireland and continues to innovate and invest in service offerings to clients.</p> <p>In the US, RadMD finished 2022 in a strong position well aligned with financial expectations and significant contract wins with new pharmaceutical and biotech clients.</p>
Medical litigation In the UK and Ireland, Medica is involved in services critical to patient care. The Group therefore is occasionally party to litigation and this could lead to defence costs relating to such patient facing activities.	 Static risk	<p>In the UK and Ireland, primary insurance responsibilities remain with sub-contracted radiologists, subject to certain exceptions where the Group maintains primary cover. The Group also maintains comprehensive secondary medical malpractice cover and at least annually reviews its insurance requirements.</p> <p>Whilst limited professional costs were incurred during the year these were immaterial and within policy excess limits.</p> <p>The group has a comprehensive clinical quality and governance framework and regularly reviews all issues and incidents brought to its attention for swift resolution. Board oversight is maintained via the clinical governance and quality committee (see ‘clinical quality’ below).</p>





Risks and uncertainties

continued




Compliance risk

Description	Change	Commentary for 2022
<p>Compliance and regulation</p> <p>The Group and its clients operate in a highly regulated landscape. This includes operating and complying to the standards and regulations set in each jurisdiction operated in. These include the CQC, NHS, HSE, the ICO and DPC (with particular note to the UK & EU GDPR). Failure to comply could lead to reputational and financial loss.</p>	 <p>Static risk</p>	<p>The Group maintains internal processes, management systems, certifications and accreditations to ensure it operates within compliance of regulation. This includes:</p> <ul style="list-style-type: none"> • QSI accredited status in the UK • Registered manager for CQC purposes • CHKS accredited status in Ireland • Certified ISO 9001 quality management system in the UK & Ireland • Internal data protection policy and process, with ICO registration in relation to the ongoing requirements of UK and EU GDPR <p>The Group maintained certification for its UK quality management system to ISO 9001 whilst the UK and Irish divisions successfully completed an external survey to maintain CHKS accredited status in Ireland.</p> <p>The Group continues to monitor the regulation landscape on an ongoing basis.</p>

Operational risk

Description	Change	Commentary for 2022
<p>Clinical quality</p> <p>The Group's radiology reporting in the UK and Ireland forms an integral and essential part of clinical management for patients. Inaccurate reporting could lead to patient harm and reputational damage to the Group.</p> <p>This risk will always remain very high, due to the inherent nature of the industry.</p>	 <p>Decreased risk</p>	<p>Medica continues to maintain and strengthen its comprehensive clinical governance, quality assurance and continuous improvement processes including:</p> <ul style="list-style-type: none"> • Medical Advisory Board with oversight by the group medical director and Clinical Governance and Quality Committee • Ongoing management of clinical quality with regular auditing of radiologists' work • Developing and implementing individual quality improvement plans where necessary • Medica successfully completed its first Care Quality Commission (CQC) inspection in Q2 2022
<p>Technology and infrastructure</p> <p>The Group's service offerings are founded on technology-driven workflow solutions.</p> <p>A major failure or disruption would result in reduced service levels and loss of revenue. Enhancements in reporting systems and workflows offer opportunity to further develop the Group's services and reduce risk of failure and disruption.</p>	 <p>Static risk</p>	<p>The Group continued the major investment in its technology systems known as 'FutureTech' and is expected to deliver significant efficiency and capability benefits in the short to medium term.</p> <p>The new PACS system was successfully launched in February 2022 on schedule. Initial feedback from reporting radiologists was overwhelmingly positive.</p> <ul style="list-style-type: none"> • Invest in in-house technology, software development and project delivery capabilities • The FutureTech investment programme is expected to further reduce technology risk whilst enabling the Company to achieve its future ambitions and to remain at the leading edge with its clients • Maintain robust continuity plans and invest in its core data storage and transmission architecture. The continuity plan was effective in the initial response to the COVID-19 pandemic disruption and the switch to home working • The Group have launched a new master data project to develop an updated framework to support the business to identify and meet its information needs as it continues to scale

Operational risk

Description	Change	Commentary for 2022
<p>Cyber threats</p> <p>The Group's business could be significantly disrupted, and security compromised if a cyber incident (such as a successful ransomware attack) results in the loss of the confidentiality, integrity or availability of the information it processes. A successful cyber-attack could expose the Group to significant loss of operations, potential litigation, commercial, financial, and reputational damage.</p>	 <p>Static risk</p>	<p>Cyber-attacks have continued to impact organisations globally and are trending in an industry agnostic manner. The acquisitions in Ireland and the US have increased the Group's attack surface and presents increased risk to its people, systems and services.</p> <ul style="list-style-type: none"> • The Group is implementing the cyber roadmap developed in 2021 to support the business in its plans to further invest in cyber security defence • The Group has added a new data protection officer in Q3 2022 in its information security team and has maintained its headcount in the ISO 27001 certified security management system • Certification against the UK Government approved Cyber Essentials was maintained in the year along with continued investment in internet security technologies • The Group has implemented Multi-factor Authentication (MFA) in UK and Ireland (already extant in the US) to reduce the potential for unauthorized access to Medica systems and deter cyber-attacks • The information security team continues to deliver a security awareness programme to all staff
<p>Reporter availability and capacity</p> <p>The longer-term performance of the Group depends on its ability to grow its reporting capacity in each division in line with growing client demand. Failure to do so may result in reduced ability to provide timely reports, in particular for critical services such as NightHawk. Failure to deliver a timely service could result in loss of clients. In addition, if reporters are not positively engaged and supported, the Group could see a decrease in retention.</p>	 <p>Static risk</p>	<p>In 2022 Medica UK refocused on expanding reporter capacity and reported a 16% increase in new capacity over the year. Having also noted a reduction in availability of existing capacity during Q2 and Q3 2022, capacity availability returned to normal levels by Q4 2022.</p> <p>During the year, a client protocol programme and human factor training were completed by the NightHawk administrative and executive teams respectively.</p> <p>Throughout the year, Ireland continued to focus on recruiting radiographers and sonographers for its managed services and reporting radiologists and started to make use of the Group's capacity in the UK for suitable dual qualified radiologists.</p> <p>In the US the focus remained on working with a selected group of highly specialised reporting radiologists for clinical trials based both domestically and internationally, and investigating targeted acquisitions of specialty reader groups to enhance RadMD's capabilities. In addition, the Group continued to invest in increasing overseas reporting capacity, albeit this remains a modest base, to add additional flexibility and capacity.</p>
<p>People</p> <p>The Group's personnel are critical to its continued performance. Loss of key people, lack of people investment or ineffective management may lead to failure of the Group's strategic objectives.</p>	 <p>Static risk</p>	<p>The Group remains committed to the ongoing support and development of its staff and leadership team. Led by the Group's chief executive officer, the business:</p> <ul style="list-style-type: none"> • Ensured its strategic objectives are cascaded down and clearly communicated to the wider leadership and their teams • Provided staff with appropriate incentives and employment packages • Provided staff with a one-off cost of living allowance, weighted towards junior staff and also introduced an additional in-year pay rise across all levels below senior management to counter inflationary cost pressure experienced by staff during the year • Continued initiatives to embed the Group's brand and values with all staff and clearly communicate progress against its strategic goals through regular companywide town hall meetings, online workshops, annual performance appraisals and workforce engagement • During the year, Jo Easton as the non-executive responsible for workforce engagement ran further workshops in the UK and Ireland and communicated feedback to the Board

Our directors



Roy Davis

Independent Chairman

Roy is the Company's Chairman (having joined at the IPO in 2017). He is also Chairman of LungLifeAi plc, a lung diagnostic company, Edinburgh Molecular Imaging Ltd, a cancer theragnostic imaging company, Foster & Freeman Ltd, a leading forensic imaging manufacturer and RAIR Health Ltd, an imageomics company. Prior to these roles Roy served as the chief executive officer of Optos plc, a leading ophthalmology medical device business, from 2008 until June 2016 when he stepped down following the Company's acquisition by Nikon Corporation. Before joining Optos, he served from 2007 as chief executive officer of Gyrus Group plc, a leading medical device company, prior to its acquisition by the Olympus Corporation of Japan in 2008, having previously served as chief operating officer of Gyrus from 2003 and a non-executive director since flotation in 1997. Prior to this, Roy was CEO of NTERA, a nanotechnology company, and before that spent almost ten years with Arthur D Little, the global management consulting company, where he was vice president and global head of its operations management business. His early career included experience in the connector, oil and automotive sectors. Roy holds a mechanical engineering degree from the University of Southampton and an MBA from the London Business School.



Dr. Stuart Quin

Chief Executive Officer

Dr. Stuart Quin joined Medica Group in September 2019 from Synlab, the international laboratory diagnostic services provider, where he was regional chief executive of Central and Eastern Europe, Middle East and Africa. Previously he was Synlab's Group chief commercial officer and chief executive of its operations in UK and Ireland. Stuart brings a track record of delivering significant growth both in the UK and internationally and has extensive experience of working in partnership with the NHS. During Stuart's tenure in the UK he expanded the business by winning new diagnostic service contracts and through the acquisition of four companies that significantly diversified Synlab's service offering into drug and alcohol, specialist food and veterinary testing.

Prior to joining Synlab, Stuart worked in private equity as a director at August Equity and at 3i plc in Munich and London where he focused on investing in fastgrowing healthcare businesses across Europe and the US. Stuart also spent four years at Accenture in the US, UK and Japan as a manager in the health and life sciences strategy consulting practice. Stuart holds a BSc (Hons) in Immunology from the University of Edinburgh, a PhD in Immunology from Imperial College, London and an MBA from INSEAD.

Stuart is a member of the Investment Committee of Alta Semper Capital, a frontier markets private equity firm focused on investing in consumer and healthcare companies in Africa. He is a Fellow of the Royal Society of Medicine and the Royal Geographical Society.



Jo Easton

Independent Non-Executive Director

Jo currently works in an advisory role as chief people officer with Reliance Cyber, a specialist cyber security business providing managed services and consulting advice. Jo previously served as group director of HR for De La Rue plc for six years until she stepped down in March 2020. De La Rue provides products and services in the supply of cash and product authentication and traceability and works with governments and commercial organisations across the world. During this time, Jo was a member of the executive leadership team focused on driving growth and reshaping the business involving a significant level of change. She was also the executive arm of the remuneration committee.

Prior to joining De La Rue, Jo spent six years at Associated British Foods plc working in the Twinings business in an international HR role with responsibilities across the UK, Asia, and Europe.

Her previous experience includes HR roles involving major change and business transformation with Aviva plc and Zurich Insurance and in telecommunications at BT plc where Jo started her career.



Richard Jones

Chief Financial Officer

Richard Jones joined Medica on 3 August 2020. Richard has extensive experience in the healthcare sector, both from his more recent career as a CFO in two UK quoted companies and from his prior experience in healthcare investment banking, initially as a healthcare sector analyst and then in corporate finance latterly as head of healthcare at Investec.

Richard joined Medica from AIM listed Mereo BioPharma Group PLC, a clinical-stage biopharmaceutical company focused on oncology and rare diseases that dual listed in 2019 where he was CFO from January 2017.

Prior to Mereo, Richard was CFO and company secretary of AIM listed Shield Therapeutics plc from early 2011. At Shield he had a leading role establishing the finance and other operations and guiding Shield through its 2016 IPO.

Richard is also a non-executive senior independent director and head of the audit committee at AIM listed Alliance Pharma PLC, having joined the board in January 2019. Richard qualified as a chartered accountant with PwC in 1991.



Dr. Junaid Bajwa

Independent Non-Executive Director

Junaid is a practising physician in the NHS and currently occupies the roles of chief medical scientist at Microsoft Research, and as a non-executive director at University College London Hospitals NHS Foundation Trust.

He was previously the global lead for strategic alliances and solutions for the Global Digital Centre of Excellence at Merck Sharp & Dohme (Merck & Co), where he helped shape their global digital strategy.

Junaid also has experience in the academic world where he is a clinical associate professor at University College London (UCL) and a visiting scientist at the Harvard School of Public Health. Over the past 15 years, Junaid has worked across primary care, secondary care, and public health settings in addition to acting as a payer, and policy maker within the UK, where he specialised in informatics, digital transformation and leadership.

He has also acted as a consultant for health care systems across the US, Australia, New Zealand, Singapore, the Middle East and Europe.



Barbara Moorhouse

Senior Independent Non-Executive Director

Barbara has extensive business and management experience in the private, public and regulated sectors.

In the private sector Barbara has held a series of strategic, commercial and finance roles, including being chief finance officer for two international listed IT companies – Kewill Systems plc and Scala Business Solutions NV, group finance director at Morgan Sindall plc, and regulatory director at South West Water. In the public sector, she has been director general at the Ministry of Justice and the Department for Transport and chief operating officer at Westminster City Council.

Barbara is chair of Agility Trains Group, non-executive director and chair of remuneration committee at Aptitude Software Group PLC, non-executive director at Balfour Beatty PLC non-executive director at Dwr Cymru/ Welsh Water.

Corporate governance report



Key achievements in 2022

- Strategic business review and re-validation of the Company's longer-term objectives
- Approval of the 2022 annual report and the 2022 interim financial statements
- Approval of the final dividend for 2021 and the interim dividend for 2022.
- Review and approval of strategic internal project(s)
- Appraisal of a number of M&A opportunities
- Review of key risks, including a detailed review of cyber and related IT risks

Dear Shareholder,

I am delighted to introduce this section on governance, which describes the activities of the board and its committees during 2022 and how we have ensured governance continues to be a pivotal part in the strategic development and day-to-day running of this business.

Compliance with the Corporate Governance Code (the "Code")

As a main market quoted company, our governance framework is underpinned by the Corporate Governance Code (the 'Code') further details of which

can be found on our website at www.medicagroupplc.com/investors/corporate-governance. During the year the Company complied fully with the code with the exception of a small number of areas which are explained in more detail on Page 76.

Board effectiveness

During the year I was pleased that the board changes implemented in 2021 resulted in an effective board with the two new non-executive board members Dr. Junaid Bajwa and Barbara Moorhouse contributing effectively to strategic oversight and governance as well as strong management of the respective ESG and audit sub-committees which they chaired since joining the Company. I am confident the board will continue to provide the leadership and oversight required to help the Company achieve its strategic objectives.

Our 2023 AGM

Our 2023 AGM will be held at 11.00am on 30th June 2023. Shareholders are able to attend but we advise all shareholders to cast your votes online or by post ahead of the meeting and it should be noted that all voting will be conducted on a poll. Further details of the 2023 AGM and the proposed resolutions will be published in the AGM notice. Only those votes received by proxy or cast in person will count and, as such, if you are not planning on attending in person then you should cast your votes by post or online for them to be validly counted.

Thank you for your continued support and the board would like to thank all shareholders in advance for your co-operation around the arrangements for this year's AGM.

Roy Davis
Chairman



Our corporate governance framework

Shareholders

Our shareholders delegate to the board collectively, the responsibility for the long-term success of the Company within a framework of good governance. The board seeks to understand the investor base through regular dialogue and engagement.

The role of the board

The board is collectively responsible to shareholders for the overall direction of the Group. The board's primary aim is to promote the long-term success of the Group whilst ensuring the highest standards of corporate governance.

The board's key responsibilities include:

- Overall leadership of the Group;
- Setting and reviewing strategic aims and objectives of the Group;
- Oversight of the Group's operations including management, planning and operating systems;
- Monitoring and management of key business risks and internal controls;
- Approving annual budgets and reviewing performance against aims and objectives;
- Approval of significant financial expenditure, including mergers and acquisitions;
- Approval of structural changes to the Group;
- Approval of board membership and other senior management appointments or management structural changes;
- Proposing and making dividend payments to shareholders.

To assist the board in their responsibilities, there are five standing committees of the board: the audit committee, the remuneration committee, the nominations committee, the clinical governance & quality committee and the environmental social & governance committee. The terms of reference for the committees are available on the Medica Group website at <https://medicagroupplc.com/investors/corporate-governance/>.

The role of the chairman

The chairman, Roy Davis, has primary responsibility for leading the board, facilitating the effective contribution of all members and ensuring that it operates

effectively and in the best interests of shareholders. He maintains a regular dialogue with the CEO to ensure the business receives the support from the board necessary to progress the strategy.

Role of the CEO

The CEO, Stuart Quin, is responsible for day-to-day running of the business and implementing the group's strategy.

The audit committee

The audit committee is responsible for monitoring and reviewing the integrity of the financial reporting process, risk management and internal control, ensuring compliance with UK reporting standards. The committee is chaired by Barbara Moorhouse.

The audit committee's report for 2022 is set out on pages 34 to 35.

Remuneration committee

The remuneration committee is responsible for the development and implementation of the Group's remuneration framework and policies for directors and to ensure that these support the strategic aims of the business while also complying with the requirements of regulation. The committee is chaired by Jo Easton.

The remuneration committee report for 2022 is set out on pages 42 to 63.

Nomination committee

The nomination committee is responsible for the structure of the board, providing advice on board and senior management appointments and succession planning and monitoring the composition of the board and its committees. The nomination committee is chaired by Roy Davis.

The nomination committee's report for 2022 is set out on pages 36 to 37.

Clinical governance & quality committee ("CG&QC")

The CG&QC is chaired by Dr. Junaid Bajwa. The committee provides oversight for clinical quality and governance at Medica, ensuring that the clinical service is appropriately governed and is meeting expected regulatory standards in relation to the responsible officer regulation (2010 rev. 2013) and CQC. Furthermore, the committee provides oversight for the wider governance of clinical services, providing reassurance to the board that the service is well-governed with effective policies.

The CG&QC Committee report is set out on page 38.

Environmental, social and governance committee

The environmental, social & governance (ESG) committee provides advisory oversight for the key matters detailed in the scope below that relate to and impact upon the Group. It will assist the board in defining Medica's ESG strategy and ensure the Group is meeting relevant regulatory and legal requirements.

The committee is chaired by Dr. Junaid Bajwa.

Details of our approach to ESG and activity during the year is set out on pages 8 to 16 of the strategic report and the ESG committee report is set out on page 40.

Board composition and independence

During the year, The Company regarded Roy Davis, Jo Easton, Dr. Junaid Bajwa and Barbara Moorhouse as all having had no prior association with the Group, as "independent non-executive directors" within the meaning of the UK Corporate Governance Code, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The senior independent director (SID) has an important role on the Board in leading on corporate governance issues and being available to shareholders if they have concerns which contact through the normal channels of the chairman, chief executive officer or other executive directors has failed to resolve, or for which such contact is inappropriate. Barbara Moorhouse is our SID.

Directors are subject to election or re-election at each AGM. All directors will be standing for re-election at the 2023 AGM.

The Board also identifies and where necessary manages conflicts of interest, including those resulting from significant shareholdings and ensures that the influence of third parties does not compromise or override independent judgement. Details of our significant shareholders are set out in the directors report on page 65.

Corporate governance report

continued

Board and committee attendance

There were 14 Board meetings in 2022, including one meeting dedicated to the consideration of the Group's strategy. In addition to scheduled board meetings, there is a regular informal dialogue between all directors.

The attendance of Board members at Board and committee meetings are shown below. The attendance of executive directors at committee meetings was by invitation. The Company secretary is also secretary to each of the committees.

	Board	Audit	Rem	Nom	Clinical	ESG
Total meetings	14	6	5	3	2	1
Roy Davis	14	6	5	3	2	1
Jo Easton	14	6	5	3	0	1
Junaid Bajwa	12	6	5	3	2	1
Barbara Moorhouse	13	6	3	2	0	1
Stuart Quin	14					
Richard Jones	14					

Strategy and direction

During 2022 the board reviewed and monitored the Group's performance against the core strategy outlined in detail in the Group's annual reports and as communicated to shareholders at the inaugural capital markets day held in September 2021 and in subsequent regular updates to shareholders via a regulated news service (RNS) and published on our website.

In June 2022 the board, together with members of the senior management team, held an off-site strategy meeting to review and assess the business strategy and the wider opportunities and risks for the business. In December 2022, the board reviewed and approved the budget for 2023 and in February 2023 approved the longer-term business plan (LRP).

Stakeholder engagement

The Group recognises the importance of clear communication with shareholders. Regular contact with institutional investors, fund managers and analysts is maintained by the chief executive and the chief financial officer to discuss information made public by the Group. The board receives reports of these meetings and any significant issues raised are discussed by the board. Where appropriate, or if requested, such meetings include either or both of the chairman or senior independent director.

The Chairman and Chairs of each Committee are also available to discuss governance and strategy matters with shareholders and the Chairman has met with a number of major shareholders during the course of the year.

The Board continued the process of engagement with other stakeholders through the work of Jo Easton, the non-executive responsible for workforce engagement.

Board evaluation

Each year, our Board evaluation process discusses with Board members their thoughts on succession and diversity when reviewing Board culture and the Board's effectiveness. Our process also considers Board members other interests to ensure each has sufficient time to perform their duties. Following Corporate Governance best practice, the 2022 evaluation process was due to be externally conducted.

However, with two new non-executive members joining the Board in 2021 we decided to postpone this review until later in 2023 when the Board has had more time to work together. In the meantime, have conducted an annual internal survey regarding Board effectiveness to identify opportunities for improvement.

Risk management and internal controls

The board is responsible for maintaining a sound system of internal controls, including financial, operational and compliance controls and risk management, and reviews the effectiveness of the system at least annually in order to safeguard shareholders' investment and the Company's assets. The system is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and that this process is regularly reviewed by the board. The board has reviewed the effectiveness of the system of internal control and the process for identifying and evaluating the significant risks affecting the business, and the policies and procedures by which these risks are managed. Management are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. The principal risks and uncertainties are included on pages 24 to 27.

The audit committee reviews the scope of audits, the half yearly and annual financial statements (including compliance with legal and regulatory requirements) and reports to the board on financial issues raised by the audit reports. Financial control is exercised through an organisational structure which has clear management responsibilities with segregation of duties, authorisation procedures and appropriate information systems. The system of annual budgeting with monthly reporting and comparisons to budget is a key control over the business and in the preparation of consolidated accounts.

Compliance with the UK Corporate Governance Code 2018 (“The Code”)

As a main market company, we seek to fully comply with the principles of the Code. In any areas where we are not compliant, we disclose the nature of non-compliance together with our rationale for non-compliance.

During 2022 we did not comply with the Code in the following areas:

Code ref	Principle	Details and reason for non-compliance
21	There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the Company or individual directors.	The board carries out annual appraisals of its own performance. Whilst not a FTSE 350 company, the board considers external facilitation an important and effective part of board evaluation but decided to defer an externally facilitated evaluation of its performance until the second half of 2023 to allow a reasonable period of time since the changes to the board in 2021.
38	Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.	The new remuneration policy was approved by shareholders at the 2021 AGM with an additional variation approved at the 2022 AGM. The new policy provides that from 1st January 2023 pensions for executive directors will be aligned with the wider workforce. For 2022 existing contractual pension provisions were applied as set out in the remuneration report.



Report of audit committee



Dear Shareholder,

I am pleased to present my report of the work of audit committee in 2022. In addition to the focus on governance matters outlined in this report, the audit committee pays particular attention to:

1. Maintenance of appropriate financials controls to manage both organic and inorganic growth;
2. Development of the finance organisation and financial processes to support growth and align with corporate change;
3. Monitoring the allocation of capital and return on investment.

Key achievements in 2022

- Financial systems and risk
 - Oversight of the implementation of a new unified financial system across the group in 2022
 - Regular review of risk management, the risk register and internal controls including cyber and IT security
- Financial reporting
 - Review and recommendation to the board of approval of the annual report for 2021
 - Review and recommendation to the board of approval of the 2022 interim financial statements
- Auditor
 - Review of independence and effectiveness of auditors and recommendation of their re-appointment for 2023
 - Review and approval of the 2022 audit plan and fees proposed by the auditors

for shareholders to assess the performance, business model and strategy of the Group;

- Review significant financial reporting issues and judgements contained in the financial statements;
- Review the systems of accounting, internal control and risk management;
- Monitor and review the significant risks identified by the Group as well as the management and mitigation of those risks;
- Make recommendations in relation to the appointment of the external auditors, including their remuneration and the provision by them of any non-audit services;
- Oversee and maintain an appropriate relationship with the Group's external auditors and review the effectiveness, independence and objectivity of the external audit process;
- Monitor the arrangements by which employees can, in confidence, raise concerns about any possible improprieties in financial and other matters and consider internal processes to comply with UK legislation including the UK Bribery Act and The Criminal Finances Act 2017.

Background and scope of the committee's activities

The audit committee assists the board in discharging its responsibilities in relation to financial reporting, risk management and external and internal controls. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the board. The audit committee gives due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the listing rules.

The Committee works with the full Board to fulfil its oversight responsibilities.

Its primary functions are to:

- Monitor the integrity of the financial statements and other information provided to shareholders to ensure they represent a clear and accurate assessment of the Group's position, performance, strategy and prospects;
- Consider the financial statements and recommend to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced, understandable and provides information necessary

Membership and meetings

The audit committee is chaired by Barbara Moorhouse, the Committee's other members are Roy Davis, Jo Easton and Dr. Junaid Bajwa. All of the committee members are considered independent. The directors consider that Barbara Moorhouse has recent and relevant financial experience. The audit committee typically meets at least three times per year in the ordinary course based around the Company's reporting cycle and otherwise as circumstances require.

The committee met six times in 2022. The CEO and CFO attended all the committee meetings in 2022 by invitation.

Principal activities for the year

During 2022 the key activities of the committee were as follows:

1. New financial system

- During the year the committee oversaw the introduction of a unified group-wide financial system and this was implemented during the year to replace the disparate systems previously in place in the three divisions and to upgrade the functionality of core financial reporting systems.
- During 2023 the committee plan to have oversight to enhancements to the new system to include full purchase to pay functionality within system, the development of full in-system CRM capabilities and the development of additional ERP modules.

2. Activities relating to the Group's regular reporting cycle

- Review and recommendation to the board of approval of the 2021 Annual Report including the Financial Statements. As part of this review the committee received reports from the external auditors on their audit for 2021. It also reviewed the preliminary announcement made to the London Stock Exchange and reviewed and recommended for approval by the board the going concern statement together with the supporting forecasts and assumptions.

- Review of the effectiveness and independence of the external auditors, Grant Thornton following the 2021 audit and the recommendation to the board to propose their re-appointment at the 2022 annual general meeting.
- Approval of the 2022 audit plan prepared by the external auditors.
- Approval of the audit fees for 2022. The committee carefully considered the proposals from the auditors including a detailed review of the proposed scope of the audit of the expanded group which now including both RadMD and Medica Ireland. The committee approved the audit fees as set out in note 6 to the financial statements on page 94 which, reflect the increased scope over the prior year.
- Review and recommendation to the board for the approval of the 2022 interim financial statements including the going concern statement together with the supporting forecasts and assumptions.

3. Non-audit services provided by the external auditor

Non-audit services provided by the Company's auditor are kept under review by the committee. Non-audit work is only awarded to the auditors after due consideration of matters of objectivity, independence, costs, quality of service and efficiency. In 2021 the auditor undertook limited non-audit services, as set out in note 6 of the financial statements on page 94.

4. Effectiveness and independence of external auditor

The committee is also responsible for advising the board on the appointment of the auditor and assessing their independence.

Independence:

There are no contractual obligations that restrict the audit committee's choice of external auditor. Grant Thornton UK LLP has been external auditor to Medica Group PLC since 2013. The committee has considered the latest guidance from the Financial Reporting Council on auditor rotation. The committee has also considered the tenure of the reporting audit partner, Chris Smith who has been

audit partner since 1 January 2018. The report from Grant Thornton UK LLP confirming their independence and objectivity was reviewed by the committee on 28 March 2023.

The committee is responsible for regularly reviewing the effectiveness and performance of the external auditors and considering and agreeing appropriate fees for the audit. At the end of the 2021 audit, the committee reviewed and were satisfied with the performance of the external auditor and recommended their re-appointment for 2022 to the board.

The committee intend to conduct a tender process for the 2023 audit in line with FRC recommendations ahead of the AGM in June 2023 and will therefore provide its recommendation to shareholders prior to the meeting. Grant Thornton have indicated their willingness to participate in the tender process.

5. Committee feedback from the auditors without management present

The chair of the committee meets with the external auditors without management present at least twice a year. There were no matters of concern raised during these meetings in 2022.

6. Internal audit function

The committee noted that the Group had a well-developed clinical audit function but concluded that there was no immediate requirement for the Group to have an internal financial audit function, due to its current size and complexity. The committee will consider the need for an internal audit function on an annual basis.

Barbara Moorhouse Chair of the Audit Committee



Report of nomination committee



Dear Shareholder,

On behalf of the nomination committee (the 'committee'), I am pleased to introduce the nomination committee report in which we set out the committee's responsibilities and report on the activities of the committee during the year.

Key achievements in 2022

- The committee met to consider all aspects of management succession planning including incentivisation and the need for suitable skills to implement the Company's long term plans.
- The committee initiated an internal board evaluation survey and considered its findings and recommended actions to improve board effectiveness.

As a growing business with an increasing international footprint, it is critical that we ensure we have the right people to help us continue to deliver our objectives in line with Group's strategy. This means the committee must remain focused on understanding its framework for diversity alongside talent and succession planning across the business. Gender and ethnic diversity forms part of the committee's discussions when reviewing succession plans for the board and the executive team.

Each year, our board evaluation process discusses with board members their thoughts on succession and diversity when reviewing board culture and the

board's effectiveness. This process was due to be an externally conducted process in 2021 but with two new non-executive members joining the board in 2021 we initially decided to postpone this review until later in 2022 when the board has had more time to work together. Following a further review in 2022, the committee decided to further postpone the external review until later in 2023.

As part of our regular review, we consider the skills on our board to ensure we identify any gaps. We talk about a range of areas such as relevant experience, gender, ethnicity, skills, and any specific skills identified to strengthen and develop the knowledge

base on the board. When necessary, we also engage and work with specialist recruitment consultants to help identify talent and search for potential candidates that meet our objective criteria.

The committee also continued its broader work on succession planning, diversity and the mix of skills and experience on the board, which will remain a key aspect of our focus in the year ahead.

Roy Davis
Chairman of Nominations Committee

5 April 2023

Introduction

The nomination committee's role is to regularly review the structure, size and composition of the board to ensure the skills, knowledge and experience match the requirements of the business.

The primary functions of the Committee are:

- To review and make recommendations on any changes on the size, structure and composition of the board;
- To provide a formal, rigorous and transparent procedure for identifying and nominating new directors to the board;
- To review the succession planning for the Group as a whole and for key board positions in particular; and
- To review and evaluate the performance of the board.

The committee has recognised the requirement of the new UK Corporate Governance Code 2018 (the 'Code') in its decision-making.

Membership and meetings

In line with the provisions of the UK Corporate Governance Code 2018 the Nomination Committee is made up of the non-executive directors of the Company. Roy Davis is the chair of the committee and the other members during the year were, Jo Easton, Dr. Junaid Bajwa and Barbara Moorhouse.

Only the members of the nomination committee have the right to attend meetings. Executive directors, other board members and advisers may be invited to contribute on specific agenda items as appropriate. The company secretary acts as secretary to the nomination committee. The nomination committee updates the board following its meetings and invites contributions and views from the board.

The nomination committee meets at least once a year in the ordinary course of business and more frequently as circumstances require. During 2022 the committee met formally three times and all members attended.

Role and responsibilities

The nomination committee's main priorities are to ensure that the Group has the best possible leadership and to plan for both executive and non-executive director succession. Its key focus is therefore on the composition of the board, for which appointments will be made on merit against objective criteria. The nomination committee advises the board on these appointments, oversees the recruitment processes, and also considers retirements and resignations from the board and its other committees. The nomination committee regularly examines succession planning based on the board's balance of experience, overall diversity and the leadership skills required to deliver the Company's strategy.

Process for board appointments

When considering a board appointment, the nomination committee draw up a specification for the relevant position, taking into consideration the specific role as well as the balance of skills, knowledge and experience of its existing board members, the diversity of the board and the independence of continuing Board members, together with the ongoing requirements and strategic development of the Group. Care is taken

to ensure that proposed appointees have sufficient time to devote to the role and that there are no conflicts of interest.

The nomination committee utilises the services of an executive search firm to identify appropriate candidates, ensuring that the search firm appointed does not have any other conflicts with the Group. In addition, the nomination committee will only use those firms that have adopted the Voluntary Code of Conduct addressing gender diversity and best practice in search assignments. A long list of potential appointees is reviewed, followed by the shortlisting of candidates for interview based upon the objective criteria identified in the specification. Committee members interview the shortlisted candidates together with other directors as appropriate and identify a preferred candidate. Following these meetings, and subject to satisfactory references, the nomination committee make a formal recommendation to the board on the appointment.

Board induction and training

During the year the board undertook refresher training in respect of corporate governance and listed company rules and guidelines with input from the Company's external advisors.

Diversity policy

The Company makes all board appointments on individual merit, while recognising the benefits of board diversity. Our diversity policy aims to ensure that we consider diversity in its broadest sense. A diverse board has members with different skills, backgrounds, regional and industry experiences, races, genders and other qualities.

Activities in 2022

The committee reviewed the composition of the board and the processes surrounding succession planning. The committee concluded that the current board size and structure was suitable for the business as it continues to develop.

Performance evaluation

Given the changes to the makeup of the board during the year we decided to undertake an internal board evaluation and postpone the external evaluation until later in 2023 when the new members of the board will have been in post for a reasonable period.

In the meantime, the committee completed an internal performance evaluation which was designed to bring about debate on relevant issues and assist in identifying potential areas of improvement in the board's processes as well as ensuring the board operates efficiently and effectively.

The themes covered by the internal evaluation included:

- The role of directors and the board
- Performance of the non-executive directors
- Performance of the executive directors
- Board meeting effectiveness
- Performance and effectiveness of committees
- Effectiveness of monitoring performance
- Leadership and culture
- Corporate governance
- Induction training and process

Several improvement opportunities were identified for implementation and the internal evaluation concluded that the board, its committees and each of its directors continue to be effective.

Re-election of directors

The committee met in early 2023 to review the continuation in office and potential reappointment of all members of the board. Following this review, the committee recommended to the board that all current and new directors be appointed or reappointed, and these directors will seek election or re-election at the 2023 annual general meeting.

Roy Davis

Chairman of Nomination Committee

5 April 2023

Report of clinical quality and governance committee



Dear Shareholder,

I am pleased to introduce to you the second report of the clinical quality and governance committee (CQ&GC). The committee was established to provide oversight of all the clinical aspects of governance and quality within Medica, further emphasising the importance we place on putting patient outcomes at the heart of our work. It was felt that it was critical to establish this committee, especially at a time of growth and global expansion, to ensure we have a focal point to undertake a comprehensive review of all Medica's clinical and quality activities, to assure the board that our services are well governed with effective policies.

Key achievements in 2022

- Successful HIQA inspection in Cork
- Successful CHKS review of UK support of the Ireland business with excellent feedback
- Successful UK CQC inspection – rated 'Good'
- Successful UK QSI inspection
- Cyber Essentials accreditation secured
- Deep dive into understanding the experience of reporters (and how this might be improved)
- NHS England appraisal and revalidation return

CQ&GC membership

The committee is chaired by non-executive board member Dr. Junaid Bajwa, with Roy Davis attending as a member. The committee is supported by the Group's senior management team. Dr Robert Lavis, group medical director and Dr Stuart Quin, CEO are invited.

Meeting frequency

The group typically meets on a biannual basis in April and October and additionally as required. In 2022 the committee met twice, and all committee members attended.

Committee terms of reference

The purpose of the committee is to provide oversight and reassurance of the clinical governance processes and governance management within Medica to the board. As part of that assurance review, the committee ensures that the governance, quality, and risk teams

are working to maintain standards outlined across:

- The Medica clinical governance framework
- The Medical practitioners assurance framework
- Medica practicing privileges policy
- Quality Standard for Imaging (QSI) standards
- CQC (Care Quality Commission) Inspection Framework – Independent hospitals: teleradiology
- CHKS
- HIQA (Health Information and Quality Authority)
- EPA (Environmental Protection Agency)
- ISO 9001
- ISO 27001

Cyber essentials

The role of the chair is to challenge and critique the processes in a continued journey of evolution in excellence. The team bring ideas for development and harmonisation through the business.

The committee standing agenda for discussion includes:

- PLC board feedback on committee reports and activity
- Medical advisory board report – themes and actions
- Clinical governance committee report – themes and actions
- Equality and diversity – GMC and medico-political landscape, employment landscape
- GMC appraisals and NHSE appraisal annual report

- Risk register review
- Clinical Incident Report Tracker – trend analysis and action
- CQC Regulation 18 Notification Tracker – review
- Legal tracker and update of notable cases
- Standards

Planned committee activity in 2023 and beyond

2022 has seen a significant focus on the experience of Medica reporters. The committee has received reports from all areas of the business as changes are instituted and are assured of ongoing high-quality assurance. The clinical quality and governance group focussed on reporter experience in their Autumn meeting to review all initiatives and this was fed back to the committee. The committee noted a commitment to make the onboarding of reporters as seamless as possible and workstreams aimed at simplifying the reporting workflow.

The CQC UK inspection highlighted two areas for improvement – extending safeguarding awareness and training to all staff, not just clinical staff and improving adherence to non-clinical staff appraisal schedules. Relevant teams have moved swiftly to extend safeguarding training to all members of staff, to rewrite the safeguarding policy to include all office and home based staff and to establish monitoring of compliance. The HR team are developing new schemes to ensure non clinical staff appraisals are completed on time and recorded. We are looking to digitise the appraisal form, thus making it more accessible to all staff. We are considering methods of incentivising staff to have the appraisal process completed in a timely fashion.

Given the large number of global regulatory, assurance and quality standards that the Medica teams are involved in managing and preparing, a review of these will take place in 2023 with the development of a quality assurance framework and a subsequent presentation to board members.

The committee were pleased to hear of initiatives to reduce potential clinical risk from interruptions to reporters during acute reporting sessions, encouraging a safer working environment. In addition, some aspects of the internal audit service have been focussed on areas of higher perceived risk such as complex trauma scans. This aligns with a drive to continually improve patient care and reporting quality.

The appointment of internal paralegal capacity in late 2022 has given further assurance to the management of medicolegal proceedings against reporters. A large workstream for 2023 will be embedding the quality standards of Medica and Medica radiology services into the realm of digital pathology.

Further in-depth reviews for 2023 will include:

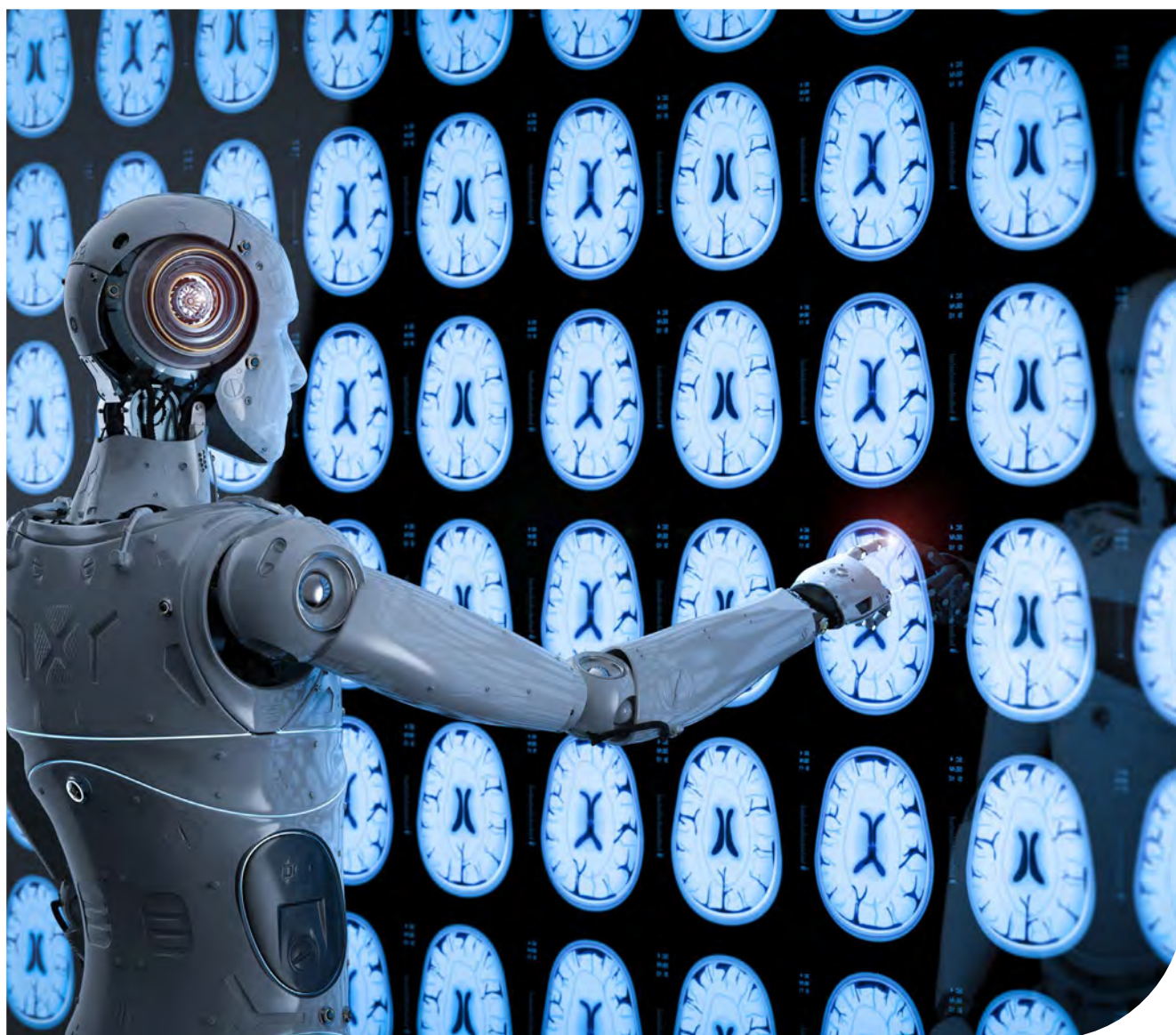
- People – engagement, rewards, feedback
- Global Medica – collaboration across business entities, regulations, learning and development
- Risk – update, review, themes, challenges, solutions

Summary

The CQ&GC brings together key stakeholders from across the Group to provide a forum for open discussion of standards, governance, and quality.

The aim is to provide ongoing assurance of the expected high quality in clinical and governance for the board.

Dr. Junaid Bajwa
Chair



Report of ESG committee

Dear Shareholder,

Medica has had another busy year and I am pleased to report that we have made good progress against our ESG goals during 2022. This is explained in detail on pages 8 to 16 of this annual report. Our ESG sub-committee met twice in 2022; once to review and approve the ESG approach for 2022 and secondly to evaluate interim progress against the goals that were established earlier in the year.

Taking each in turn, Medica has taken active steps to improve its metrics associated with environmental impact. This included a review of our travel to work policy and Medica has signed up to a 'cycle to work' scheme alongside a review of office parking to incentivise employees to take alternative means of transport other than driving to work. Additionally, Medica has rolled out a solution to ensure that all used IT equipment is now recycled by a WEEE certified provider to recycle hundreds of devices – workstations, servers, screens, routers – anything that cannot be re-furnished and re-deployed. This was one area where the sub-committee noted it could make an improvement and I am pleased to report that this has been achieved.

In terms of social measures, the committee has worked with management to review the framework for radiologist engagement. This has helped radiologists to better manage schedules and ensure radiologists are able to deliver feedback to Medica about their experience. Similarly, a Medica staff survey has been designed for 2023 which will endeavour to solicit feedback on their experience of working with Medica.

Finally, in terms of governance, alongside my role as chair of the sub-committee for clinical governance and quality, we have also reviewed Medica's recent inspection by the Care Quality Commission in the UK where the Company was rated as "Good" on two dimensions of the service and rated "Outstanding" for leadership. Additionally, Medica was pleased to have passed a CHKS inspection in Ireland earlier in 2022.

We continue to make good progress with our ESG approach and I look forward to continuing to focus on improvements we can make as a business in 2023.

Dr. Junaid Bajwa
Chair of the ESG Committee

5 April 2023

Key achievements in 2022

- Improved reporting and monitoring of performance against ESG strategy and framework set out last year
- Improvement in gender diversity across group with increased proportion of females in leadership positions compared to 2021
- Aligned our ESG approach with United Nations sustainable development goals
- Improvement in travel initiatives to incentivise fewer car trips to the office, good adoption of a cycle-to-work scheme
- Commitment and action to recycle used IT equipment using an accredited service provider

Areas of focus for 2023

- Embedding diversity and inclusion metrics into our recruitment processes and reporting against metrics with the aim of increasing representation and strengthen inclusion across our organisation
- Conduct a staff survey to increase engagement and gather organisational feedback on areas where performance improvement can be made, as well as where the organisation is performing well
- Improve customer engagement and assess actions where improvement can be made





Report of the remuneration committee



Dear Shareholder,

As chair of the remuneration committee, I am pleased to present the director's remuneration report, approved by the board for the year ended 31 December 2022.

The report covers the annual report on remuneration which sets out the remuneration paid to directors in 2022 including bonus payments and long-term incentives and how our remuneration policy will be applied in 2023.

We will be inviting shareholders to an advisory vote on the remuneration report at the AGM on 30 June 2023 set out on pages 42 to 63 detailing director's remuneration for the performance period ending 31 December 2022.

Corporate performance and stakeholder experience in 2022

Medica had a positive year of continued growth in 2022 resulting in annual revenue increasing by 24% with a resilient gross and net profit margin reflecting the strong performance of the business last year. This was despite a challenging time for clients in the markets in which we operate. In the UK, the impact of the pandemic was still apparent particularly in the first half of 2022 when clients prioritised urgent elective procedures and radiologists were required to dedicate more time to supporting their own hospitals. Demand for our services increased throughout

Key achievements in 2022

- Approval of remuneration of the executive directors for 2022 and looking ahead to 2023
- Approval of 2022 incentive awards and their performance conditions

2022 and Medica was able to capitalise on this demand by recruiting more reporters during the second half of the year.

Medica's recent acquisitions in Ireland and the US also performed very well during the year. The Irish healthcare market in many respects reflected the same challenges as the UK, although our breadth of services including ultrasound and X-ray scan and report, as well as diabetic retinopathy screening services meant that we were able to grow revenue at over 30% year-on-year gross margin in Ireland. Similarly, Medica's clinical trial imaging services business in the US also expanded taking on some notable new clients, as well as supporting existing clients with important new therapy launches.

Remuneration and the wider workforce

With exceptionally high levels of inflation in the UK and more widely disproportionately affecting those lower paid, Medica took a number of steps to support employees with the rising cost of living during 2022. In addition to the normal annual salary increase in April 2022, all employees across the Group other than the executive team received both a non-consolidated payment equivalent to £625 in July 2022 and a further salary increase of 2.5% in October 2022 to help with additional costs caused by rising inflation.

As well as the extra financial support, the focus on wellbeing also continued during 2022 with training for all staff on mental health awareness and financial wellbeing.

The committee has taken overall performance into consideration when determining remuneration matters for 2022.

Remuneration outcomes and awards made in 2022

For 2022, Dr Stuart Quin and Richard Jones were eligible to receive an annual bonus of up to 125% of base salary following the implementation of the revised Remuneration Policy in 2021. The performance targets for the annual bonus were based on revenue, profit, free cash and operational measures.

All four components of the annual bonus were weighted equally at 25%.

The target thresholds were met for the profit and revenue measures resulting in a bonus payment of 5% of the maximum opportunity for financial measures. The operational measures were set at the start of the year to align with Medica's key strategic objectives for 2022. In July 2022, the board determined to place increasing importance on building overseas capacity, particularly in India, in line with the strategic direction of the Company. In response to this, the committee agreed to adjust one of the functional targets to include this important activity. Based on the revised targets, two of the three functional targets were achieved resulting in a payment of 13.3% of maximum opportunity. The committee approved a total bonus payment to executive directors for 2022 (including the deferred bonus element) of c.18% of their total maximum opportunity which equates to just under 23% of basic salary.

In accordance with the revised remuneration policy, 40% of the total bonus awarded to Dr. Stuart Quin and Richard Jones will be deferred in Medica Shares under the deferred bonus plan to be issued in 2023.

Awards under the 2019 PSP were subject to a three-year performance period and were based on EPS growth and growth in absolute TSR weighted equally at 50%. Threshold performance was not met for either measure. The committee takes a measured and cautious approach to the application of discretion. In considering the performance of the Company as a whole over the three-year performance period, the committee determined that the outcome did not represent an accurate reflection of the strategic progress made during the period in question; nor did it appropriately reflect the strength of Medica's relative TSR performance which was at the upper quartile of the FTSE 250 small cap. Major shareholders were consulted on the use of discretion and subsequently confirmed their support to allow the award to vest at 50%, 25% of which would be subject to the normal holding period of three-years and the remaining 25% to be subject to an extended holding period of four-years. Further details are set out on page 44 of the remuneration report.

In 2022 the committee granted PSP awards to Dr. Stuart Quin of 269,257 and to Richard Jones of 190,064 shares respectively representing 125% of salary. These awards were made under the terms of the revised policy and were based on EPS and absolute TSR, the targets for the award made in 2022 are set out in the 2021 annual report. A further 677,771 PSP awards were made to the wider management team with the same performance conditions as executive directors. In addition, a total of 1,021,988 other 2022 PSP awards were made to employees across the Group excluding executive directors with limited performance conditions applicable to these awards.

Response to voting at the 2022 AGM

At the 2022 AGM, 99.7% of shareholders voted (as an advisory vote) in favour of the director's remuneration report for 2021, which included remuneration and performance share awards for 2022.

In addition, 99.2% of shareholders voted in favour of a revision to the rules of the performance share plan to align these rules with the remuneration policy approved by shareholders at the 2021 AGM.

UK Corporate Governance Code

As part of the review of the remuneration policy, approved by shareholders in 2021, the committee committed to making changes to align executive pensions with those of the wider UK workforce. These changes came into effect from 1st January 2023 thereby ensuring full compliance with the Code.

Looking ahead to 2023

For 2023, base salaries will be increased by 4.0% for executive and non-executive Directors to align with the average increase for the wider workforce. Company pension contributions for executive directors will reduce to 4% of salary in line with the wider workforce. For both executive directors the maximum 2023 annual bonus opportunity will be 125% of base salary and the maximum 2023 Long-Term Incentive Plan (LTIP) opportunity (under the PSP plan) will be 125% of base salary.

Details of the proposed targets for 2023 PSP awards are set out on page 61 of the remuneration report. Against an uncertain external environment, with challenging market conditions set to continue, the committee has taken care, to set appropriately stretching targets that align the interests of the shareholders and executive directors to deliver the strategic plan for the Group and create value for shareholders over the next three years and beyond. During the last policy review, a commitment was made to shareholders to keep the introduction of a return measure under review for the life of the policy. For the 2023 PSP awards, a new ROCE measure has been introduced to sit alongside the existing EPS and TSR measures with all three measures weighted equally.

Medica remains a high growth business with strong ambitions to expand in the future. Ensuring that executive director remuneration incentivises and rewards the delivery of sustainable shareholder value is a key objective for the committee in considering the extent to which amendments to policy may be proposed at the next vote in 2024.

We hope that our shareholders will support the remuneration report at the 2023 AGM.

Ongoing dialogue with shareholders and other stakeholders is valued, and as always, we welcome your feedback on this directors' remuneration report.

Jo Easton
Chair of the Remuneration Committee

5 April 2023

Key committee activities in 2022

Triennial Remuneration Policy review	<ul style="list-style-type: none"> Obtained approval from shareholders at the 2022 AGM for revised rules of the performance share plan to align with the shareholder approved remuneration policy
Director's remuneration	<ul style="list-style-type: none"> Reviewed the 2022 remuneration report prior to its approval at the 2023 AGM Approved the 2022 annual bonus payments for executive directors Approved executive directors' remuneration for 2022/23 Agreed the discretionary terms in respect of the vesting of Dr Stuart Quin's 2019 PSP award
Executive remuneration	<ul style="list-style-type: none"> Approved the 2022 group annual bonus targets Approved the 2022 awards under the Company's PSP for executives and other staff
Governance	<ul style="list-style-type: none"> Reviewed the remuneration committee terms of reference Reviewed market trends and latest developments in governance Conducted a benchmarking exercise for executive and non-executive remuneration

Report of the remuneration committee

continued

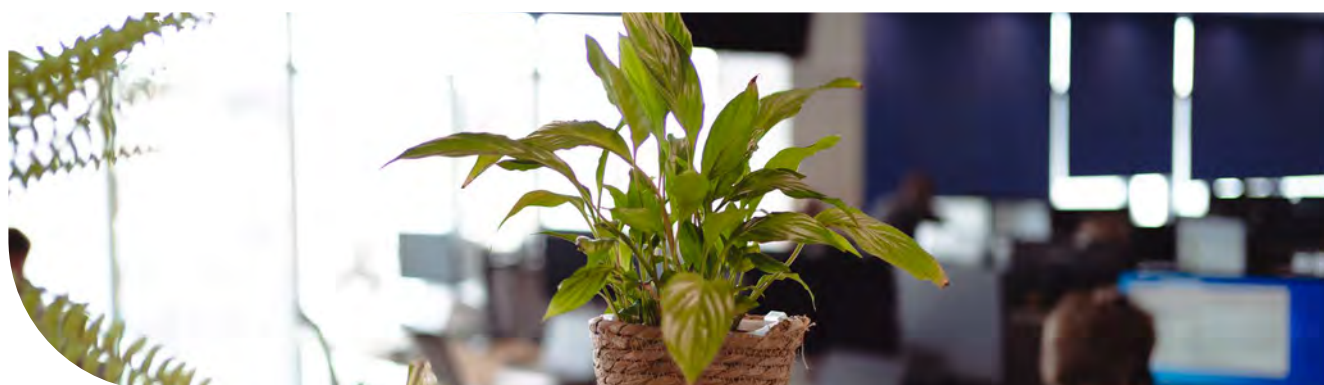
2022 approved remuneration policy for executive directors

This section of the report sets out the main elements of the policy approved by shareholders at the 2021 AGM. The policy will remain in effect for three years until the 2024 AGM subject to any proposed amendments by the committee. The table below also sets out how the main elements of the policy link to the strategy and how each element will operate in practice.

During 2022 and early 2023 the committee considered the effectiveness of PSP awards for the retention of key employees below the level of executive management. In line with 2022, the committee again approved the issuance of awards (RSU awards) to staff below executive director level issued under the PSP plan rules but with limited performance conditions. These awards will be issued in April 2023.

The committee do not intend to grant any awards under the CSOP.

Element	Purpose and link to strategy	Operation
Base salary	<p>Set at levels to attract and retain talented executive directors with the skills and experience to deliver Medica's strategy.</p> <p>Base salaries and the implied total package informed but not led by market practice and competitive by reference to companies of a similar size and complexity.</p>	<p>Base salaries will be reviewed by the committee annually and benchmarked periodically against relevant competitor companies.</p> <p>The executive directors' salary is positioned to reflect each individual's professional experience and level of responsibility in their role.</p> <p>In deciding base salary levels, the Committee considers personal performance including the individual's contribution to the achievement of Medica's strategic objectives. The Committee will also consider employment conditions and salary levels across Medica, and prevailing market conditions.</p> <p>Base salary increases for the executive directors will normally be aligned with those of the wider workforce but may be made above this level in exceptional circumstances such as a material change in responsibilities, size or complexity of the role, or if a director was intentionally appointed on a below-market salary.</p> <p>The committee will consider increasing salaries over time subject to strong personal and company performance and considering levels of salaries in the market.</p>
Pension	To provide an appropriate level of post-retirement benefit for executive directors.	<p>Executive directors may receive a contribution to a personal pension plan, a cash allowance in lieu, or a combination thereof equivalent to that received by the wider UK workforce.</p> <p>Salary is the only element of remuneration that is pensionable.</p>
Other benefits	To provide market competitive non-cash benefits to attract and retain talented executive directors.	<p>Medica provides death in service and private medical insurance benefits to its executive directors.</p> <p>Medica may provide benefits in kind where the remuneration committee considers appropriate. Executive directors may also be provided certain other benefits to take account of individual circumstances such as, but not limited to, payment of tax, financial, and/or legal adviser fees, relocation expenses and housing allowance (including associated interest, penalties or fees plus, in certain circumstances or where the committee consider it appropriate, any tax incurred on such benefits).</p> <p>Executive directors may also be offered any other future benefits made available to all senior employees. This may include participation in any share incentive plan that is offered to all employees (or all employees who meet certain qualifying criteria) on the same terms.</p>



Opportunity	Performance measures
<p>There is no maximum salary payable to executive directors. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual.</p> <p>Base salaries for the year under review and the following year, as well as the rationale for any increases, will be disclosed in the relevant year's directors' report on remuneration in the annual report.</p>	Not applicable.
<p>Newly appointed executive directors will receive a contribution to a personal pension plan, a cash allowance, or a combination thereof equivalent to that of the wider UK workforce at the date of appointment.</p> <p>Details of the pension contributions made to executive directors during the year are disclosed in the directors' report on remuneration.</p>	Not applicable.
<p>There is no maximum value of annual benefits which will be market competitive and will take into account individual circumstances. It is not anticipated that the costs of benefits provided will increase significantly in the financial years over which this policy will apply, although the committee retains discretion to approve non-material increases in cost. In addition, the committee retains discretion to approve a higher cost in exceptional circumstances (e.g. to facilitate recruitment, relocation, expatriation, etc.) or in circumstances where factors outside Medica's control have changed (e.g. market increases in insurance costs).</p> <p>Benefits in respect of the year under review are disclosed in the directors' report on remuneration in the annual report.</p>	Not applicable.

Report of the remuneration committee

continued

Element	Purpose and link to strategy	Operation
Annual bonus	<p>To incentivise executive directors to deliver strong financial and non-financial performance on an annual basis and reward the delivery of Medica's strategic aims that will underpin the longer-term health and growth of the business.</p> <p>Deferral into shares enhances alignment with shareholders and aids retention of executive directors.</p>	<p>Performance measures, targets and weightings are set by the committee at the start of the year. After the end of the financial year, the committee determines the level of bonus to be paid, taking into account the extent to which these targets have been achieved.</p> <p>To the extent that the performance criteria have been met, at least 40% of the annual bonus awards will be deferred into awards in shares in Medica under the Deferred Bonus Plan ("DBP"). The remainder of the bonus will be paid in cash.</p> <p>Awards under the DBP are not subject to further performance conditions and vest after two years, broadly subject to continued employment.</p> <p>Dividend equivalents may be awarded in respect of DBP awards (as set out in the notes to the policy table).</p> <p>Malus and clawback provisions apply to the annual bonus and DBP awards in certain circumstances (as set out in the notes to the policy table).</p> <p>The Committee may exercise discretion and make either upward or downward adjustments to the formulaic outcome to either short term or long-term bonus pay-outs in the event that there is misalignment with shareholder interests or strategy (as set out in the notes to the policy table).</p>
Performance Share Plan ("PSP")	<p>To align the interests of executive directors and shareholders in growing the value of Medica over the long-term.</p>	<p>Executive directors are eligible to receive annual awards of an option to acquire shares in Medica for nil consideration.</p> <p>Prior to awards being granted each year, the performance conditions and targets are agreed and set to ensure they remain appropriately stretching and aligned to Medica's strategy.</p> <p>Awards granted under the PSP to executive directors will normally have a performance period of not less than three years and a minimum normal vesting period of three years. They will normally be subject to an additional holding period of two years after the normal vesting period.</p> <p>Dividend equivalents may be awarded in respect of PSP awards (as set out in the notes to the policy table).</p> <p>PSP awards granted to executive directors will be subject to malus and clawback provisions (as set out in the notes to the policy table).</p> <p>The Committee may also exercise discretion and make either upward or downward adjustments to the formulaic outcome to either short term or long-term bonus pay-outs in the event that there is misalignment with shareholder interests or strategy (as set out in the notes to the policy table).</p>
Restricted Stock Units ("RSU") under the PSP	<p>To provide a key retention incentive for junior management and key employees.</p>	<p>Employees other than directors and executive management are eligible to receive annual awards of an option to acquire shares in Medica for nil consideration.</p> <p>RSU Awards granted under the PSP will normally have a performance period of not less than three years and a minimum normal vesting period of three years.</p> <p>Dividend equivalents may be awarded in respect of RSU awards.</p>
Save-As-You-Earn (SAYE) plan	<p>To align the interests of employees and shareholders by encouraging all employees to buy and own Medica shares.</p>	<p>Executive directors are entitled to participate in Medica's all-employee SAYE plan on identical terms as other eligible employees. All employees, including executive directors, may make monthly savings over a period of three or five years (or other period set out in the relevant legislation). Each employee who participates is also granted an option to acquire shares at a price that is not less than 80% of the market value of the shares on the date that invitations to participate are issued. The number of shares subject to each option will be the number of shares which have an aggregate option exercise price as near to, but not exceeding, the projected proceeds of the SAYE savings contract (i.e. the accumulated savings plus any bonus/interest payable).</p> <p>The operation of the SAYE plan will be in line with the legislative requirements that apply to plans of this type. Executive directors will not receive any preferential terms compared to the wider employee group.</p>

Opportunity	Performance measures
<p>The normal maximum annual bonus opportunity is 125% of base salary.</p> <p>The pay-out for on-target performance is up to 50% of maximum; below threshold performance on any of the financial or strategic functional measures results in nil pay-out.</p> <p>The current maximum bonus opportunities for each of the executive directors are disclosed in the directors' report on remuneration in the annual report.</p>	<p>Bonuses are based on achievement against company financial performance targets and strategic functional targets over the financial year.</p> <p>Malus and clawback provisions apply to the annual bonus and DBP awards in certain circumstances.</p> <p>Further details, including the performance targets, will be disclosed retrospectively in the relevant directors' report on remuneration in the annual report.</p>
<p>The normal maximum annual PSP opportunity is 150% of base salary.</p> <p>The committee may determine not to make awards at this maximum level each year and anticipates that awards made will not normally exceed 125% of base salary after 2021.</p> <p>The committee has discretion to award up to 200% of base salary in exceptional circumstances.</p> <p>Further details of the PSP awards granted to each of the executive directors will be disclosed in the relevant directors' remuneration report in the annual report.</p>	<p>Vesting of the PSP is subject to continued employment during the normal vesting period and the achievement of performance conditions aligned with Medica's strategic plan and shareholder value creation. PSP awards granted in 2022 will be based on a combination of EPS growth and total shareholder return.</p> <p>Regular reviews of the performance conditions and targets are undertaken to ensure alignment with the strategy and shareholder interest. The committee retains discretion to make changes to the measures and their weightings to ensure continued alignment with strategic goals and shareholder interests.</p> <p>Further details, including the performance targets attached to PSP awards in respect of each year, will be disclosed in the relevant directors' remuneration report in the annual report.</p>
<p>Awards will be made based on seniority and at the discretion of the Committee and will typically be limited to a value at grant of up to 1/3 of the individual's annual basic salary.</p> <p>Total RSU's granted each year under the PSP will be disclosed in the annual report and accounts.</p> <p>Total RSU awards under the PSP will typically be limited to less than 1% of the issued share capital of the Company in any one year.</p>	<p>Vesting of the PSP is subject to continued employment during the normal vesting period.</p>
<p>Employees are limited to saving a maximum in line with the maximum monthly savings limit imposed by the committee (which will not exceed the limits imposed by legislation, currently £500 per month) at the time they are invited to participate.</p>	<p>Not applicable.</p>

Report of the remuneration committee

continued

Notes to the policy table

Approach to target setting and performance measure selection.

The committee carefully considers the selection of performance measures at the start of each performance cycle, taking into consideration Medica's strategic objectives and the macroeconomic environment.

Annual bonus measures are selected to align with Medica's short-term objectives and are based on "stretch" targets above the annually approved group budget.

Measures may change from year to year (subject to the policy), and the rationale for any changes to the bonus measures selected will therefore be disclosed in the relevant directors' remuneration report in the annual report.

PSP performance measures are selected to ensure they reward delivery of Medica's strategy and growth and create value for shareholders over a multi-year period and are intended to align executive directors' interests with those of shareholders.

The performance measures applicable to the PSP awards to be granted in 2023 will be based on EPS growth and total shareholder return weighted equally at 50% over a three-year period. The committee considers these measures align executive incentives to Medica's strategy and shareholder interests.

PSP awards are expected to be granted in April or early May 2023. The PSP award to be granted to Stuart Quin and Richard Jones will be equivalent to 125% of base salary.

Targets are set to be stretching but achievable over the three-year performance period. EPS targets are set taking account of multiple relevant reference points, including internal forecasts, external expectations for future performance at both Medica

and its closest sector peers, and typical performance ranges for those measures at other FTSE companies of comparable size and complexity.

The committee may also make discretionary adjustments, up and down, to the formulaic outcome of short and long-term incentive plans if there is a lack of alignment with the Group's strategic goals or shareholder interests. Any use of discretion will be carefully considered by the committee and fully disclosed in the relevant directors' remuneration report in the annual report.

Until an award in shares under the DBP or PSP has been exercised and the shares which are subject to the relevant award have been issued or transferred to the award holder, the award holder has no entitlement to dividends or other distributions payable by reference to a record date preceding the date of such issue or transfer. The committee can, however, determine that dividend equivalents will be awarded. If dividend equivalents are awarded, whenever a dividend or other distribution is paid by Medica in respect of its shares and the vesting date of the DBP or PSP award (including any additional holding period that applies to the PSP award) has not passed, the number of shares which are subject to the DBP or PSP award will be increased to reflect the value of the dividend. The committee can determine that dividend equivalents will be paid in either shares or in cash.

Malus and clawback provisions apply to DBP and PSP awards:

- If the award holder has engaged in misconduct which, in the sole opinion of the committee, would or could justify the award holder's summary dismissal;
- there has been a material misstatement and/or significant downward revision in the financial

results of the Company announced to the public and/or its audited accounts in respect of any financial year;

- an error was made in assessing or calculating the extent to which any condition imposed on the award has been satisfied which has resulted either directly or indirectly in the number of shares in respect of which the award was or is capable of exercise, being greater than it would have been but for such error; and
- any other circumstances exist that in the sole opinion of the committee have (or would have if made public) a sufficiently significant impact on the reputation of any member of the group or the business in which the award holder is employed to justify malus and clawback applying. For the avoidance of doubt, such circumstances need not relate to any financial year during which the award holder held an award under the plan.

Share ownership guidelines

The committee recognises the importance of aligning executive directors' and shareholders' interests through significant shareholdings in Medica. Medica's shareholding policy is 125% of base salary for executive directors. The executive directors will have five years in which to build up the required ordinary shareholding after commencing employment.

Post-employment shareholding guidelines will require executive directors to hold 100% of their in-employment shareholding guideline, or shareholding at cessation if lower, for a period of two years post-cessation.

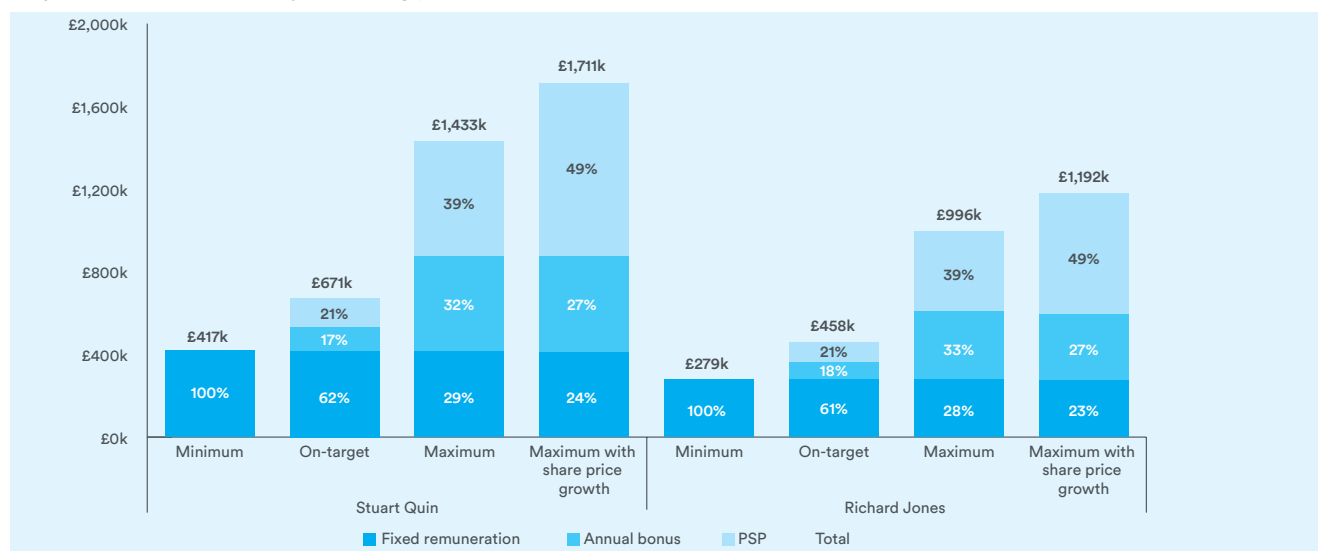
Details of the executive directors' current personal shareholdings are provided on page 62.



Pay-for-performance: scenario analysis

The charts below provide an estimate of the potential future reward opportunities for the executive directors, and the potential split between the different elements of remuneration under three different performance scenarios: “Maximum”, “on-target” and “minimum”.

Potential reward opportunities are based on the forward-looking policy applied to 2023 base salaries and incentive opportunities. Note that the PSP awards granted to executive directors will not normally vest until the third anniversary of the date of grant and will then be subject to an additional two-year holding period before the awards can be exercised.



In developing these scenarios the following assumptions have been made

Minimum

- Base pay that is applicable in 2023
- Benefits as included in the single figure table for 2022
- Pension based on % contribution of salary for 2023

Target

- Annual bonus is 62.5% of base salary (representing 50% of maximum award)
- PSP share award vesting at 37.5% of base salary (representing 25% of the face value of the PSP award)

Maximum

- Annual bonus is 125% of base salary (representing 100% of maximum award)
- PSP share award vesting at 150% for 2021 and 125% thereafter (representing 100% of the face value of the PSP award)

Share price appreciation

- The potential impact of share price appreciation on PSP award values is illustrated assuming a 50% increase on the share price at grant

Executive director service contracts

In accordance with general market practice, each of the executive directors has a rolling service contract. The executive directors' service contracts (copies of which are available to view at Medica's registered office) are each terminable on 12 months' notice from either party. This practice will also apply for any new executive directors. The following table shows the date of the service contract for each executive director:

Executive director	Position	Date of appointment	Date of service agreement
Dr. Stuart Quin	CEO	1 September 2019	1 September 2019
Richard Jones	CFO	3 August 2020	1 August 2020

Report of the remuneration committee

continued

Exit payments policy

Medica's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of termination. Executive directors' contracts provide for the payment of a pre-determined sum in the event of termination of employment in certain circumstances (but excluding circumstances where Medica is entitled to dismiss without compensation), comprising base salary, pension allowance and benefits in respect of the unexpired portion of the notice period. Termination payments may take the form of payments in lieu of notice.

If the employment is terminated by Medica, the committee retains the discretion to settle any other amount the committee considers reasonable to the executive director including in settlement of claims, in respect of reasonable legal fees incurred in connection with the termination and fees for outplacement services and relocation costs.

In addition to contractual provisions, the table below summarises how awards under each discretionary incentive plan are typically treated in specific circumstances, with (where relevant) the final treatment remaining subject to the committee's discretion as provided under the rules of the plan. In the event of termination, any outstanding options granted under the SAYE scheme and any awards made under a share incentive plan that may be established by Medica will be treated in accordance with the rules of the scheme, which do not include discretion.

Disclosure in relation to any departing executive director, including details of any remuneration payment made to them after they cease, will be made in the relevant annual report on remuneration.

Treatment of awards on cessation of employment/change of control.

	Reason for cessation	Calculation of vesting/payment	Timing of vesting/payment
Annual bonus	Death or other circumstance as the committee determines	The bonus will remain payable on the normal payment date, subject to the performance targets having been met and pro-rated for the proportion of the performance year worked (unless the committee waives pro-rating). The bonus is paid wholly in cash (i.e. not subject to deferral) unless the committee determines otherwise.	At the usual payment date.
	All other reasons	No bonus will be paid for the financial year. Bonus lapses if employment ceases at any time prior to the payment date.	Not applicable.
	Change of control	The committee may determine the extent to which applicable performance targets have been met as at the date of the change of control, and calculate the bonus accordingly, pro-rated for the proportion of the performance year which has elapsed before the change of control event. The committee has discretion to waive performance conditions and pro-rating. The bonus is paid wholly in cash (i.e. not subject to deferral).	On change of control.
Deferred bonus plan	Death	The committee may in its absolute discretion, permit exercise of awards within the twelve-month period immediately following death. Awards will be pro-rated for the proportion of the vesting period worked (unless the Committee waives pro-rating).	On death.
	Ill health, injury, disability, redundancy, or sale of the employing company or business	Awards may be retained and exercised during the six months following the vesting date (or if later six months after the date of cessation). The committee may, however, in its absolute discretion permit awards to be exercised within such period following cessation of employment as the committee determines. Awards will be pro-rated for the proportion of the vesting period worked (unless the committee waives pro-rating).	At the normal vesting date unless discretion is exercised (and then on cessation of employment).
	All other reasons (including resignation or dismissal for cause)	Awards normally lapse on cessation of employment or if earlier when the employee gives or is given notice to cease employment, unless the committee determines within three months of cessation of employment to permit the holder to keep their awards and exercise them on such terms and within such period following the vesting date as the Committee determines. The Committee can determine the extent to which the award will vest.	Not applicable, unless discretion is exercised (and then not earlier than the normal vesting date).
	Change of control	DBP awards may be exercised for a six-month period following such event or immediately prior to such event. Awards will not be subject to pro-rating.	On change of control.

	Reason for cessation	Calculation of vesting/payment	Timing of vesting/ payment
Performance share plan	Death	The committee may in its absolute discretion, permit exercise of awards within the twelve-month period immediately following death. Awards will be pro-rated for the proportion of the normal vesting period (not including any additional holding period) worked, unless the committee waives pro-rating.	On death.
	Ill health, injury, disability, redundancy, or sale of the employing company or business	Awards may be retained and exercised during the six months following the normal vesting date (not including any additional holding period), or if later six months after the date of cessation. The committee may, however, in its absolute discretion permit awards to be exercised within such period following cessation of employment as the committee determines. Awards will be pro-rated for the proportion of the normal vesting period (not including any additional holding period) worked, unless the committee waives pro-rating.	At the normal vesting date unless discretion is exercised (and then on cessation of employment).
	All other reasons (including resignation or dismissal for cause)	Awards normally lapse on cessation of employment or if earlier when the employee gives or is given notice to cease employment, unless the committee determines within three months of cessation of employment to permit the holder to keep their awards and exercise them on such terms and within such period following the later of the normal vesting date (not including any additional holding period) or cessation of employment, as the committee determines. The committee can determine the extent to which the award will vest.	Not applicable, unless discretion is exercised (and then not earlier than the normal vesting date).
	Change of control	Awards may be exercised for a six-month period following such event or immediately prior to such event to the extent that performance conditions have been met and pro-rated for the proportion of the normal vesting period (not including any additional holding period) that has elapsed as at the change of control event. The committee has discretion to waive performance conditions and pro-rating.	On change of control.
Company Share Option Plan	Death	Options can be exercised within the twelve-month period immediately following death (to the extent that any performance conditions have been satisfied and pro-rated for the proportion of the vesting period worked). The committee has discretion to waive performance conditions and pro-rating.	On death.
	Injury, disability, redundancy, retirement, or sale of the employing company or business	Options can be exercised within the six months following the date of cessation (to the extent that any performance conditions have been satisfied) and pro-rated for the proportion of the vesting period worked. The committee has discretion to waive performance conditions and pro-rating.	On cessation of employment.
	All other reasons (including resignation or dismissal for cause)	Options normally lapse on cessation of employment or if earlier when the employee gives or is given notice to cease employment, unless the committee determines within three months of cessation of employment to permit the holder to keep their options and exercise them on such terms and within such period as the committee determines. The committee can determine the extent to which the award will vest.	Not applicable, unless discretion is exercised (and then not earlier than cessation of employment).
	Change of control	Awards may be exercised for a six-month period following such event to the extent that performance conditions have been met and pro-rated for the proportion of the vesting period that has elapsed as at the change of control event. The committee has discretion to waive performance conditions and pro-rating. If the change of control event would stop the option qualifying for CSOP tax relief, options can only be exercised within 20 days after the takeover event.	On change of control.

Report of the remuneration committee

continued

Approach to remuneration on recruitment

External appointments

In cases of hiring or appointing a new executive director from outside Medica, the committee may make use of all existing components of remuneration set out in the policy table, up to the disclosed maximum opportunities (where applicable). When determining the remuneration package for a new executive director, the committee will take into account all relevant factors based on the circumstances at that time to ensure that arrangements are in the best interests of Medica and its shareholders. This may include factors such as the experience and skills of the individual, internal comparisons and relevant market data. The committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the maximum limits on incentive opportunities set out in the policy table. In doing so, the committee will consider relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the time over which they would have vested. The intention is that the expected value of any buy-out award would be no higher than the expected value of the forfeited arrangements, and that the structure will replicate (as far as reasonably possible) that of the awards being forfeited. The committee may consider it appropriate to structure 'buy-out' awards differently from the structure described in the policy table, exercising the discretion available under UKLA listing Rule 9.4.2R where necessary to make a one-off award to an executive director in this context. The committee may also permit Medica to indemnify a new appointment as executive director for any claims that may be made against them by a previous employer in connection with a breach of restrictive covenants or similar restrictions that the new appointment may have breached by taking up employment with Medica.

Internal promotion

Where a new executive director is appointed by way of internal promotion, the policy will be consistent with that for external appointees, as detailed above (other than in relation to 'buy-out' awards). Any commitments made prior to an individual's promotion will continue to be honoured even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled, although Medica may, where appropriate, seek to revise an individual's existing service contract on promotion to ensure it aligns with other executive directors and good practice.

Disclosure on the remuneration structure of any new executive director, including details of any 'buy-out' awards, will be disclosed in the RNS notification made at the time of appointment and in the annual report on remuneration for the year in which recruitment occurred.

External appointments held by executive directors

Executive directors may accept up to one external appointment subject to approval by the board, there being no conflicts of interest and the appointment not leading to deterioration in the individual's performance.

Executive directors may retain the fees paid for such roles. Details of external appointments and the associated fees received will be included in the annual report on remuneration.

Consideration of conditions elsewhere in Medica

The committee seeks to promote and maintain good relations with employees as part of its broader employee engagement strategy, considers pay practices across Medica and is mindful of the salary increases applying across the rest of the business in relevant markets when considering any increases to salaries for executive directors. However, the committee does not currently consult with employees on its executive remuneration policy.

Consideration of shareholder views

The committee will take into consideration all shareholder views received during the year and at the annual general meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping Medica's implementation of its policy, as well as any future changes to policy. It is the committee's intention to consult with major shareholders in advance of making any material changes to remuneration arrangements.

Remuneration policy for the non-executive directors

Details of the policy on fees paid to our non-executive directors are set out in the table below:

	Purpose and link to strategy	Operation	Opportunity	Performance measures
Non-executive director fees	To attract and retain non-executive directors of the highest calibre with broad commercial and other experience relevant to Medica.	<p>The fees of the chairman are determined by the committee. The fees paid to non-executive directors are determined by the chairman and executive directors.</p> <p>Fee levels are reviewed annually taking into account external advice on best practice and competitive levels, in particular at other FTSE companies of comparable size and complexity. Time commitment, committee participation and chairing are also taken into account when reviewing fees.</p> <p>Chairman and non-executive director fees are paid in cash.</p> <p>The committee reimburses the chairman and non-executive directors for reasonable expenses in performing their duties and may settle any tax incurred in relation to these expenses. For any non-executive director that is based overseas, Medica will meet travel and accommodation expenditure as required to fulfil their non-executive duties.</p> <p>The fees paid to the chairman and non-executive directors are disclosed in the annual report on remuneration.</p>	<p>Current fees are set out on page 58:</p> <p>Fee increases of 4% in line with the wider workforce will be applied in 2023.</p>	n/a

Non-executive directors are not eligible to join Medica's pension, incentives or share schemes or to participate in any of Medica's other benefit arrangements.

Non-executive director letters of appointment

None of the non-executive directors has a service contract with Medica. They do have letters of appointment for an initial period of three years, subject to retirement and re-election at the initial and each subsequent AGM and continuing thereafter subject to termination upon at least three months' notice (six months' notice in respect of Gordon Roy Davis). The dates relating to the appointments of the chairman and non-executive directors are as follows:

Director	Role	Date of appointment	Date of letter of appointment
Gordon Roy Davis	Independent Chairman	1 March 2017	15 March 2017
Joanne Mary Easton	Non-Executive Director	22 April 2019	2 April 2019
Dr. Junaid Bajwa	Non-Executive Director	1 April 2021	2 March 2021
Barbara Moorhouse	Non-Executive Director	1 August 2021	1 June 2021



Report of the remuneration committee

continued

Annual report on remuneration

This section of the report provides details of how our policy was implemented during the period ending 31 December 2022.

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for total remuneration received by each executive director for the year ended 31 December 2022 and the prior year.

£'000	Base salary	Taxable benefits ¹	Annual bonus	PSP ²	Pension benefit	Other	Total	Total fixed	Total variable
Dr. Stuart Quin									
2022	£352	£10	£49	£408	£31	£nil	£851	£394	£457
2021	£343	£9	£210	£0	£31	£nil	£594	£383	£210
Richard Jones									
2022	£249	£2	£34	£0	£15	£3	£303	£269	£34
2021	£242	£3	£148	£0	£15	£8	£415	£259	£156
Former directors									
Dr. Stephen Davies³									
2021	£83	£0	£61	£118	£5	£nil	£267	£88	£179

1. Medica provides death in service benefit and group income protection and private medical insurance benefits to its executive directors.

2. Value of PSP represents the number of nil cost options vesting multiplied by the share price at the date of vesting.

3. Dr Stephen Davies resigned as a Director on 31 May 2021.

Incentive outcomes for the year ended 31 December 2022 (audited)

Bonus awards for 2022

	2022					
	Maximum opportunity	Bonus outcome (% of max)	Salary earned for the financial year to 31 December 2022	Bonus payable in cash	Bonus deferred into shares	Total bonus
Stuart Quin	125% of salary	18%	£352	£49	£32	£81
Richard Jones	125% of salary	18%	£249	£34	£23	£57
	2021					
	Maximum opportunity	Bonus outcome (% of max)	Salary earned for the financial year to 31 December 2021	Bonus payable in cash	Bonus deferred into shares	Total bonus
Stuart Quin	100% of salary	82%	£343	£210	£140	£350
Richard Jones	100% of salary	82%	£242	£148	£99	£247
Stephen Davies	100% of salary	74%	£83	£61	£0	£61

Disclosure of 2022 annual bonus targets

The executive directors' bonuses for the year ended 31 December 2022 were based on a potential payment of up to 125% of base salary for maximum achievement of financial and operational targets. Executive directors were awarded bonuses of 18.3% of maximum opportunity. The table below shows the outcome.

For the financial targets, 75% of the available 100% of annual bonus was based on three financial targets each worth 25% at maximum as per the table below. The remaining 25% of the available 100% of annual bonus was based on the achievement of operational measures.

Bonus outturn	Weighting	Threshold	Target	Maximum	Actual performance	Bonus received (% of max opportunity)
Revenue	25%	£73.4m	£81.6m	£86.1m	£76.9m	4.3%
Adjusted net operating profit	25%	£13.5m	£15.0m	£17.1m	£13.6m	0.7%
Free cash	25%	£6.9m	£7.7m	£8.9m	£6.4m	0%
Sub-total for financial measures	75%					5.0%
Sub-total operational measures	25%		See table below			13.3%
Total	100%					18.3%

Following a review of achievements against the financial targets, the committee concluded that Dr. Stuart Quin, and Richard Jones should receive a payment relating to the financial targets of 5.0% of the maximum bonus opportunity representing 75% of the total bonus opportunity.

The remaining 25% of the available bonus opportunity was based on the achievement of jointly owned operational measures as follows:

Operational Measures	Commentary	Outcomes
Next AI project launched successfully according to business plan by end FY22	Reprioritisation in July 2022 to focus resource and effort on developing an Indian reporting solution as an alternative objective	Met
Launch of digital pathology reporting service with one new model client in place in FY22	Decision made to focus resources on system developments aimed at improving productivity and radiologist reporting experience	Not met
Finance ERP go-live consistent with budget timeline and investment	New financial ERP system went live in October 2022, unifying three separate systems previously in place and allowing for monthly consolidation at group level. Planning and budgeting module also went live in 2022 and was used to prepare the 2023 budget	Met

In July 2022, the board agreed to place increasing importance on building overseas capacity and to re-direct resource and effort that would otherwise have been focused on the design and implementation of the next AI project. These resources were redirected to the development of an India reporting solution to provide long term and sustainable overseas capacity. The committee considered this replacement target to be equal in terms of strategic importance and an appropriate inclusion with an equivalent level of stretch.

Following a review of achievements against the operational targets, the committee concluded that Dr. Stuart Quin and Richard Jones should receive 13.3% of the maximum bonus opportunity of 25% for operational measures.

In total therefore the Committee concluded that Dr Stuart Quin and Richard Jones should receive a total bonus award for 2022 representing 18.3% of the maximum opportunity which equated to 22.8% of base salary for each.

In accordance with the directors' remuneration policy approved in 2021, 40% of the total bonus awarded to Dr. Stuart Quin and Richard Jones will be deferred in Medica shares under the deferred bonus plan (DBP) to be granted during 2022. Awards under the DBP are not subject to further performance conditions and vest after two years, subject to continued employment. Dividend equivalents will be awarded in respect of the DBP awards on vesting.

Report of the remuneration committee

continued

Deferred bonus plan ("DBP")

	Date of grant	Vehicle	Number awarded	Share Price at grant/award date ²	Total value of award	Vesting date	Expiry date
Dr. Stuart Quin	15-Apr-20	DBP – nil cost share options	2,624	110.5	£2,900	14-Apr-22	15-Apr-30
	26-May-21	DBP – nil cost share options	17,035	161.2	£27,455	26-May-23	26-May-31
	07-Nov-22	DBP – nil cost share options	87,409	160.5	£140,292	31-Mar-24	07-Nov-32
Richard Jones	26-May-21	DBP – nil cost share options	5,010	161.2	£8,075	26-May-23	26-May-31
	07-Nov-22	DBP – nil cost share options	61,700	160.5	£99,029	31-Mar-24	07-Nov-32
Dr. Stephen Davies ³	26-May-21	DBP – nil cost share options	10,202	158.3	£16,150	26-May-23	26-Nov-23

1. The awards are structured as nil cost options, for which no exercise price is payable.
2. The award value of the awards has been calculated using the average closing share price for the three days immediately preceding the date of grant other than in respect of 2022 awards with value based on date of award as the grant date in respect of these awards was delayed until the first available date options could be awarded taking into account restrictions under MAR.
3. Dr. Stephen Davies resigned on 31 May 2021, the expiry date is 6 months after options vest.

PSP vesting in 2022

A summary of the performance conditions for the awards granted in 2018 is included below:

Measure	Weighting	Targets	Performance measurement period
Absolute TSR (share price plus rolled up dividends)	50%	0% vesting below 8% growth per annum 12.5% vesting for 8% growth per annum 50% vesting for 16% growth per annum Straight-line vesting between these points	Three-month average at the end of the three-year performance period
Growth in adjusted earnings per share	50%	0% vesting below 10% growth per annum 12.5% vesting for 10% growth per annum 50% vesting for 30% growth per annum Straight-line vesting between these points	Cumulative three years

The PSP award was granted in September 2019, at the point Dr Stuart Quin was appointed CEO. Subsequent PSP awards have been granted in April, at the normal date of grant.

Threshold performance was not met for either measure with TSR growth at 7.97% narrowly missing the minimum threshold required to achieve vesting. The committee noted that the performance period covered the period of the Covid-19 pandemic and the start of the war in Ukraine, during which time external factors impacted equity markets and TSR performance of companies globally. Mindful of the significant strategic progress made during the performance period in question, including the acquisitions of Medica Ireland and RadMD and the joint venture in Australia together with the strong recovery in performance post-Covid, the committee determined that with the support of major shareholders, it would be appropriate to exercise discretion and allow a proportion of the award to vest. Major shareholders were consulted on the proposal to allow the award to vest at 50%, reflective of both the strategic progress made and the growth in TSR relative to peers in the FTSE 250 small cap (a relative TSR measure would have resulted in the maximum vesting for the TSR element of the award at 50%). Shareholders subsequently confirmed their support for the proposal on the basis that an extended holding period would be applied to a proportion of the award. The committee concluded that the award made in 2019 would vest at 50%, 25% of which would be subject to an extended holding period of four years rather than the normal three years, to encourage retention.

PSP awards granted in 2022

On 7 November 2022 executive directors were granted annual awards under the PSP, comprising a grant of options to acquire shares at nil cost. These awards were approved in the normal annual grant period of 42 days following the preliminary results but grant date was the first available date after taking account of restrictions under MAE.

Awards granted to Dr. Stuart Quin and Richard Jones under the PSP were granted in respect of shares with a market value equal to 125% of base salary, determined using the average closing price of Medica's shares for the three dealing days immediately preceding the award date rather than the grant date (165 pence). The number of options granted was not amended for the change in share price between award date (165 pence) and grant date (133.5 pence).

A summary of the performance conditions for the 2022 awards is included below and was previously disclosed in the 2022 Annual report and accounts:

Measure	Weighting	Targets	Performance measurement period
Absolute TSR CAGR over three years to 31 December 2023	50%	0% vesting below 17% cumulative growth per annum 25% vesting for 17% CAGR growth 50% vesting for 19% CAGR 75% vesting for 22% CAGR 100% vesting for 26% CAGR Straight-line vesting between these points	Three-month average at the end of the three-year performance period
Cumulative growth in adjusted earnings per share over the three-year period to 31 December 2023	50%	0% vesting below 35 pence per share 25% vesting at 35 pence per share 50% vesting at 36 pence per share 100% vesting at 40 pence per share Straight-line vesting between these points	Cumulative three years
Vesting of awards is subject to overall committee discretion to reduce or eliminate the awards if deemed necessary			

LTIP awards 2022 (with 2021 comparative) for executive directors

2022 Director	Date of grant ⁴	Vehicle	Number awarded	Exercise price ¹	Face value ²	Vesting date ³	Expiry date
Dr. Stuart Quin	07-Nov-22	PSP – nil cost share options	269,257	Nil	£444	18-Apr-25	07-Nov-32
Richard Jones	07-Nov-22	PSP – nil cost share options	190,064	Nil	£314	18-Apr-25	07-Nov-32

2021 Director	Date of grant	Vehicle	Number awarded	Exercise price ¹	Face value ²	Vesting date ³	Expiry date
Dr. Stuart Quin	28-May-21	PSP – nil cost share options	213,071	Nil	£343	26-May-24	28-May-31
Dr. Stuart Quin	22-Jun-21	PSP – nil cost share options	106,535	Nil	£172	22-Jun-24	22-Jun-31
Richard Jones	28-May-21	PSP – nil cost share options	150,403	Nil	£242	26-May-24	28-May-32
Richard Jones	22-Jun-21	PSP – nil cost share options	75,201	Nil	£121	22-Jun-24	22-Jun-31

- The awards are performance share awards, for which no exercise price is payable.
- The face value of the awards has been calculated using the share price at the date of award, being the average closing share price for a share as derived from the official list for the three consecutive dealing days immediately preceding 18 April 2022 (165p). The share price on the actual date of grant was 133.5 pence but no adjustment was made to the number of options awarded to reflect a change in share price. The face value of the award assumes that the performance targets are met in full. Actual value at vesting will depend on the extent to which the awards vest, the share price at the date of vesting, and any dividend equivalents payable on vested shares.
- There will be a two-year holding period following the vesting data after which PSP options are available for exercise.
- Awards were agreed by the committee during the normal annual award window of 42 days following the preliminary results with the actual options grant date taking into account restrictions on issuing options under MAR. The vesting date is therefore based on the date the awards were agreed and not the grant date and excluded any adjustment in the calculation of the number of option awards for a change in share price between approval and grant date.

Report of the remuneration committee

continued

Single total figure of remuneration for non-executive directors (audited)

The table below sets out a single figure for total remuneration received by each non-executive director for the year ended 31 December 2022 and the prior year:

Director	2022	2021
Gordon Roy Davis	£100	£100
Joanne Mary Easton	£50	£50
Barbara Moorhouse ¹	£60	£30
Dr. Junaid Bajwa ²	£50	£37

1. Barbara Moorehouse was appointed on 1 July 2021

2. Dr. Junai Bajwa was appointed on 1 April 2021

Percentage change in remuneration

The table below shows the percentage change in remuneration for the role of chief executive between 2022 and 2020 (and the table encompasses part year figures for the departing and new chief executive), and other directors compared to the average for all employees of Medica Group PLC:

	2022			2021			2020		
	Salary/ fees	Benefits	Annual bonus	Salary/ fees	Benefits	Annual bonus	Salary/ fees	Benefits	Annual bonus
Executive Directors									
Chief Executive Officer	3%	16%	(77)%	1%	(4)%	155%	34%	225%	627%
Chief Financial Officer	3%	(32)%	(77)%	48%	69%	511%	17%	N/A	73%
Non-Executive Directors									
Gordon Roy Davis	0%	–	–	0%	–	–	0%	–	–
Joanne Mary Easton	0%	–	–	0%	–	–	44%	–	–
Barbara Moorhouse ¹	100%	–	–	N/A	–	–	N/A	–	–
Dr Junaid Bajwa ²	35%	–	–	N/A	–	–	N/A	–	–
Average of other Medica employees³	15%		(53)%						

1. Appointed July 2021

2. Appointed April 2021

3. Average comparable (FTE) Pay (salary only) of other employees = £47k (£41k, 2021). 2. Average comparable bonus (FTE) of other employees = £2k (£5k, 2021)

CEO pay ratio

The table below sets out the ratio between the pay of the chief executive and that of the Company's employees¹.

Year	Method	25th percentile ratio	Median ratio	75th percentile ratio
2022	Option A	15.9:1	12.3:1	6.8:1
2021	Option A	24.1:1	15.7:1	11.8:1
2020	Option A	18.4:1	15.7:1	8.7:1

1 The CEO pay ratio is based on like for like comparison of total pay (salary, bonus and benefits). Values are grossed up for part time employees and to a full year for new joiners in the year.

2 Option A was used (ranking employees by their annual pay, benefits and annual bonus as at 31 December 2022) because it is the most transparent method available.

The salary and total pay for employee measured (highest to lowest) at the 25th, median and 75th percentile used to calculate the above ratios were:

	2022	
	Salary	Total pay
25th percentile ¹	£58	£61
Median	£32	£33
75th percentile	£25	£26

1. Measured highest to lowest

2. Total pay = Salary + Bonus + Benefits

- The increase in the pay ratio from 2020 to 2022 reflects the impact of bonus awards in 2020 which were at a higher percentage of salary of the CEO relative to the wider workforce.
- There was no change to the Company's general policy on pay and in 2021 or 2022 no staff were placed on furlough and the Company did not take advantage of any other COVID-19 related government schemes.
- The median pay reflects the workforce of a smaller number of senior management and a larger junior management and junior operational staff to support the operational nature of the business. It is worth noting that a vast majority of Medica's clinical staff are self-employed and therefore not included in the values above.

Relative importance of spend on pay

There were no share buybacks implemented or other significant distributions, payments or other uses of profit or cashflow in the 2022 financial year which the directors consider relevant in assisting an understanding of the relative importance of spend on pay. Total staff costs – disclosed in the notes to the financial statements – were £19,287 in 2022 (2021: £14,627).

	2022	2021	Change YOY
Distributions to shareholders (£'000)	3,328	3,167	£161
Total employee pay ¹ (£'000)	13,535	10,282	£3,253
Total employee pay as a % of distribution to shareholders	4.1x	3.2x	

1. Total pay = cost of salary and bonus for the year

Payments for loss of office (audited)

There were no payments made for loss of office during the year.

External appointments

Richard Jones, CFO holds an external appointment as non-executive director and audit chair of Alliance Pharma PLC.

Review of past performance

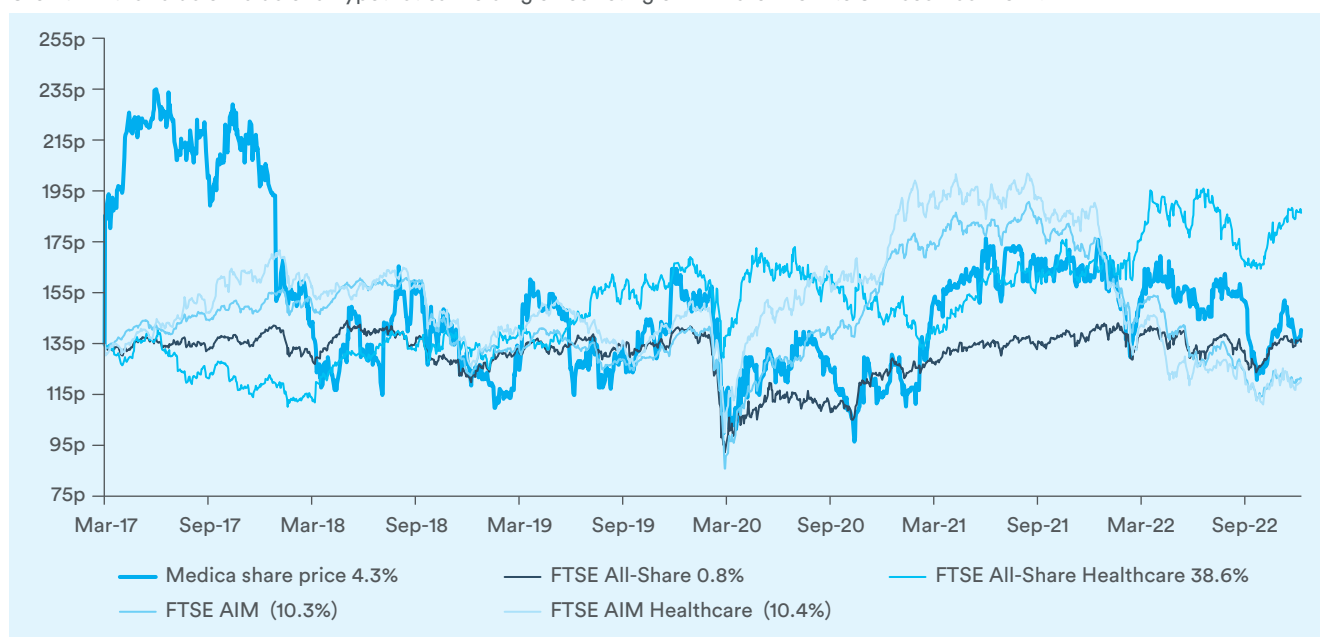
This graph shows Medica's Total Shareholder Return (TSR) compared to the FTSE Small Cap index. The comparison is made between the date of Listing (21 March 2017) and 31 December 2022. The FTSE Small Cap index was chosen as the comparator because Medica is part of this group and it is the most comparable group of peer companies.

Report of the remuneration committee

continued

Historical TSR performance

Growth in the value of value of a hypothetical holding since listing on 21 March 2017 to 31 December 2022.



Single total figure for remuneration

The table below details the CEO's single total figure of remuneration and incentive outcomes over the same period. The total remuneration includes base salary, annual performance bonus and other benefits. The annual bonus percentage relating to that year's performance and is also shown below.

	2018	2019	2020	2021	2022
Dr. Stuart Quin (From 1 September 2019)					
Total remuneration (£'000)	n/a	£139	£464	£594	£851
Annual bonus (% of maximum)	n/a	10%	32%	82%	18%
LTIP vesting (% of maximum)	n/a	n/a	n/a	n/a	50%
John Graham (Retired 30 August 2019)					
Total remuneration (£'000)	£224	£143	n/a	n/a	n/a
Annual bonus (% of maximum)	5%	n/a	n/a	n/a	n/a
LTIP vesting (% of maximum)	n/a	n/a	n/a	n/a	n/a

Implementation of remuneration policy for 2022

This section of the report provides details of how our Policy will be implemented in 2023.

Base salary

Executive directors have been awarded an annual increase in basic pay of 4.0% from April 2023 in line with the wider workforce as shown below:

£'000	1 April 2022 base salary	1 April 2023 base salary	Change vs April 2022
Dr. Stuart Quin	£355	£370	4.0%
Richard Jones	£251	£261	4.0%

Pension

Dr. Stuart Quin received pension contributions of 10% of his salary in 2022. Richard Jones received pension contributions of 6% of his salary in 2022. The pension contributions of the current executive directors will reduce from 1 January 2023 to align with those of the wider UK workforce which is currently 4%.

Annual bonus

For 2023, the executive directors will have a maximum bonus opportunity of 125% of salary.

No more than 60% of any annual bonus will be payable in cash and the balance will be made in the form of a DBP award over shares, which will then vest after a period of not less than two years, broadly subject to continued employment. Cash bonuses will be subject to clawback provisions as will DBP awards, as set out in the rules of the annual bonus plan and DBP. The level of deferral and period for deferral may change in relation to future financial years.

The annual bonus for 2023 will be based 75% on achievement of company financial targets and 25% on achievement of functional targets. The financial targets are attributed in equal part to revenue, adjusted operating profit and free cash.

The pay-out for on-target performance is up to 50% of maximum; below threshold performance on any of the financial or strategic functional measures results in nil pay-out.

The functional targets are directly aligned to the Company's corporate and ESG strategy and KPIs and include measures of ESG performance relating to service quality and represent 25% of the maximum annual bonus.

There will be committee discretion to adjust the formula driven outturn to ensure that the bonus payments also reflect performance more broadly and the experience of other stakeholders in the business.

The financial target range is deemed to be commercially sensitive and has not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report. Targets have been disclosed for prior year awards.

Performance share plan

In 2023, the executive directors will receive nil cost options under the Medica Group PSP, with face values of 125% of salary following publication of the 2022 preliminary results. The 2023 PSP awards will vest after three years. For 2023 a new performance condition has been introduced to further enhance the alignment of performance conditions with shareholder returns. This new measure is Return on Capital Employed (ROCE) with the target set after considering the Company's cost of capital and past ROCE performance. A summary of performance conditions for the 2023 awards is as follows

Measure	Weighting	Targets	Performance measurement period
Absolute TSR CAGR over three years to 31 December 2024	33.3%	0% vesting below 8% cumulative growth per annum 25% vesting for 10% CAGR growth 50% vesting for 12% CAGR 100% vesting for 17% CAGR Straight-line vesting between these points	Three-month average at the end of the three-year performance period
Cumulative growth in adjusted earnings per share over the three-year period to 31 December 2024	33.3%	0% vesting below 31 pence per share 25% vesting at 31 pence per share 50% vesting at 33 pence per share 100% vesting at 37 pence per share Straight-line vesting between these points	Cumulative three years
Return on capital employed- new Measure	33.3%	ROCE is defined as total assets less current liabilities divided by underlying operating profits. 0% vesting below 15% ROCE 25% vesting at 15% ROCE 50% vesting at 17.5% ROCE 100% vesting above 20% ROCE	Measured as average ROCE achieved per year over the three-year period

The performance target ranges have been set at stretching levels taking into account both internal and external forecasts. The maximum vesting level represents very stretching performance. Vesting of awards is subject to overall committee discretion to reduce or eliminate the awards if deemed necessary.

In line with our policy, PSP awards will also be subject to Medica's malus and clawback provisions.

Implementation of non-executive remuneration policy for 2023

The fees payable to the non-executive directors, which have not changed since listing in 2019, were reviewed and will subsequently be increased by 4% in line with the wider workforce, effective April 2023. During 2023 the Company intends to undertake a thorough review of non-executive directors' remuneration to ensure that the fee structure is reflective of the levels of responsibility and commitment required, and a further adjustment may be made during the year.

Role	Fee	Number Appointed
Chairman	£104,000	1
Senior independent non-executive director	£62,400	1
Independent non-executive director	£52,000	2

Report of the remuneration committee

continued

Director's interests (audited)

Director's interests in shares as at 31/12/22

The table below sets out details of the current shareholdings of each director (and any relevant connected persons) as at 31 December 2022 and, for executive directors, compares this to their shareholding guideline as set out below. The executive directors are subject to shareholding guidelines of 125% of salary.

	Shares		Options			Beneficial ownership 2022 – Owned outright or vested	Shareholding as at 31 Dec 2022 ¹ (% salary)	Shareholding guideline (% salary)
	Beneficial ownership 2022 – Owned outright or vested	Beneficial ownership 2021 – Owned outright or vested	Unvested deferred bonus awards not subject to performance	Vested PSP and DBP awards but not exercised	Unvested PSP awards subject to performance			
Dr. Stuart Quin	177,480	117,580	104,444	269,465	1,204,248	551,389	218%	125%
Richard Jones	25,156	25,126	66,710	nil	858,745	91,866	52%	125%
Gordon Roy Davis	132,726	137,726	nil	–	–	132,726	–	–
Jo Easton	36,288	37,812	nil	–	–	36,288	–	–
Barbara Moorhouse	nil	nil	nil			nil		
Dr. Junaid Bajwa	17,241	17,241	nil			17,241		

1. Current holding measured by reference to the shareholding at 31 December 2022, multiplied by the share price of 140.75p on that date expressed as a percentage of base salary on that date.
2. Shareholding guidelines are for the five-year period following commencement of employment.
3. There has been no change in shareholdings of directors from 31 December 2022 to the date of this report.

Governance

Summary of shareholder voting at the 2022 AGM

	Votes for	%	Votes against	%	Total votes	Withheld
Remuneration Report	100,703,036	99.72%	279,222	0.28%	100,928,258	926,983
Amendments to the PSP	100,165,535	99.19%	814,918	0.81%	100,980,453	928,788

The results of the AGM were published on the Company's website after the meeting.

The remuneration committee

The committee is responsible for assisting the board in determining its responsibilities in relation to remuneration, including making recommendations to the board on Medica's policy on executive remuneration (including setting the over-arching principles, parameters and governance framework of Medica's remuneration policy) and determining the individual remuneration and benefits packages of each of the executive directors, the company secretary and the senior management team. In carrying out its duties the committee ensures compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

Details of the remuneration committee's terms of reference can be found on our website at <https://medicagroupplc.com/investors/corporate-governance/>.

Remuneration committee membership

Jo Easton	Committee Chair (since May 2020)
Roy Davis	Non-Executive Chairman (independent)
Dr. Junaid Bajwa	Non-Executive Director (Since 1 April 2021)
Barbara Moorhouse	Non-Executive Director (Since 1 August 2021)



Meetings in 2022

The committee met five times during the year. The attendance at the meetings by committee members was as follows:

Total meetings	5
Jo Easton (Chair)	5
Junaid Bajwa	5
Barbara Moorhouse	3
Roy Davis	5

The CEO and CFO also attended a number of the committee meetings during the year by invitation. The committee's independent advisor also attended meetings during the year by invitation.

Advisers

Willis Towers Watson supported Medica on remuneration matters throughout 2022 as its independent adviser. This included advice on target setting for incentive plans, executive remuneration levels, developments in corporate governance and the preparation of the director's remuneration report.

Willis Towers Watson are members of the Remuneration Consultants' Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK (www.remunerationconsultantsgroup.com). Willis Towers Watson do not have any other connection with Medica and are considered to be independent by the committee. Total fees paid to Willis Towers Watson totalled £41k, (excluding expenses and VAT) for the year to 31 December 2022 in their capacity as advisers to the committee.

Jo Easton

Chair of the Remuneration Committee

5 April 2023



Directors' report

The directors are pleased to present their report to shareholders and the audited financial statements for Medica Group PLC and its subsidiaries for the year ended 31 December 2022. The Company registration number of Medica Group PLC is 08497963. The Company is listed on the main market of the London Stock Exchange under the ticker symbol MGP.

The Group's principal activity is the provision of teleradiology reporting and is the leading independent provider in both the UK and Ireland. In Ireland, Medica also offers managed services and diabetic retinopathy screening. Through its US subsidiary, Medica provides high quality, complex imaging services for international clinical trials. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's and chief executive's reports on pages 4 to 5 and 18 to 21.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year.

The directors have prepared the consolidated financial statements of the Group in accordance with UK adopted international accounting standards and are additionally required under the listing rules of the Financial Conduct Authority to prepare the Group financial statements in accordance with UK-adopted international financial reporting standards.

The directors prepared the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements.
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements.

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.
- prepare a strategic report, director's report, director's remuneration report and corporate governance statement under applicable law and regulation.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors holding office at 5 April 2023 confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the audit committee, the directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced, and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of their knowledge the director's confirm:

- the Group financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the parent company financial statements, prepared in accordance with applicable accounting standards including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report, including the strategic report, the director's report, the director's remuneration report and the corporate governance statement includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information under LR 9.8.4R

The information that fulfils the reporting requirements under this rule can be found in note 28 on page 111 in respect of details of long term incentive schemes. There are no other matters requiring disclosure.

Engagement with suppliers and customers

The directors have considered the need to continue to foster business relationships with suppliers and customers throughout the year. There have been no significant

decisions that have changed the relationships with suppliers or customers, and the strategic plan has had input from our reporters as we engage with them to improve workflow, and from clients as we engage with them to continue to focus on turnaround times and quality. Medica's operational teams are in contact with clients and reporters every day. In addition, we have a dedicated account management team that discuss performance with clients and hold regular review meetings. Our service delivery team include a dedicated reporter team that adopt a similar approach with our reporters. Our other key suppliers are technology, and this is managed through regular dialogue with our technical team.

Information relevant to our strategy on engagement with suppliers and customers are detailed in the CEO report in the strategic report on pages 18 to 21.

Principal and emerging risks and uncertainties

The principal and emerging corporate risks and uncertainties are set out on pages 24 to 27 of the strategic report. The principal financial risks faced by the Group are liquidity, credit, and interest rate risks details of which are set out in note 27 to the financial statements on page 109.

Results and dividends

The results for 2022 are set out in the financial statements on pages 79 to 115.

An interim dividend of 0.93 pence (2021: 0.89 pence) per ordinary share was paid to shareholders on 4 November 2020. The board are recommending a final dividend for 2022 of 1.88 pence (2021: 1.79 pence) per ordinary share taking the total dividends for the year to 2.81 pence (2021: 2.68 pence).

Review of the period

A comprehensive analysis of the Group's progress and development is set out in the strategic report on pages 2 to 27 including detailed commentary on the position of the group as at 31 December 2022. This analysis includes comments on the position of the Group at the end of the financial period.

Significant events after the balance sheet date

On 5th January 2023, the Company issued and allotted 200,000 shares of 0.2 pence each in the capital of the Company to the trustee of the Company's Employee Benefit Trust and these shares will be used to satisfy future awards and options vesting in the Medica Group PLC Performance Share Plan 2017. Following admission, the Company had 122,633,635 ordinary shares in issue.

On 27 January 2023, RadMD LLC, a Delaware limited liability company that is a subsidiary of the Company, acquired the assets of VoxelMetrics LLC, a North Carolina Limited Liability company engaged in the management of radiology readers for clinical trials.

On 3 February 2023, the Company acquired the entire issued share capital of JCA Seminars Limited, an international radiologist training company based in the UK.

Capital structure

As set out in note 24 on page 107 (as amended by note 31 above) the Company's share capital is divided into 122,633,635 ordinary shares of £0.002 each with voting rights.

Subsidiaries and branches

Details of the group structure including its subsidiaries are set out in note 35 on page 120. Medica Group PLC is the ultimate holding company.

Significant shareholdings

As at 31 December 2022 and 28 February 2023, this being the latest practical date prior to publication of the annual report, the directors were aware of the following interests in 3% or more of the voting rights of the issued ordinary share capital. These shareholdings are as notified to the Company through a TR-1.

	As at 31 December 2022		As at 28 February 2023	
	Number of ordinary shares in issue held	Percentage of ordinary shares in issue	Number of ordinary shares in issue held	Percentage of ordinary shares in issue
Gresham House	23,604,885	19.3	24,056,337	19.6
Aberforth Partners	15,500,952	12.7	13,023,085	10.6
Lombard Odier Investment Management	8,915,178	7.3	10,147,181	8.3
BGF	7,471,904	6.1	7,601,904	6.2
Artemis Investment Management	6,125,677	5.0	6,125,677	5.0
GVQ Investment Management	5,911,910	4.8	4,761,910	3.9
Premier Miton Investors	5,857,955	4.8	4,757,955	3.9
Royal London Asset Management	5,304,957	4.3	5,304,957	4.3
abrdn	n/d	n/d	3,859,593	3.2

Directors' report

continued

Related party transactions

As detailed in note 29 on page 114, there were no related party transactions other than £56k of dividends paid to person discharging management responsibilities including directors.

CO₂ emissions

The Group's CO₂ emissions are disclosed on page 15 of the ESG report.

Directors' insurance

The Group maintains appropriate insurance cover in respect of any legal action against its directors including in respect of the prospectus issued for the initial public offering. In addition, as contemplated in the Company's articles of association by resolution of the board on 16 December 2020, the Company has entered into deeds of indemnity with the directors in relation to certain specific liabilities incurred by them in the performance of their duties as directors of the Company.

Corporate governance

The directors' statement on corporate governance is set out on page 30 and forms part of this report.

Viability statement

The group has considered the longer-term performance over a period to December 2026, so that 45 months remain at the time of approval of this year's annual report.

The forecasts prepared over the longer-term period reflect the continuing delivery of the group's strategy including the consideration of:

- Ongoing growth in UK demand to tackle the backlog of activity that built up during the restrictions on activity imposed during the Covid-19 pandemic and its aftermath, with the key to growth in UK elective revenues being capacity management and increases noting the 16% increase in capacity achieved by the UK business in 2022.
- Underlying growth in demand for both elective and urgent (NightHawk, DayHawk and SameDay) radiology reporting services as diagnostic procedures continue to be more prevalent, as modality and complexity continues to increase, and health services continue to implement initiatives to tackle the material backlog in diagnostic procedures.

This is considered in the ongoing growth expectations in the base volumes for NightHawk and Elective services, as well as the forecasted impact of contract renewals, pricing impacts and potential contract losses.

- The availability of suitably qualified reporters for UK and Irish clients which is forecast to continue to decline thus increasing the need for further outsourcing to specialist tele-reporting providers.
- The continued growth in clinical trials and the image reporting requirements associated with such trials, particularly in oncology where image analysis forms an integral part of the study endpoint analysis.
- Inflationary impact on operating costs (as well as foreign exchange conversion on reporting of RadMD & Ireland subsidiaries).
- Future potential positive impact in efficiency and productivity from Medica's FutureTech programme in the form of revenue and cost synergies and the impact of depreciation on operating profit from the capital investment.
- Over and above the baseline forecasts there are additional opportunities for enhanced growth:
- The launch of telepathology services in the UK also remains a strategic objective for the group in the near term and this new organic development is expected, to deliver positive revenues and operating profits over the period as a new source of revenue from UK NHS clients.
- The positive impact from the two recent small acquisitions made in the UK and US and the positive impact from any further M&A completed during the period.

The impact from these additional opportunities and from the two recent acquisitions is not included in this baseline forecast and is therefore likely to be a credible upside over the period.

Based on the assessment of prospects and viability above, the directors confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period ending 31st December 2026.

Going concern assessment

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

The financials across the forecast period have been prepared from a bottom-up baseline approach and considered realistic downside scenarios including:

- Impact of reduced revenue from consideration of reduced radiologist availability.
- Loss of certain material contracts.
- Further material inflationary pressure on operating costs more than current expectations.

Under these downside scenarios, individually and cumulatively and, excluding any potential mitigating actions that could be taken, management conclude that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 21 months from the date of approval of the financial statements and the board have therefore determined it is appropriate to adopt the going concern basis in preparing the financial statements.

Future outlook

The outlook for the Group for 2023 and beyond is set out in the CEO review on pages 18 to 21.

Annual general meeting

Medica's annual general meeting is scheduled to take place on 30 June 2023.

Directors

The directors who served during the year were as follows:

Roy Davis
Jo Easton
Dr. Stuart Quin
Richard Jones
Dr. Junaid Bajwa
Barbara Moorhouse

Four of the above directors are male, two are female.

Strategic report

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's Strategic Report and/or in the financial statements information required by large and medium-sized companies and groups (accounts and reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- an indication of financial risk management objectives and policies required by paragraph 6(1)(a); (see page 25)
- an indication of exposure to price risk, credit risk, liquidity risk and cash flow risk required by paragraph 6(1)(b); (see note 27 on page 109)
- details of any events affecting the Company and Group since the reporting date as required by paragraph 7(1)(a); (see note 31 on page 114)
- an indication of likely future developments in the business of the Group required by paragraph 7(1)(b); (see CEO outlook statement on page 21)
- an indication of the existence of branches outside of the United Kingdom required by paragraph 7(1)(d); (see note 25 on page 108)
- a statement describing the Group's policy regarding the hiring, continuing employment and training, career development and promotion of disabled persons required by paragraph 10(3);
- the statements relating to employee engagement required by paragraph 11(1);
- a statement summarising how the directors have had regard for the need to foster the Group's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year required by paragraph 11B(1);
- the various disclosures relating to the structure, restrictions over, holdings of, and agreements relating to the Company's share capital required by paragraphs 13(2) and 14;
- the disclosures relating to carbon dioxide emissions required by paragraphs 15, to 18.

Employee Benefit Trust

The Company operates an Employee Benefit Trust (EBT) to facilitate its share-based payment schemes detailed in note 28 of the financial statements. When an employee chooses to exercise their options, the EBT purchases shares of the Company to issue to the employee. During the year, the EBT purchased no ordinary shares of 0.2p each (2021: no ordinary shares of 0.2p each), of which 34,064 (2021: 41,936) were still held at the reporting date.

Auditors

The auditors Grant Thornton UK LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 5 April 2023 and signed on its behalf by

Richard Jones
Chief Financial Officer

5 April 2023



Section 172 statement

The directors of Medica Group PLC (the “Company”) are aware of their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company’s employees;
- the need to foster the Company’s business relationships with suppliers, customers and others;
- the impact of the Company’s operations on the community and the environment;
- the desirability of the Company to maintain a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

The Company is listed on the London Stock Exchange (under the Ticker symbol MGP) and is the parent of various subsidiary undertakings (together, “Medica”).

We work tirelessly to make a positive impact. Whilst we are a business run for the benefit of our shareholders, we are committed to acting ethically, with integrity, and with consideration to the communities and environment where we operate as set out more fully in our ESG report on pages 8 to 16. The directors fully believe the Company’s success depends on this.

Long term decisions and actions

The directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

The directors monitor the performance of the Company and its subsidiaries to ensure they are meeting the requirements of the wider business. This requires a long-term view so that the directors can structure the business in a manner that enables it to most efficiently respond to changes in the market-place and return value to Medica’s shareholders.

The directors consider the possible long-term consequences of any material proposed course of action, including safety and financial impacts and reputation with all stakeholders.

For more details of how the business develops and evaluates its strategy, please see pages 18 to 21.

The interests of our employees

For details of how the directors have considered the impact of their decisions on our employees, please refer to the ‘people and community’ section of the ESG report on pages 10 to 12.

We understand that a work-life balance is important to our employees, and that they each have personal and family demands on their time. That is why we have flexible working arrangements and working from home options for the vast majority of our employees. More information on this can be found in the ESG report on pages 8 to 16.

The board continued the process of engagement with our employees through the work of Jo Easton, non-executive director responsible for workforce engagement. During 2022, we conducted employee engagement workshops and considered feedback and actions resulting from the consultation. Following these workshops, we have developed and implemented a revised homeworking policy post-lockdown and have increased the frequency of all-company town hall meetings.

Relationships with suppliers and customers

At Medica, we strive always to lead all customer interactions with our partnership ethos and with our combined focus on improving patient outcomes. To that end, we take pride in producing regular quality reports for each client with key performance indicators, but also detail on our quality improvement achievements and areas for discussion. Meeting in person with our clients to review these metrics and assess how our services are impacting their care for patients is a unique value add that Medica offers.

Medica RadMD provides medical expertise and oversight in support for our clients by bringing new diagnostic agents, therapeutic agents and advanced imaging AI tools to our sponsors and patients worldwide. We view our relationships with our sponsors as partnerships and work side by side to bring their products to market. Our approach is to deliver our high standards of clinical excellence to every opportunity taking a transformational approach that keeps imaging and patients in the forefront of all we do. We believe in full transparency with our clients providing them not only KPI’s and progress reporting but direct access to our executive and medical team, taking proactive measures to deliver complete information in real or near time.

As a company we also support the healthcare industry with sponsorship and attendance at key events, promoting innovation and collaboration with clients

and suppliers alike. Recent attendance at the European Congress of Radiology saw stakeholders from Medica UK, Ireland and RadMD meet with Medica management and each other, furthering cross country and business relationships.

Impact on the community and the environment

Medica is mindful of its impact on the environment and seeks to minimise this whenever possible. More information on this is available in the ‘climate change’ section of the ESG report on pages 10 to 13.

We are proud of our work and how it can ultimately help to save lives. We are keen to add something back to the community and have partnered up with a charity, RefuAid, to support refugee doctors.

More detail on these areas can be found in the ‘community impact and charitable causes’ section of the ESG report on page 12.

Business conduct

Our Group’s core business model relies on us to continually “do well by doing good”. Medica’s aim is to offer the highest quality service to our doctors, customers and in turn, their patients. By doing this we will positively impact people and the Group will continue to grow.

The directors are committed to maximising long-term shareholder value while supporting management in the operations of the business, observing ethical standards and adhering to all applicable laws.

The conduct of the board of directors is monitored in accordance with the UK Corporate Governance Code. This is discussed in detail in the corporate governance report on pages 30 to 33.

We provide various channels (local and global) for employees to obtain answers to questions or to report potential or actual violations of law, regulation, or policy freely and without fear of retaliation.

Acting fairly between members

All shareholders of Medica are welcome to hear details of our investor presentations and other market updates via recordings on our website and can also anonymously contact members of the board directly, which gives all our shareholders equal ability to have their voices heard.

Our AGM is a key opportunity for our shareholders to have their voices heard and we encourage shareholders to participate in proceedings formally or share their views with board members informally after the meeting. The details of our AGM are outlined on page 30.

Independent auditor's report

TO THE MEMBERS OF MEDICA GROUP PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Medica Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated income statement and consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of cash flows, the Consolidated statement of changes in equity, the Company statement of financial position, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- agreeing cash balances as at 31 December 2022 to supporting evidence and agreeing of cash position subsequent to the year-end to supporting evidence, and comparing to forecasts;
- assessing the accuracy of forecasting by comparing management's forecast for the current period to current year performance and historical budgets to actual performance;
- checking the inputs into management's forecasts and projections with reference to the board approved forecasts, and related sensitivity analysis for the 21 month period from date of approval of financial statements;
- challenging the reasonableness of key assumptions used in preparing the cashflow forecasts and projections;
- considering the appropriateness of management's scenario analysis, and applying our own additional sensitivities to consider the impact on the model;
- considering of post balance sheet events and checking if any of these events have an impact on cashflow forecasts and projections; and
- considering the appropriateness and completeness of disclosures in the financial statements

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from the economic impacts of the cost of living crisis and corresponding cost pressures faced by the business. We assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent auditor's report **continued**

TO THE MEMBERS OF MEDICA GROUP PLC

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the group's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £465,000 which represents 5% of the group's profit before tax at the planning stage.

Parent company: £465,000, being the lower of Group materiality and materiality determined using the total assets of the parent entity.

Key audit matters were identified as:

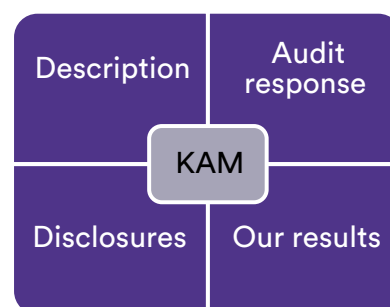
- Improper revenue recognition (same as previous year)

Our auditor's report for the year ended 31 December 2021 included Business combination accounting as a key audit matter that has not been reported as a key audit matter in our current year's audit report as no acquisitions have been made in the year.

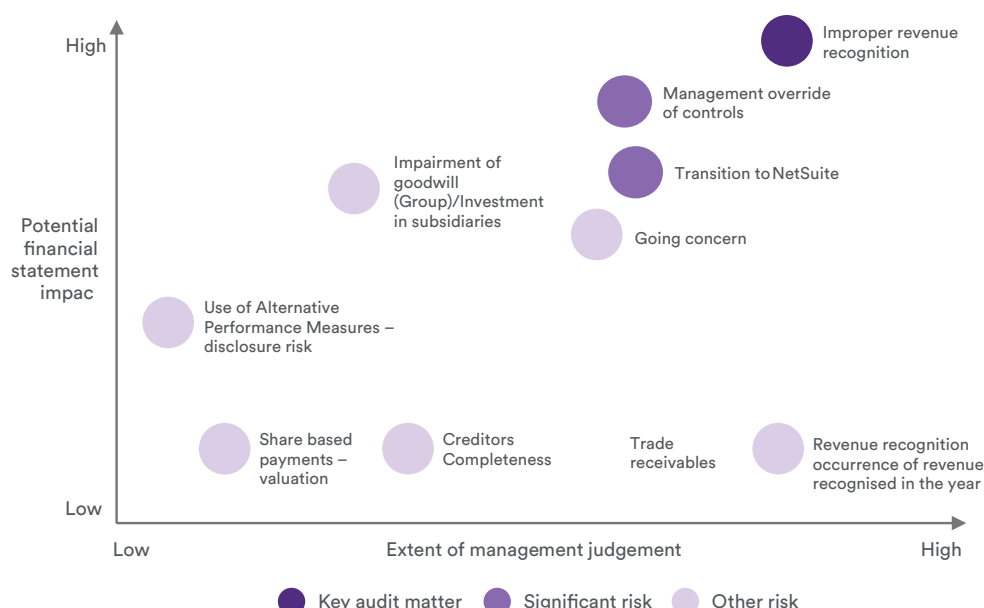
We performed an audit of the financial information of the parent company, Medica Reporting Limited and RadMD using component materiality (full-scope). We performed specific audit procedures of the financial information of Medica IT Services Limited using group materiality. Component auditors performed specific audit procedures for Global Diagnostics (Ireland) Limited. We performed analytical procedures on the financial information on the remaining five components in the Group during the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group

Improper Revenue Recognition

We identified manual adjustments to revenue as one of the most significant assessed risks of material misstatement due to fraud.

We focused our work on the manual adjustments made to invoicing following clinical internal audit review, manual adjustments to pricing and manual journals posted directly to revenue, as these provide the greatest potential for material misstatement through override of controls. Our assessment is that the remainder of the Group's revenue transactions are non-complex, with no judgement applied over the amount recorded.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- Assessed the design and implementation of relevant controls, using walkthroughs to obtain an understanding of the key business processes and internal controls, including around the maintenance and extraction of scan data and the associated billing processes across the group;
- Considered the appropriateness of the group's revenue recognition policy in accordance with International Financial Reporting Standard 15: 'Revenue from Contracts with Customers';
- Manual adjustments to revenue in all components subject to either a full scope audit or specified audit procedures approach were considered for appropriate business rationale, and traced to supporting documentation
- Performed data analytics to identify unusual account combinations, with further substantive testing performed on any unusual transactions, tracing these to supporting documentation;
- With the support of our internal IT audit team, we interrogated Medica Reporting Limited's IT system, identifying manual adjustments and obtaining supporting evidence for any changes made;

Relevant disclosures in the Annual Report and Accounts 2022

- The Group's accounting policy on revenue recognition is shown in note 3.2 to the financial statements on pages 84 to 86 and related disclosures are included in note 5 to the financial statements on page 93.

Our results

- Our audit testing did not identify any material deficiencies or misstatements in relation to manual adjustments to revenue.

No key audit matters were identified in respect of the parent company.

Independent auditor's report **continued**

TO THE MEMBERS OF MEDICA GROUP PLC

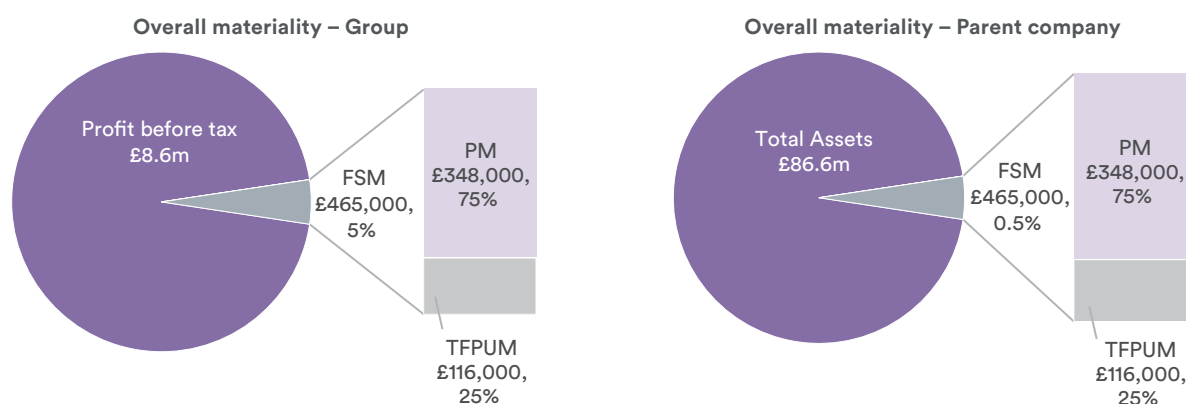
Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£465,000 which represents 5% of the group's profit before tax at the planning stage.	£465,000 being the lower of Group materiality and materiality determined using the total assets of the parent entity.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: As a trading company a performance-related benchmark – and in this case profit before tax – is considered the most appropriate benchmark given this is a key measure used by the Directors to report to investors on the financial performance of the Group. The chosen percentage applied to the benchmark is consistent with the previous year and in line with industry practice. We did not believe a reduction to the percentage was necessary based on consideration of other risk factors.	In determining materiality, we made the following significant judgements: We initially determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is a holding Company for the Group. This method produced a higher materiality than for the Group, as such the engagement team consequently reduced the materiality of the Company to match Group materiality. The chosen percentage applied to the benchmark is consistent with the previous year and in line with industry practice. We did not believe a reduction to the percentage was necessary based on consideration of other risk factors. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 given an increase in the parent's total assets following a group reorganization in the year.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£348,000 which is 75% of financial statement materiality.	£348,000 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: <ul style="list-style-type: none"> • Our risk assessment – based on the results of our risk assessment procedures; • Our experience with auditing the financial statement of the group in previous years – based on the identification of few misstatements and management's willingness to correcting misstatements identified; and • The number of components within the group and the extent of audit procedures planned and performed at these components. 	In determining performance materiality, along with those significant judgements made at group level, we considered the requirement that the parent company performance materiality should be reduced to Group materiality if initially exceeds this figure.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: <ul style="list-style-type: none"> • Related party transactions, including Directors remuneration and related disclosures 	We determined a lower level of specific materiality for the following areas: <ul style="list-style-type: none"> • Related party transactions, including Directors remuneration and related disclosures
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£23,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£23,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.
- The Medica Group operates in the UK, US, Australia and Ireland. Irish entities were acquired by the Group in 2020 and the US businesses in 2021. The majority of the trade in the entity occurs within the UK, however due to the acquisitions, the share of trade generated solely in the UK has expectedly reduced which is a key factor in our risk assessment.
- The organisational structure of the group results in reliance on regional managers in the U.S and Ireland, with oversight from the finance team in the UK which is considered as part of our risk assessment. The Group engagement team and our component auditors have prior experience working with regional management as part of prior years' audits. Towards the end of the 2022 financial year, the Group implemented the use of NetSuite, which standardizes financial reporting across all regions, to further strengthen group-wide controls.

Identifying significant components

The significance of the Group's components is determined by reference to the percentage of Group revenue, profit before tax, total assets and other relevant benchmarks represented by the individual components.

A component is individually financially significant if the component exceeds a specified percentage of a chosen benchmark or benchmarks.

Having assessed the significance of the Group's components, the following components were considered 'financially significant' for the purposes of our Group audit scope:

- 1) Medica Reporting Limited (UK);
- 2) RADMD (US)

Audit work undertaken included a full-scope audit with the use of component materiality. This was performed by Grant Thornton UK.

Independent auditor's report **continued**

TO THE MEMBERS OF MEDICA GROUP PLC

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

The consolidated Group, including the Parent Company, Medica Reporting Ltd and Rad MD, were subject to full-scope audit.

No other components were assessed as being individually significant to the Group. Global Diagnostics (Ireland) Limited was assessed as being not significant but material and under our instruction, specified audit procedures on this component were performed by the component auditor Grant Thornton Ireland. Specified audit procedures were also performed on Medica IT Services Limited by the group engagement team.

None of the Group's other components – Medica Reporting Services Ltd, Medica Reporting Finance Ltd, Medica Australia Pty Ltd, MED-IDX Pty Ltd, Medica US Inc and Global Retinopathy Screening Limited were assessed as being individually significant or material to the Group as a whole. Analytical procedures are performed over these entities as part of our audit response to identify whether our risk assessment remains appropriate.

Performance of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile, and included:

- performing an evaluation of the design effectiveness of controls over key financial statement risks identified as part of our risk assessment process;
- gaining an understanding of the financial reporting and accounts production process;
- undertaking substantive testing on significant classes of transactions, account balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks;
- key audit matters were identified within the group as part of our risk assessment procedures. Disclosures as to how the key audit matters identified have been addressed can be found within the key audit matter section of our audit report;
- performing substantive procedures over 96% of Group's revenue, 92% of Group's profit before tax and 97% of Group's total assets; and
- performing specific audit procedures in: Global Diagnostics (Ireland) Limited and Medica IT Services Limited
- performing analytical reviews over neither significant nor material components of the Group: Medica Reporting Services Limited, Medica Reporting Finance Limited and Medica Australia Pty Ltd, and MED-IDX Pty Ltd, MUSI Inc, Global Retinopathy Screening Limited

Communications with component auditors

Grant Thornton Ireland are engaged to perform statutory audits for the two Irish entities in the Group – Global Diagnostics (Ireland) Limited and Global Retinopathy Screening Limited.

Group audit instructions and Group significant risks were communicated to Grant Thornton Ireland, outlining the requirement to perform specified audit procedures on Global Diagnostics (Ireland) Limited. On completion of their audit work, this was reviewed by Grant Thornton UK to ensure that a sufficient and appropriate level of work has been performed to support our audit opinion of the Group accounts.

Changes in approach from previous period

Compared to the prior year, the only changes to our Group audit scope were the inclusion of RADMD as a financially significant component due to contribution to the Group (which was only for 9 months in FY21, being the post-acquisition period). Additionally, specified audit procedures were performed over Global Retinopathy Screening Limited in the prior year but this was not assessed to be significant or material to the Group in the current year.

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Audit approach	No. of components	% coverage Total Assets	% coverage Revenue	% coverage PBT
Full-scope audit	3	91%	78%	78%
Specified audit procedures	2	6%	18%	14%
Analytical procedures	6	3%	4%	8%

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Independent auditor's report **continued**

TO THE MEMBERS OF MEDICA GROUP PLC

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the group financial statements or our knowledge obtained during the audit:

- The directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the group financial statements and the directors' identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation in the annual report and accounts as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- The directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy;
- The directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the group and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated;
- The section of the annual report that describes the review of the effectiveness of group's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and

The section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the group financial statements and how these issues were addressed.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 64 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We enquired of management, the finance team and the Board of Directors about the Group's and Company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations;
- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the Group and sector in which they operate. We determined that the following laws and regulations were most significant: UK-adopted international accounting standards, FRS 101 'Reduced Disclosure Framework' (UK GAAP) (for the Company), Companies Act 2006, UK Corporate governance code, Listing Rules, and relevant UK taxation laws.
- We enquired of management and the Board of Directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud;

- We understood how the Group is complying with those legal and regulatory frameworks by making inquiries to the management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of Board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
 - Team communications in respect of potential non-compliance with laws and regulations and fraud which included the evaluation of the risk of management override of controls, principally in relation to the management adjustments to revenue;
 - Enquiring of management, the finance team and the Board about the risks of fraud at the Group and Company and the controls implemented to address those risks. Assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of non-standard entries used to record non-recurring, unusual transactions or other non-routine adjustments;
 - Making specific inquiries of each member of the finance team to ascertain whether they had been subject to undue pressure or had been asked to make any unusual postings or modifications to reports used in financial reporting;
 - Identifying and testing journal entries selected based on risk profiling;
 - Running specific keyword searches (including to related parties and of those previously connected to related entities) over the journal entry population to identify descriptions that could indicate fraudulent activity or management override of controls. In addition, journal entries by user were evaluated to identify types of entries posted that were not in line with expectations of their role. Unusual entries noted from these searches were agreed to supporting documentation to verify the validity of the posting;
 - Planning specific procedures responding to the risk of fraudulent recognition of revenue;
 - We also assessed the disclosures within the annual report including principal risks;
 - Challenging assumptions and judgements made by management in its significant accounting estimates;
 - Identifying and reviewing related party transactions and associated disclosures;
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item
- In assessing the potential risks of material misstatement, we obtained an understanding of the Group's and Company's operations, including the nature of income sources and of its objectives and strategies in order to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.
- No such matters were identified by the component auditors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report **continued**

TO THE MEMBERS OF MEDICA GROUP PLC

Other matters which we are required to address

We were appointed by the board of directors on 6 August 2013 to audit the financial statements for the year ending 31 December 2013 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the periods ending 31 December 2013 to 31 December 2022.

FY2022 is Grant Thornton UK's 10th year of providing services to Medica Group Plc and its subsidiaries. It is a requirement that companies considered PIEs put the statutory audit out for tender at least once every ten years. Members of the board have the option to allow the period to be extended to 20 years, if a public audit tender is held after the first ten years, or to 24 years if there is a joint audit arrangement.

All auditors in the UK are required to comply with the Auditing Practices Board's Ethical Standard 3 on rotation. For listed audit clients, engagement partners are required to rotate off after five years. Therefore, FY2022 is Chris Smith's fifth and last year as the audit partner for Medica Group plc.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Smith BA (Hons) ACA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

5 April 2023

Consolidated income statement and consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 £000			31 December 2021 £000		
		Underlying £'000	Non- underlying (Note 7) £'000	Total £'000	Underlying £'000	Non- underlying (Note 7) £'000	Total £'000
Revenue		76,979	–	76,979	61,913	–	61,913
Cost of sales		(39,796)	–	(39,796)	(30,519)	–	(30,519)
Gross profit		37,183	–	37,183	31,394	–	31,394
Administration expenses		(23,540)	(5,188)	(28,728)	(19,316)	(3,540)	(22,856)
Operating profit		13,643	(5,188)	8,455	12,078	(3,540)	8,538
Finance costs	8	(627)	(213)	(840)	(550)	(593)	(1,143)
Finance income	8	–	1,138	1,138	–	–	–
Share of results of joint ventures	17	(112)	–	(112)	(56)	–	(56)
Profit before tax		12,904	(4,263)	8,641	11,472	(4,133)	7,339
Income tax expense	9	(2,196)	755	(1,441)	(2,079)	207	(1,872)
Profit for the year attributable to equity shareholders		10,708	(3,508)	7,200	9,393	(3,926)	5,467
Basic profit per ordinary share (pence)	10			5.88			4.56
Diluted profit per ordinary share (pence)	10			5.83			4.5
Statement of comprehensive income							
Profit for the year				7,200			5,467
Other comprehensive income							
Items that will be reclassified subsequently to profit or loss							
Foreign exchange translation differences				590			(124)
Total comprehensive income for the year				7,790			5,343

The notes and accounting policies on pages 83 to 115 form an integral part of these financial statements.



Consolidated statement of financial position

COMPANY REGISTRATION 08497963

	Note	31 December 2022 £000	31 December 2021 £000
ASSETS			
Non-current assets			
Goodwill	13	31,117	30,357
Other intangible assets	14	21,185	22,399
Property, plant and equipment	15	4,531	4,521
Deferred tax	23	556	186
Investments	17	57	–
		57,446	57,463
Current assets			
Trade and other receivables	19	17,794	14,271
Cash and cash equivalents	20	11,004	9,616
		28,798	23,887
Total assets		86,244	81,350
LIABILITIES			
Current liabilities			
Trade and other payables	21	(9,865)	(9,576)
Borrowings	22	(4,516)	(5,739)
Lease liabilities	16	(253)	(280)
Contingent consideration	22	(1,550)	(5,335)
Current tax		(1,039)	(880)
		(17,223)	(21,810)
Net current assets		11,575	2,077
Total assets less current liabilities		69,021	59,540
Non-current liabilities			
Borrowings	22	(5,702)	–
Lease liabilities	16	(701)	(814)
Contingent consideration	22	–	(1,553)
Deferred tax	23	(1,531)	(2,270)
		(7,934)	(4,637)
Net assets		61,087	54,903
EQUITY			
Issued capital	24	245	245
Share premium	24	30,330	30,324
Foreign exchange reserve		468	(122)
Retained earnings	24	30,044	24,456
Total equity		61,087	54,903

The notes and accounting policies on pages 83 to 115 form an integral part of these financial statements.

The financial statements on pages 79 to 115 were authorised for issue by the board of directors on 5 April 2023 and were signed on its behalf by:

Stuart Quin
Director

Richard Jones
Director

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	31 December 2022 £000	31 December 2021 £000
Operating activities		
Profit for the year	7,200	5,467
Add back taxation	1,441	1,872
Profit before tax	8,641	7,339
<i>Adjustments for:</i>		
Depreciation	1,920	1,672
Amortisation	2,991	2,816
Loss on disposal of tangible and intangible assets	29	55
Share based payments	1,698	682
Social security costs of share-based payment charge	92	78
Fair value movement on contingent consideration	(1,017)	–
Foreign exchange	(252)	(590)
Finance costs	840	1,143
Finance income	(1,138)	–
Share of results of joint ventures	112	56
<i>Changes in:</i>		
Increase in trade and other receivables	(1,915)	(4,725)
(Decrease)/increase in trade and other payables	(1,335)	2,811
Tax paid	(1,923)	(1,614)
Cash inflow from operating activities	8,743	9,723
Investing activities		
Purchase of subsidiary net of cash acquired	–	(11,429)
Purchase of property, plant and equipment	(1,771)	(1,310)
Purchase of software intangibles	(1,138)	(763)
Contingent consideration paid net of transaction related costs	(4,761)	–
Additional investment in joint ventures	(169)	–
Interest received	–	–
Cash outflow from investing activities	(7,839)	(13,502)
Cash flows from financing activities		
Repayment of lease liability	(333)	(407)
Proceeds from borrowings	8,317	11,592
Repayment of borrowings	(4,000)	(23,522)
Issue of ordinary share capital	6	16,162
Costs to issue ordinary share capital	–	(537)
Dividends paid to ordinary shareholders	(3,328)	(3,167)
Interest paid	(350)	(424)
Net cash inflow/(outflow) from financing activities	312	(303)
Net change in cash and cash equivalents	1,216	(4,082)
Movement in net cash		
Cash and cash equivalents, beginning of period	9,616	13,934
Increase/(decrease) in cash and cash equivalents	1,216	(4,082)
Foreign exchange on cash and cash equivalents	172	(236)
Cash and cash equivalents, end of period	11,004	9,616

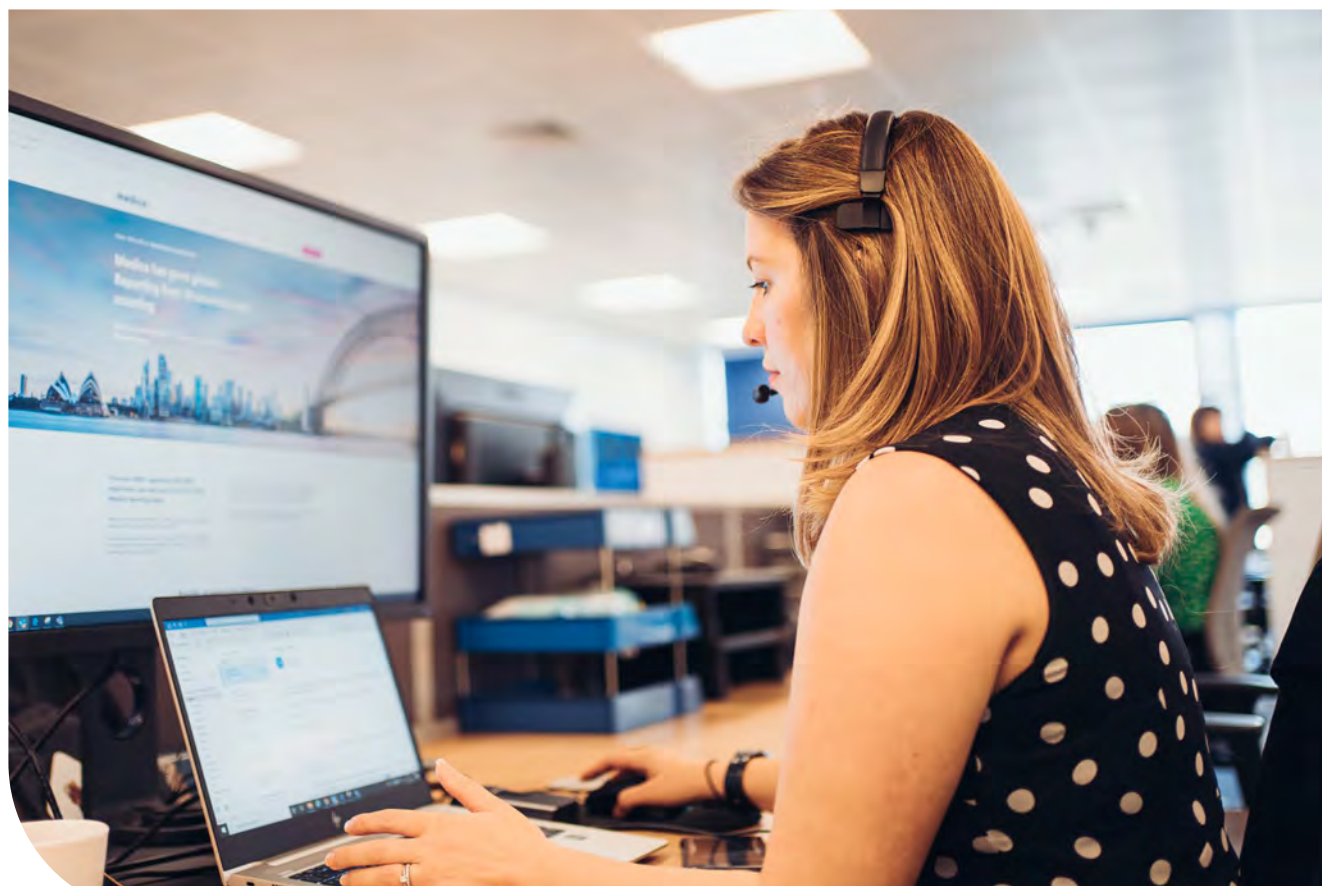
The notes and accounting policies on pages 83 to 115 form an integral part of these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2022

Note	Issued capital £'000	Share premium £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	223	14,721	2	21,507	36,453
Issue of share capital	22	15,603	–	–	15,625
Dividends paid	11	–	–	(3,167)	(3,167)
Share based payments	–	–	–	682	682
Deferred tax on share based payments	–	–	–	(33)	(33)
Transactions with owners	22	15,603	–	(2,518)	13,107
Profit for the year	–	–	–	5,467	5,467
Other comprehensive income					
Foreign exchange translation differences	–	–	(124)	–	(124)
Total comprehensive income for the year	–	–	(124)	5,467	5,343
At 31 December 2021	245	30,324	(122)	24,456	54,903
Issue of share capital	–	6	–	–	6
Dividends paid	11	–	–	(3,328)	(3,328)
Share based payments	–	–	–	1,698	1,698
Deferred tax on share based payments	–	–	–	18	18
Transactions with owners	–	6	–	(1,612)	(1,606)
Profit for the year	–	–	–	7,200	7,200
Other comprehensive income					
Foreign exchange translation differences	–	–	590	–	590
Total comprehensive income for the year	–	–	590	7,200	7,790
At 31 December 2022	245	30,330	468	30,044	61,087

The notes and accounting policies on pages 83 to 115 form an integral part of these financial statements.



Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Medica Group PLC

Medica Group PLC (“the Company”) was incorporated in England and Wales on 22 April 2013 under the Companies Act 2006 (registration number 08497963) and is domiciled in the United Kingdom. Its registered office and principal place of business is 6th Floor, One Priory Square, Priory Street, Hastings, East Sussex, TN34 1EA.

The consolidated financial statements of the Group for the year ended 31 December 2022 (including comparatives) comprise the Company and its subsidiaries (together referred to as “the Group”). The Group’s principal activity is the provision of teleradiology reporting and is the leading independent provider in both the UK and Ireland. The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman’s and chief executive’s reports on pages 4 to 5, and 18 to 21. In addition, Note 27 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

2 Basis of preparation

2.1. Basis of preparation

The consolidated financial statements of Medica Group PLC and its subsidiary undertakings (together “the Group”) for the 12 months ended 31 December 2022 have been prepared by the directors of Medica Group PLC.

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

The preparation of consolidated financial statements in accordance with UK-adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the financial statements.

The consolidated financial statements are presented in £ (Sterling), the presentational and functional currency of the Company, rounded to the nearest £’000.

2.2. Going concern

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

The forecasts have been prepared by reference to the 2023 approved budget and detailed bottom-up forecasts for the following financial year which have considered realistic downside scenarios including:

- Impact of reduced revenue from consideration of reduced radiologist availability
- Loss of certain material contracts
- Further material inflationary pressure on operating costs more than current expectations

Under these downside scenarios, individually and even in the severe/improbable cumulative scenario, excluding any potential mitigating actions that could be taken, management conclude that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 21 months from the date of approval of the financial statements and the board have therefore determined it is appropriate to adopt the going concern basis in preparing the financial statements.

2.3. Standards in issue which have not yet been adopted

There are no new standards or amendments in issue but not yet effective that are either applicable to the financial statements of the Group or that would have any material impact the financial statements of the Group.

2.4. Adoption of new standards

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021)

The adoption of these standards has not had a material impact on the financial statements.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Summary of accounting policies

These accounting policies have been used throughout all periods presented in the financial statements, except where the Group has applied certain accounting policies and exemptions upon transition to IFRS.

3.1. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2022. All subsidiaries have the same reporting date and use accounting policies consistent with those of the parent company. Medica Group PLC ("the Group") controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Unrealised gains and losses on transactions between Group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3.2. Revenue

The Group recognises revenue in accordance with the requirement of IFRS 15 and in the five-step model set out within the standard.

STEP 1 Identifying the contract with the customer

The Group accounts for contracts with customers within the scope of IFRS 15 only when all of the following criteria are met:

1. The Group and the customer have approved the outline contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
2. The Group can identify each party's rights regarding the services to be transferred;
3. For Reader Revenue services, the Group receives an order or request to deliver a radiology report; or for iCRO contracts, the Group receives a work order for an ongoing and specific services;
4. The Group can identify the payment terms for services to be transferred;
5. The contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
6. It is probable that the Group will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

STEP 2 Identifying the performance obligations

At contract inception, the Group assesses the services promised within the contract and identifies as a performance obligation each promise to transfer to the customer either:

- a. A good or service (or a bundle of services) that is distinct; or
- b. A series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

Reader revenue

In the UK and Ireland the only identifiable performance obligation is the delivery of a radiology report which diagnoses a patient using images provided by the client into the client's Radiology Information System (RIS) by a suitable radiologist in an agreed timescale based upon an order received from the customer under the agreed contract. In the US the only identifiable performance obligation is the delivery of a radiology report in either the client's radiology information system or via image transfer, by a suitable radiologist in an agreed timescale based upon an order received from the customer under the contract. This is a teleradiology service.

In the UK, the Group's customers are responsible for producing the image for the radiologist's review and the Group is responsible for arranging for the review by the radiologist. In Ireland, some contracts are 'fully managed' and the Group provides the staff and/or the equipment required to produce the image. In management's view, these additional services are not separable from the overriding performance obligation discussed above.

iCRO revenue

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

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

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

STEP 3 Determining the transaction price

Reader revenue

Each contract has a detailed schedule of prices for each different type of radiology report. The pricing is based on the type of images diagnosed, the complexity of the report and the nature of the report (for example whether it is emergency or elective).

Some contracts are subject to minimum usage over a given period of time, providing Medica with a minimum expected revenue stream for those contracts.

iCRO revenue

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

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

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

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

STEP 4 Allocating the transaction price to the separate performance obligations

Reader revenue

There is only one performance obligation and accordingly the transaction price is allocated to the delivery of the individual report.

iCRO revenue

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

STEP 5 Recognising revenue when performance obligations are satisfied

Reader revenue

Reader revenue is recognised when the performance obligation is satisfied, which in the UK is when the report is delivered to the client's Radiology Information System (RIS) and in Ireland is when the report is delivered to the clients National Integrated Medical Imaging System (NIMIS). In the US Reader Revenue is recognised when the report is uploaded to either the client or specified third party system. Each transaction is recognised as a separate chargeable event. Control passes to the customer once the report is submitted, at which point the Group becomes entitled to consideration for the services provided. The client is charged for services provided at the end of the month.

iCRO revenue

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

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

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

All revenue recognised in the income statement is from contracts with customers and no other revenue has been recognised. No provision for expected credit losses have been recognised on any receivables or contract assets arising from a contract with a customer as past experience indicates that expected losses are immaterial reflecting the nature of the customer base.

A disaggregation of revenue in the UK is shown in note 5 as part of the segmental analysis. There are no other relevant categories of revenue other than reporting modalities which are monitored by the directors.

Timing differences, accrued and deferred revenue

UK

In the UK, due to the nature of the Group's contractual relationship with customers and the nature of the services provided, there are no timing differences between revenue recognised in the income statement and trade receivables being recognised in the statement of financial position.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

Ireland

In Ireland there are different arrangements around billing for work performed by the Group. In some cases, customers pay in advance for a specified number of reviewed images in a specified time period. As in the UK, revenue is recognised at the point each image is reviewed. Timing differences in respect of the dates of invoicing and payment with the dates of the scan reviews creates timing differences which appear in accrued or deferred revenue as appropriate.

USA

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

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

Transaction price

Transaction price is set out in individual contractual agreements and there is a range of prices based on the types of service offered. There are no variable pricing considerations for reader revenue contracts. The iCRO contracts contain items which are billed at hourly rates specified in the contracts. Strictly, this would typically be classed as variable pricing, however, due to the terms of the contract (discussed above), revenue is recognised as the time is spent.

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

Contract modifications

Contract modifications which either create new or change existing rights and obligations are accounted as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised services. Where modifications are not accounted for as a separate contract the Group accounts for the remaining promised services as if it were a part of the existing contract and the effect that the contract modification has on the transaction price is recognised as an adjustment to revenue at the date of the contract modification.

3.3. Interest income/Interest expense

Interest income and expenses are reported on an accrual basis using the effective interest method.

3.4. Segment reporting

IFRS 8 requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the CEO (chief operating decision maker – CODM).

The board has reviewed the Group and all revenues are functional activities of teleradiology reporting and these activities take place on an integrated basis. Following the acquisition of GDI and RadMD LLC, the CEO reviews the financial information for the Irish entities as a separate segment and the two new US entities as a separate segment from the rest of the Group.

3.5. Business combinations

Business combinations are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their provisional fair values which are then finalised within a 12 month period and, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Where the settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value using a probability weighted expected value approach. Contingent consideration is classified either as equity or as a financial liability and is recognised at fair value on the acquisition date. Amounts classified as a financial liability are subsequently re-measured to fair value in accordance with IFRS 9 (Financial Instruments), with changes in fair value recognised in the consolidated statement of comprehensive income as a finance cost.

Directly attributable acquisition costs are expensed as incurred within the consolidated statement of comprehensive income as non-underlying administrative expenses.

3.6. Joint ventures

Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

3.7. Leasing

The right of use asset is initially measured at the amount of the lease liability plus any lease payments made at or before the commencement date (less any lease incentives received), plus any initial direct costs incurred in agreeing the lease, plus an estimate of future dismantling, removal and restoration costs. Subsequent to the initial measurement the right of use asset is accounted for using the cost model set out in IAS 16 Property, Plant and Equipment, which is based on depreciating the asset over the estimated useful economic life. Assets are depreciated on a straight-line basis over the term of the lease.

In connection with the Group's right of use assets as at 31 December 2022 there were no lease payments that had been made prior to the commencement of the lease, nor any lease incentives, nor has the Group made any structural or other changes to any right of use assets that would require material costs in respect of dismantling, removal or restoration.

The initial recognition of the lease liability has been based on discounting the cashflows associated with the lease using the rate implicit in the lease agreement, or where this is not readily available, the Group's incremental borrowing rate. After initial measurement the Group charges the lease liability with the interest cost to unwind the discount factor and reduces the liability by the amount of contractual payments made annually.

In reviewing the leases, the directors took into consideration those which were long term leases, those which were short term leases, the underlying asset value and the lease and non-lease components.

Low value and short-term leases

Leases of low value assets and short-term leases with a term of twelve months or less, have continued to be recognised as an operating expense and it was determined that all of these short term leases (mostly for reporting centres) had termination clauses of three months or less and therefore could be readily terminated if required.

The directors have set a guideline of £5,000 or less lease value as the threshold for determining the value of a potential lease asset. All the short-term leases are therefore also considered low value assets and have been excluded from right of use assets.

Where the Group is a lessee, payments on low value and short-term operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Benefits received and receivable as an incentive to enter an operating lease are also spread on a straight-line basis over the lease term.

3.8. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives less estimated residual values, using the straight-line method. The rates generally applicable are:

Computer equipment	– 20% to 33% per annum
Leasehold improvements	– Over the life of the lease term
Medical equipment	– 20% per annum
Right-of-use assets	– Over the life of the lease term

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The assets' residual value and useful lives are reviewed, and adjusted if required, at each reporting date. The carrying amount of an asset is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

3.9. Impairment of property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

3.10. Goodwill and other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets acquired as part of a business combination, are shown at fair value at the date of the acquisition less accumulated amortisation. Amortisation is charged on a straight-line basis through the profit or loss. The rates applicable, which represent the directors' best estimate of the useful economic life, are:

- Customer relationships – 5 – 15 years
- Software and technology – 10 years for assets purchased as part of the acquisition of Medica Reporting Limited in 2013, software licences purchased since then are amortised over their term
- Brands – 15 – 20 years.

Internal development costs

Expenditure on the research phase of projects to develop new projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Internally generated assets recognised on the balance sheet are amortised from the date at which an individual project is complete or live and amortised over the useful economic life of the project.

3.11. Impairment of intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment. Impairment losses in respect of goodwill cannot be subsequently reversed.

At each balance sheet date, the Group performs an annual impairment review of goodwill and any intangible assets with an indefinite useful economic life. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Other intangible assets

Other intangible assets, except those under development are not tested for impairment annually, only when there is an objective indicator of impairment. Intangible assets under development are tested for impairment annually. Where an impairment indicator is identified, an impairment test is carried out by comparing the carrying of the assets with its recoverable amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3.12. Taxation

Tax expenses recognised in profit or loss comprise the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.13. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand.

3.14. Financial instruments**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original liability and the recognition of a financial liability. A substantial modification of terms occurs when the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original facility.

The only types of financial assets held by the Group are trade and other receivables and cash and cash equivalents.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. The Group's customers are mostly state-owned entities such as hospitals, as such credit loss is not significant.

The expected loss rates are based on the payment profile of sales over 36 months before 31 December 2022 or 1 January 2022 respectively. The Group then considers future expected credit losses due to any other expected circumstances in addition to applying historical loss rates.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and lease liabilities. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for leases accounted for in accordance with IFRS 16.

3.15. Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits or losses.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

Notes to the financial statements **continued**

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3.16. Non-underlying items

The Group has applied an income statement format which seeks to highlight significant items within Group results for the year such as one-off acquisition costs, and other costs such as the amortisation of acquired intangibles and share-based payments. The Group exercises judgement in assessing the particular items which, by virtue of their scale and nature should be disclosed in the income statement and related notes as non-underlying items. The Group believes that such a presentation is useful for the users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's underlying financial performance. Details are included in note 32.

3.17. Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

3.18. Share-based payments

Medica operates several equity-settled share-based payment arrangements, under which the Group receive services from employees in consideration for equity instruments (share options and shares) of the group. Information relating to these schemes is set out in note 28.

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured using either the binomial options pricing model or Monte Carlo simulations, whichever is more appropriate to the share-based payment arrangement. Market-based performance criteria and non-vesting conditions (for example, the requirement for employees to make contributions to the share purchase programme) are reflected in this measurement of fair value. The fair value determined at the grant date is recognised as an expense on a straight-line basis over the vesting period, based on the group's estimate of the options or shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Non-market-based vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

Service and performance conditions are vesting conditions. Any other conditions are non-vesting conditions which have to be taken into account to determine the fair value of equity instruments granted. In the case that an award or option does not vest because of a failure to meet a non-vesting condition that is within the control of either counterparty, this is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the income statement. As the requirement to save under an employee save as you earn arrangement is a non-vesting condition, employee cancellations, other than through a termination of service, are treated as an accelerated vesting. No adjustment is made to total equity for awards that lapse or are forfeited after the vesting date.

When the options are exercised, shares are either transferred to the employee from the employee benefit trust or by issuing new shares. Any proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

The award by the Company of share-based compensation awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution only if it is left unsettled. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

A deferred tax asset is recognised on share options based on the intrinsic value of the options, which is calculated as the difference between the fair value of the shares under option at the reporting date and exercise price of the share options. The deferred tax asset is utilised when the share options are exercised or released when share options lapse.

3.19. Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in profit or loss.

Monetary assets and liabilities are translated into the functional currency of the concerned entity of the Group using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

Non-monetary items are not retranslated at the period-end. They are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the £ (Sterling) are translated into £ upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into £ at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into £ at the closing rate. Income and expenses have been translated into £ at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

4.1. Key judgements

There are no significant or material key judgements made by management in applying the accounting policies of the Group.

4.2. Sources of estimation uncertainty

The following are estimates made by management in measuring the assets, liabilities, income, and expenses.

Fair value of contingent consideration on business combinations

In relation to the acquisition of GDI in the year ended 31 December 2020, up to €1,600k contingent consideration is payable in 2023 subject to the realisation of future events including the successful commencement and renewal of contracts. In accordance with IFRS 9 'Financial Liabilities' the fair value of contingent cash consideration was assessed based on applying a time value of money discount to the probability weighted expected future values under the various possible outcomes. If the renewal of the contract is unsuccessful the full amount of contingent consideration, £1,550k will be credited to the income statement. See note 22.5 for further details.

Carrying value of goodwill and other intangible assets

The carrying value of goodwill for Medica Vision Ireland is supported by its estimated recoverable amount which is dependent on the successful tender for the diabetic retinopathy screening contract, currently expected to commence in 2023. If the contract was lost or the outcome of the re-tender was a material reduction in overall value there would be an impairment of up to £1,681k to goodwill and £2,958k to intangible assets. See notes 13 and 22.5 for further details.

The useful life of acquired intangible assets

The Group recognises the intangible assets acquired as part of business combinations at fair value at the date of acquisition. These fair values were determined by experts engaged by management and based upon management's and the directors' judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate discount rate. Furthermore, management have estimated the expected useful lives of intangible assets and charged amortisation on these assets accordingly. At the reporting date no impairments to other intangible assets were recognised in the year.

The directors considered the estimates of the useful economic life of intangible assets acquired in May 2013 as part of the purchase of Medica Reporting Limited, November 2020 as part of the purchase of Global Diagnostics (Ireland) Limited and Global Retinopathy Screening Limited and March 2021 as part of the purchase of RadMD LLC.

Brand

The directors considered the strength of the Medica brand in the teleradiology and wider healthcare sector. They also considered the strength of the RadMD brand in the iCRO sector following the acquisition in March 2021. In their judgement, the directors consider that the brands are expected to continue to be used for the foreseeable future and have therefore estimated a useful life of 20 years and 15 years respectively.

Customer relationships

In assessing the useful economic life of customer relationships, the directors considered the importance of long-term relationships. In their judgement the directors consider that given the limited number of NHS Trusts and HSE clients and the fact that most of the revenue came from long standing, government funded clients that the useful economic life for customer relationships is estimated between 10 – 15 years. In the US there is a customer contract backlog and large key customers with long standing relationships that have multiple phase trails over a number of years for which the useful economic life of the customer relationships is estimated at five and 15 years respectively.

Software and technology

In assessing the useful economic life of the technology purchased the directors judgement was that the technology was core to the business and whilst requiring ongoing investment was not expected to fundamentally change for a considerable period. Therefore, the directors have estimated the useful economic life as 10 years for software and technology.

Notes to the financial statements **continued**

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The table below sets out the carrying amounts of the separately identifiable intangible assets acquired in previous acquisitions, together with the estimated useful lives assessed by the directors and the resultant amortisation charges recognised in the year.

Intangible asset	Directors' estimate of useful economic life (years)	Carrying amount as at 31 December 2022 £000	Amortisation charge for the year ended 31 December 2022 £000
Customer relationships – May 2013 acquisition	15	2,294	431
Customer relationships – November 2020 acquisitions	15	8,724	842
Customer relationships – March 2021 acquisition	5 – 15	6,261	638
Software and technology*	10	109	324
Brand – May 2013 acquisition	20	1,201	115
Brand – March 2021 acquisition	15	703	47
		19,292	2,397

* excludes software and technology assets that do not relate to the 2013 acquisition.

The Group's reported profit is sensitive to changes in the estimated useful economic lives of the acquisition intangibles, owing to the amortisation charges for the year which are calculated by reference to the estimated useful lives. The table below demonstrates the impact on reported profits before tax of applying different values to the estimated useful lives.

Intangible asset	Directors' estimate of useful economic life (years)	-50% change in estimate (years)	Decrease in reported profit for the year ended 31 December 2022 £000	+50% change in estimate (years)	Increase in reported profit for the year ended 31 December 2022 £000
Customer relationships – May 2013 acquisition	15	7.5	(431)	22.5	144
Customer relationships – November 2020 acquisitions	15	7.5	(842)	22.5	281
Customer relationships – March 2021 acquisition	5 – 15	2.5 – 7.5	(638)	7.5 – 22.5	213
Software and technology*	10	5	(324)	15	108
Brand – May 2013 acquisition	20	10	(115)	30	38
Brand – March 2021 acquisition	15	7.5	(47)	22.5	16
			(2,397)		800

* excludes software and technology assets that do not relate to the 2013 acquisition.



5 Segment reporting

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

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

	UK £000	Ireland £000	USA £000	31 December 2022 £000	UK £000	Ireland £000	USA £000	31 December 2021 £000
UK NightHawk	33,330	–	–	33,330	29,762	–	–	29,762
UK Elective	20,708	–	–	20,708	17,292	–	–	17,292
Ireland	–	12,549	–	12,549	–	9,665	–	9,665
Imaging core labs	–	–	10,392	10,392	–	–	5,194	5,194
Revenue	54,038	12,549	10,392	76,979	47,054	9,665	5,194	61,913
Cost of sales	(28,354)	(6,684)	(4,758)	(39,796)	(23,436)	(4,758)	(2,325)	(30,519)
Gross profit	25,684	5,865	5,634	37,183	23,618	4,907	2,869	31,394
Operating expenses	(14,933)	(3,793)	(4,814)	(23,540)	(13,750)	(3,375)	(2,191)	(19,316)
Operating profit	10,751	2,072	820	13,643	9,868	1,532	678	12,078
Finance costs	(127)	(265)	(235)	(627)	(261)	(283)	(6)	(550)
Share of results of joint ventures	(112)	–	–	(112)	(56)	–	–	(56)
Profit before tax	10,512	1,807	585	12,904	9,551	1,249	672	11,472
Tax	(1,662)	(293)	(241)	(2,196)	(1,625)	(268)	(186)	(2,079)
Underlying profit for the period	8,850	1,514	344	10,708	7,926	981	486	9,393
Non-underlying loss for the period				(3,508)				(3,926)
Profit for the period				7,200				5,467

	UK £000	Ireland £000	USA £000	31 December 2022 £000	UK £000	Ireland £000	USA £000	31 December 2021 £000
Non-current assets (excluding deferred tax)	24,698	17,049	15,143	56,890	25,314	17,885	14,078	57,277
Additions to non-current assets	2,428	310	171	2,909	1,907	164	10,457	12,528
Total assets less current liabilities	39,359	15,487	14,175	69,021	36,651	11,061	11,828	59,540
Net assets	38,199	11,231	11,657	61,087	35,354	7,924	11,625	54,903



Notes to the financial statements *continued*

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6 Operating profit

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

	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	236	225
Fees payable to the Company's auditor for the audit of subsidiaries	79	57
Total audit fees	315	282
Audit related services:		
Interim review	–	18
Total audit related services	–	18
Other assurance services:		
Covenant compliance services	3	3
Total non-audit fees	3	21
Total fees paid to company's auditor	318	303

Fees payable to the Company's auditor for the audit of subsidiaries include £16k of over-runs in connection with the prior year audit. There was no interim review performed in the current year.

	2022 £000	2021 £000
Operating lease rentals – short term and low value leases	187	90
Depreciation: property, plant and equipment – owned	1,582	1,241
Depreciation: property, plant and equipment – leased	338	431
Amortisation of intangible fixed assets on acquisition	2,397	2,225
Amortisation of intangible fixed assets on other assets	594	591

Analysis of expenses by nature

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

	2022 £000	2021 £000
	2,991	
Amortisation of intangible assets (note 14)		2,816
Depreciation of property, plant and equipment (note 15)	1,920	1,672
Loss on disposal of tangible and intangible assets	29	55
Operating lease rentals – short term and low value leases	187	90
Staff costs (note 12)	17,260	12,341
Auditors remuneration	318	302
Legal and professional fees	1,465	712
Self-employed clinical specialists	34,973	27,506
Other direct costs	2,276	1,215
IT related costs	3,512	2,009
Travel and accommodation costs	582	212
Other non-underlying items (see note 7)	571	49
Other expenses	2,440	4,396
Total cost of sales and operating expenses	68,524	53,375

7 Non-underlying items

	2022 £000	2021 £000
Amortisation of acquired intangible assets	2,397	2,225
Foreign exchange gain on contingent consideration	14	(173)
Acquisition costs incurred	5	173
Share based payment charge	1,698	682
Social security costs on share based payment charge	92	78
Group restructuring costs	74	–
Depreciation adjustment to align to group accounting policies ¹	173	–
New service development costs	132	–
Implementation of accounting software	254	–
One-off legal and professional fees	349	555
Total non-underlying costs included within operating expenses	5,188	3,540
FX on acquisition related loans ²	(1,138)	–
Fair value adjustment on contingent consideration	213	593
Total non-underlying costs before tax	4,263	4,133
Income tax	(755)	(207)
Total non-underlying items after taxation	3,508	3,926

¹ Depreciation adjustment relates to a non-recurring charge arising on aligning deprecation policies across the group as part of implementing the new accounting software.

² FX relates to revaluation gains on loans used to finance the acquisition of RadMD. In the prior year £172k was included in operating expenses which has not been restated to finance costs as it is immaterial to the users of the financial statements.

8 Finance costs and income

Finance costs

	2022 £000	2021 £000
Loan interest and fees	579	497
Finance costs on lease liability	48	53
Fair value adjustment on contingent consideration	213	593
	840	1,143

Finance income

	2022 £000	2021 £000
FX on acquisition related loans	1,138	–
	1,138	–

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tax expense

	2022 £000	2021 £000
Current tax:		
UK current tax expense	1,733	1,860
Adjustments in respect of prior years	(52)	(24)
Foreign current tax expense	423	331
Total current tax	2,104	2,167
Deferred tax:		
Originations and reversal of temporary differences	(531)	(594)
Adjustments in respect of prior years	(154)	13
Effect of rate change	22	286
Total deferred tax	(663)	(295)
Tax expense on ordinary activities	1,441	1,872

Reconciliation of tax expense:

UK corporation tax is assessed on the profit on ordinary activities for the year and is the same as (2021: same as) the standard rate of corporation tax is as follows:

- UK 19% (2020: 19%)
- Ireland 12.5% (2020: 12.5%)
- USA (Federal & state) 25.54% (2021: 26.7%)

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

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

	2022 £000	2021 £000
Reconciliation of effective tax rate:		
Profit on ordinary activities before tax	8,641	7,339
Income tax using the Company's domestic tax rate 19% (2021: 19%)	1,642	1,394
Effect of:		
Expenses not deductible for tax purposes	19	297
Share based payments	85	–
Prior year adjustment – current and deferred tax	(206)	(11)
Effect of tax rate change – deferred tax	3	286
Deferred tax not recognised	(1)	(41)
Impact of difference in overseas tax rates	(135)	(53)
Other	34	–
Total tax charge for period	1,441	1,872

10 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.

	2022 £000	2021 £000
Profit for the year attributable to ordinary shareholders	7,200	5,467
Effects of non-underlying items net of tax (see note 7)	3,508	3,926
Underlying profit for the period attributable to ordinary shareholders	10,708	9,393
Weighted average number of ordinary shares	122,431,211	119,912,604
Dilutive effect of share options	1,169,542	1,656,675
Diluted weighted average number of ordinary shares	123,600,753	121,569,279
Basic profit per ordinary share (pence)	5.88p	4.56p
Diluted profit per ordinary share (pence)	5.83p	4.50p
Underlying basic profit per ordinary share (pence)	8.75p	7.83p
Underlying diluted profit per ordinary share (pence)	8.66p	7.73p

As at 31 December 2022 the directors assessed the potentially dilutive effect of contingently issuable shares, which comprise share options awarded under the Performance Share Plan (PSP), options under the Restricted Stock Unit Plan (RSU), options under the Deferred Bonus Plan (DBP), options under the Company Share Option Plan (CSOP) and options under the Save as You Earn plan (SAYE).

As at the end of the year there were 7,002,542 (2021: 5,841,660) options outstanding of which 1,169,542 (2021: 1,656,675) were considered dilutive. The calculation of diluted earnings per share above takes into consideration the Group's performance against the targets within the Performance Share Plan to 31 December 2022.

11 Dividends

	2022 pence per share	2021 pence per share	2022 £000	2021 £000
Interim 2022 dividend paid (2021 interim dividend)	0.93	0.89	1,138	1,088
Final 2021 dividend paid (2020 final dividend)	1.79	1.7	2,190	2,079
			3,328	3,167

A final dividend for 2022 of £2.3m (1.88p per share) is proposed by the directors and will be paid on 21 July 2023 to shareholders on the register as at 23 June 2023.

During the year ended 31 December 2022, dividends totalling £56k (2021: £51k) were paid to persons discharging management responsibilities including directors.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Directors and employees

The average number of persons (including directors) employed by the Group during the years were:

	2022 Number	2021 Number
Clinical governance and quality assurance	17	14
Commercial	14	10
IT	44	33
Operations	278	227
Senior leadership team	8	7
Support functions	20	15
	381	306

The aggregate cost of these employees was:

	2022 £000	2021 £000
Wages and salaries	13,535	10,282
Social security costs	1,390	916
Pension contributions	637	461
	15,562	11,659
Share based payments charge	1,698	682
	17,260	12,341

£74k was paid for loss of office in lieu of notice during the year (2021: nil).

Directors' emoluments paid during the period and included in the above figures were:

	2022 £000	2021 £000
Base salary	861	922
Benefits	12	12
Bonus	83	419
Pension	46	51
Performance share plan	–	120
Other	–	8
Total Emoluments	1,002	1,532

The highest paid director received emoluments totalling £443k (2021: £594k). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £31k (2021: £31k).

During the year retirement benefits accrued to two directors (2021: three) in respect of defined contribution pension schemes.

Key management of the Group are the two executive members of Medica Group PLC's board of directors, four non-executive directors and six senior managers (2021: four non-executive directors and five senior managers). Key management personnel remuneration includes the following expenses:

	2022 £000	2021 £000
Salaries including bonuses	1,862	2,552
Social security costs	312	290
Pensions	95	87
Share based payments charge	654	419
Key management personnel compensation	2,923	3,348

13 Goodwill

	UK ¹ £000	Ireland ² £000	USA ³ £000	Total £000
Cost				
At 31 December 2020	15,948	7,525	–	23,473
Additions (see note 18) ³	–	–	6,817	6,817
Foreign exchange	–	(76)	143	67
At 31 December 2021	15,948	7,449	6,960	30,357
Foreign exchange	–	(47)	807	760
At 31 December 2022	15,948	7,402	7,767	31,117

¹ UK cash generating unit – acquisition of Medica Reporting Limited in 2013

² Ireland cash generating units – acquisition of Global Diagnostics Ireland and Medica Vision Ireland in November 2020. Goodwill split £5,721k and £1,681k respectively.

³ US cash generating unit – acquisition of RadMD LLC in March 2021

Goodwill is not amortised but tested annually for impairment. Consistent with the prior year, a bottom up valuation methodology was employed using a discounted cash flow (DCF) approach based on the future expected cashflows of each identified CGU based on the smallest identifiable unit where separate cashflows could be identified.

The CGUs were as follows:

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

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

- Country and sector specific WACC of 12.3% (MRL), 12.4% (MDI and MVI), 15.3% (RAD) which was determined to represent the best input for each CGU individually
- Baseline forecasts for FY 2023 based on the Board approved budget
- Additional forecasts to FY 2026 based on the board approved long range plan
- Managements key assumptions in the forecasts which have been derived from past experience, market data and management's expectations of future growth rates in the business are:

Revenue drivers

- For all CGU's: Expected contract renewals, expected pricing changes and potential contract wins and losses
- For MRL, Underlying growth in demand for both elective and out of hours services to tackle the material backlog in diagnostic procedures together with anticipated growth in radiologist capacity
- For MDI: Anticipated growth in contracted base, particularly focused on growth in NightHawk type CT on call contracts
- For MVI: Based on the renewal terms proposed with the National Screening Service in Ireland pending contract renewal
- For RAD: Continued growth in clinical trials and imaging reporting requirements associated with such trials based on the existing orderbook and pipeline

Cost drivers

- Inflationary impact on operating costs including employee costs together with the annualised impact of prior year headcount changes for FY 2023
- Terminal Value calculated using EV/EBITDA multiples at exit based on multiples for each CGU at entry for MDI, MVI and RAD and based on an assessment of comparator companies in respect of MRL.

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

The estimate of the recoverable amount for Medica Vision Ireland is dependent on the successful retender for the diabetic retinopathy screening contract which is currently expected in quarter two of 2023. If the contract was lost or the outcome of the re-tender was a material reduction in overall value there would be an impairment of up to £1,681k to goodwill and £2,958k to intangible assets.

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

Notes to the financial statements *continued*

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14 Intangible assets

	Customer relationships £000	Software and technology £000	Brand £000	Total £000
Cost				
At 31 December 2020	17,169	6,647	2,317	26,133
Additions	–	763	–	763
Disposals	–	(97)	–	(97)
Acquisitions through business combinations	6,612	–	699	7,311
Foreign exchange	29	–	15	44
At 31 December 2021	23,810	7,313	3,031	34,154
Additions	–	1,138	–	1,138
Disposals	–	(1,792)	–	(1,792)
Acquisitions through business combinations	–	–	–	–
Foreign exchange	667	–	78	745
At 31 December 2022	24,477	6,659	3,109	34,245
Amortisation				
At 31 December 2020	3,445	4,652	886	8,983
Charge for the year	1,752	914	150	2,816
Eliminated in respect of disposals	–	(42)	–	(42)
Foreign exchange	(2)	–	–	(2)
At 31 December 2021	5,195	5,524	1,036	11,755
Charge for the year	1,910	919	162	2,991
Eliminated in respect of disposals	–	(1,786)	–	(1,786)
Foreign exchange	93	–	7	100
At 31 December 2022	7,198	4,657	1,205	13,060
Net book value				
At 31 December 2022	17,279	2,002	1,904	21,185
At 31 December 2021	18,615	1,789	1,995	22,399
At 31 December 2020	13,724	1,995	1,431	17,150

At 31 December 2022 £256,000 (2021: £493,000) of development costs have been capitalised as internally generated software and technology intangibles. These have not been shown separately as they are not deemed to be material to the financial statements.

15 Property, plant and equipment

	Leasehold property – right of use asset £000	Leasehold improvements £000	Computer equipment £000	Medical equipment £000	Total £000
Cost					
At 31 December 2020	1,053	43	8,022	1,150	10,268
Additions – business combinations	185	–	96	–	281
Additions – separately acquired	543	–	1,286	74	1,903
Disposals	–	–	(68)	–	(68)
Foreign exchange	(34)	(3)	(23)	(75)	(135)
At 31 December 2021	1,747	40	9,313	1,149	12,249
Additions – separately acquired	237	–	1,759	35	2,031
Disposals	(505)	–	(76)	–	(581)
Foreign exchange	47	3	49	61	160
At 31 December 2022	1,526	43	11,045	1,245	13,859
Depreciation and impairment					
At 31 December 2020	488	40	4,759	835	6,122
Additions – business combinations (note 18)	–	–	96	–	96
Charge for the year	291	1	1,200	180	1,672
Disposals	–	–	(65)	–	(65)
Foreign exchange	(19)	(3)	(16)	(59)	(97)
At 31 December 2021	760	38	5,974	956	7,728
Charge for the year	284	1	1,562	73	1,920
Disposals	(366)	–	(53)	–	(419)
Foreign exchange	10	2	33	54	99
At 31 December 2022	688	41	7,516	1,083	9,328
Net book value					
At 31 December 2022	838	2	3,529	162	4,531
At 31 December 2021	987	2	3,339	193	4,521
At 31 December 2020	565	3	3,263	315	4,146

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

	2022 £000	2021 £000
Carrying amount of right-of-use assets included within:		
Leasehold property	838	987
Medical equipment	97	96
Carrying value at 31 December	935	1,083

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Lease liabilities

Under IFRS 16 Leases the Group undertakes assessments of all its leases.

The directors have determined that, based on current strategic business plans, the applicable lease term of the UK property lease is up to the five-year break clause. The directors will continue to review this annually and at any time if they are reasonably certain that the extension of the lease will be required the lease liability and right of use asset will be revalued.

The Irish business has leases for property and medical equipment. The head office property lease was renewed in the prior year for ten years and has a five-year break clause.

The US businesses had one property lease which was due to end in December 2027. This was disposed of in the year and replaced with a new property lease which ends in May 2028.

In calculating the present value of the lease liabilities and the right of use asset, where there was no implicit rate within lease the directors applied the Group's estimated incremental borrowing rate of 2.6% in the UK, 5.9% in Ireland and 4.5% in the US.

The total cash outflow for leases amounted to £0.3m in 2022 (2021: £0.6m).

The Group has commitments in respect of short term lease agreements which are not recognised in the consolidated statement of financial position. Management consider these lease agreements to be immaterial.

	2022 £000	2021 £000
Lease liabilities fall due in:		
Less than one year	253	280
Between one and five years	517	814
More than five years	184	–
Total lease liabilities	954	1,094

17 Investments in joint ventures

Investments	£000
At 31 December 2020	–
Transfer from investments in subsidiaries	56
Share of results from joint ventures	(56)
At 31 December 2021	–
Additions	169
Share of results from joint ventures	(112)
At 31 December 2022	57

During the year £169k of additional investment was made in Med-IDX Pty. During the prior year, Med-IDX Pty became a 50:50 joint venture with Integral Diagnostics Limited Pty and was transferred from investments in subsidiaries to a joint venture measured using the equity method of accounting. As the Group has no legal or constructive obligations to make payments on behalf of Med-IDX Pty no liability has been recognised.

18 Business combinations

On 26 March 2021 the Company subscribed for 100% of the ordinary share capital of Medica US, Inc ("MUSI"), a newly incorporated holding company registered in the United States of America, which subsequently acquired 100% of the ordinary share capital of RadMD LLC. See note 19 of the 2021 annual report and accounts for full details.

Set out in note 22.5 are movements in the contingent consideration since 31 December 2021. Other than the movement in contingent consideration there have been no changes to the fair values of the assets and liabilities acquired which were disclosed at 31 December 2021 on a provisional basis which have now been finalised.

Global Diagnostics Ireland Limited

On 2 November 2020 the Company acquired Global Diagnostics Ireland Limited. Set out in note 22.5 are movements in the contingent consideration since 31 December 2021.

19 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	14,945	10,822
Other receivables	1,092	1,266
Prepayments	1,269	1,415
Accrued revenue	488	768
	17,794	14,271

All trade receivable amounts are short term. The carrying value is considered a fair approximation of their fair value. Since the Group's revenue is derived primarily from public sector clients including NHS Trusts in the UK and HSE clients in Ireland and multinational pharma businesses in the US, management considers that all the above financial assets are of good credit quality and no changes in credit quality have been experienced since initial recognition.

The Group applies an expected credit loss model in estimating a provision for future credit losses. At 31 December 2022 and 31 December 2021 the Group determined that any such provision was not material to the Group based on historical analysis of credit losses.

20 Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	2022 £000	2021 £000
Cash at bank in hand:		
Commercial current accounts	11,004	9,616
	11,004	9,616

21 Trade and other payables

	2022 £000	2021 £000
Trade payables	5,032	3,985
Other taxation and social security	306	664
Accruals	3,577	4,002
Deferred income	809	799
Other short-term payables	141	126
	9,865	9,576

All amounts are short term and the directors consider that the carrying value of trade and other payables are a reasonable approximation of fair value. The contractual maturity of all amounts above are within one year of the balance sheet date.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Borrowings

22.1. Borrowings due in less than one year

	2022 £000	2021 £000
Revolving Credit Facility (RCF)	4,516	5,739
	4,516	5,739

22.2. Borrowings due in more than one year

	2022 £000	2021 £000
Revolving Credit Facility (RCF)	5,702	–
	5,702	–

The Group has a £30m RCF with a three-year term, extendable by up to two years, at a margin above SONIA on drawn funds in the range of 2% to 3% depending on leverage and non-utilisation fees of 35%. Repayment of loans are due at the end of each interest period of up to six months. New loans can be drawn down on submission of utilisation requests. Security has been granted to the new banking syndicate of three banks comprising Lloyds, NatWest and Silicon Valley Bank over the UK companies and limited security over non-UK entities. Additionally, the group has access to an unutilised accordion facility up to £22.5m. The RCF requires interest and leverage covenants to be met under the terms of the Group's facility agreement, and these requirements have been met as at all covenant testing dates during the year.

On 5 May 2022 the term of the facility was extended for an additional year.

At 31 December two tranches were drawn down of £5m and \$6.5m with three and six month interest periods, due for repayment or rollover in February and May respectively. Management expects to repay £4.5m of the loan balance within one year and £5.7m in more than one year. The RCF facility is recognised net of arrangement fees of £0.3m.

22.3. Maturity of the Group's non-derivative financial liabilities (including interest payments where applicable) and contingent consideration

	Contingent consideration £000	Trade payables and accruals ¹ £000	Lease liability £000	RCF and bank loans £000	Total £000
2022					
Maturity:					
Due within one year	1,593	7,556	314	4,516	13,979
Due between 2-5 years	–	–	736	5,702	6,438
More than 5 years	–	–	219	–	219
Total	1,593	7,556	1,269	10,218	20,636
2021					
Maturity:					
Due within one year	5,489	6,183	280	5,739	17,691
Due between 2-5 years	1,731	–	814	–	2,545
Total	7,220	6,183	1,094	5,739	20,236

¹ Prior year accruals have been restated to remove balances which are not classified as financial liabilities under IFRS 9. However, the restatement is not material in respect of prior year.

The above amounts reflect the undiscounted contractual cash flows, which may differ from the carrying values of the liabilities at the reporting date. The maturity analysis above assumes that interest rates remain as they were at 31 December 2022 (or 31 December 2021). The contractual undiscounted cashflows of the Group's non-derivative financial liabilities are not significantly different to their carrying amounts.

22.4 Reconciliation of liabilities arising from financing activities

	Financing activities			
	RCF £000	Long term bank borrowings £000	Lease liability £000	Total £000
At 1 January 2022	5,739	–	1,094	6,833
Additions – business combination (note 18)	–	–	–	–
Additions	–	–	304	304
Disposals	–	–	(164)	(164)
Cash flows:				
– Draw down of RCF	8,317	–	–	8,317
– Repayments	(4,000)	–	(333)	(4,333)
	4,317	–	(333)	3,984
Non-cash:				
– Foreign exchange	162	–	53	215
	162	–	53	215
At 31 December 2022	10,218	–	954	11,172

	Financing activities			
	RCF £000	Long term bank borrowings £000	Lease liability £000	Total £000
At 1 January 2021	5,881	11,960	774	18,615
Additions – business combination	–	–	185	185
Additions	–	–	577	577
Cash flows:				
– Draw down of RCF	11,592	–	–	11,592
– Repayments	(11,734)	(11,788)	(407)	(23,929)
	(142)	(11,788)	(407)	(12,337)
Non-cash:				
– Foreign exchange	–	(172)	(35)	(207)
	–	(172)	(35)	(207)
At 31 December 2021	5,739	–	1,094	6,833

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22.5 Contingent consideration

	Global Diagnostics Ireland Limited £000	RadMD LLC £000	Total £000
As at 1 January 2021	3,531	–	3,531
Acquired on acquisition	–	2,924	2,924
Fair value adjustment	(71)	664	593
Foreign exchange	(230)	70	(160)
As at 31 December 2021	3,230	3,658	6,888
Fair value adjustment	91	122	213
Amounts paid	(1,843)	(4,051)	(5,894)
Foreign exchange	72	271	343
As at 31 December 2022	1,550	–	1,550
Amounts due in less than one year	1,550	–	1,550
Amounts due in more than one year	–	–	–

Global Diagnostics Ireland Limited

Contingent consideration reduced by £1,680k during the period mainly driven by payments of £1,673k and £170k on commencement of a new contract and extension of the NSS contract respectively. Transaction bonuses of £23k and legal costs of £18k were offset against these payments.

The balance increased by a £91k fair value movement in relation to the unwinding of the time value of money and £72k relating to foreign exchange revaluation from Euros to GBP. £42k of the foreign exchange arises on consolidation of the Global Diagnostics Ireland and been recognised in the foreign exchange reserve.

During the last quarter of 2022 the NSS retendered the contract held by MVI with the decision expected in quarter two of 2023. Due to the delay in the tender process the contract was extended for a further three months. No changes in the fair value estimate of contingent consideration were made following management's reviewed of the probability weighted expected future values under the various possible outcome of the future contract events.

The balance on 31 December 2022 of £1,550k is disclosed under current liabilities on the statement of financial position. £176k of this was paid in January 2023 and the remaining balance is payable in the first half of 2023.

During the prior year, the NSS extended a contract held by MVI by a further 12 months and confirmed the retender of the contract in 2022 triggering a review of the probability weighted expected future values under the various possible outcome of the future contract events. This resulted in a decrease of £147k in the fair value estimate of contingent consideration. This was offset by an increase of £76k due to the fair value movement in relation to the unwinding of the time value of money. Other movements related to a decrease in the liability relating to foreign exchange revaluation from Euros to GBP of £230k.

RadMD LLC

Contingent consideration reduced by £3,658k during the period mainly driven by a payment of £4,051k relating to the finalisation of the earnout based on adjusted 2021 EBITDA. £75k of completion adjustments were offset against this in the amount paid amount to the vendors. Contingent consideration increased for fair value movements of £122k and £271k due to foreign exchange revaluation from USD to GBP which has been recognised in the foreign exchange reserve.

Fair value movements consist of an increase of £145k due to a higher adjusted 2021 EBITDA than originally estimated resulting in a higher payment of contingent consideration. As the events occurred after the acquisition date a charge has been recognised in the income statement and not taken to goodwill. There was also a fair value decrease of £223k relating to the 2022 earnout for which the target 2022 EBITDA was not achieved and is not payable. The balance also increased by £200k due to the fair value movement in relation to the unwinding of the time value of money.

In the prior year there was an increase in the fair value estimate of contingent consideration of £664k. £217k of this was due to a higher expected adjusted 2021 EBITDA than originally estimated resulting in a higher-than-expected payment subject to agreement with the vendors. £185k related to a change in the SPA resulting in additional contingent consideration based on 2022 EBITDA. £262k of the movement related to the fair value movement for unwinding of the time value of money. As the events occurred after the acquisition date a charge was recognised in the income statement and not taken to goodwill. Other movements included an increase in the liability relating to foreign exchange revaluation from USD to GBP of £70k recognised in the foreign exchange reserve.

23 Deferred taxation assets and liabilities

Deferred tax included in the statement of financial position is as follows:

	2022 £000	2021 £000
Depreciation in excess of capital allowances	85	(37)
Deferred tax on share based payments	(299)	(145)
Deferred tax on intangible assets	1,446	2,264
Deferred tax on losses	–	(41)
Other short term timing differences	(257)	43
	975	2,084

Deferred tax balances are split between (assets) / liabilities as follows:

	2022 £000	2021 £000
Deferred tax asset	(556)	(223)
Deferred tax liabilities	1,531	2,307
	975	2,084

Reconciliation of movement in deferred tax

	Depreciation in excess of capital allowances £000	Share based payments £000	Intangible assets £000	Losses £000	Other short term timing differences £000	Total £000
As at 1 January 2021	58	(163)	2,350	–	2	2,247
Recognised in the income statement	(95)	18	(218)	(41)	41	(295)
Foreign exchange	–	–	132	–	–	132
As at 31 December 2021	(37)	(145)	2,264	(41)	43	2,084
Recognised in the income statement	123	(154)	(386)	41	(287)	(663)
Foreign exchange	(1)	–	(432)	–	(13)	(446)
As at 31 December 2022	85	(299)	1,446	–	(257)	975

Immediately before the acquisition, RadMD LLC was owned 100% by RadMD Holdings, Inc, and thus was treated as a disregarded entity. Since Medica US, Inc. acquired 100% of the membership interests of RadMD LLC, the transaction was treated as a deemed taxable asset acquisition for U.S. federal income tax purposes. As such, Medica US Inc. received a cost basis in the acquired assets of RadMD LLC equal to the consideration transferred, plus liabilities assumed.

24 Equity

Ordinary share capital issued and fully paid

	At 31 December 2022 £000	At 31 December 2021 £000
122,433,635 (2021: 122,428,836) ordinary shares of £0.002 each	245	245
Total ordinary share capital of the Company	245	245

Issue of share capital during the year

The below shares were issued on the exercise of SAYE options:

On 1 July 2022, 3,999 ordinary shares of 0.2p each were issued for cash at par value.

On 15 July 2022, 800 ordinary shares of 0.2p each were issued for cash at par value.

Rights attributable to issued shares

Any profits which the Company determines to distribute in any financial year shall be paid on the ordinary shares. Every holder of an ordinary share and ordinary share is entitled to one vote and has one vote for every share for which they are a holder.

On a return of capital on liquidation, capital reduction or otherwise, the surplus assets of the Company remaining after the payment of its liabilities shall be applied in distributing the balance of such assets amongst the holders of the ordinary shares.

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Voting rights

The holders of ordinary shares are entitled to receive notice of and attend and vote at any general meeting of the Company.

Share premium

£6k was recognised in share premium on the issue on ordinary shares for the exercise of SAYE options.

Retained profit

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

25 Undertakings included in the financial statements

The consolidated financial statements include:

	Class of share held	Country of incorporation	Proportion held	Nature of business
Medica Reporting Limited	Ordinary	England & Wales	100%	Teleradiology reporting
Medica IT Services Limited	Ordinary	England & Wales	100%	IT services
Global Diagnostics Ireland Limited	Ordinary	Ireland	100%	Teleradiology and managed services
Global Retinopathy Screening Limited	Ordinary	Ireland	100%	Diabetic retinopathy screening
Medica US, Inc.	Ordinary	United States of America	100%	Holding company
RadMD Inc	Ordinary	United States of America	100%	Imaging core labs
Medica Australia Pty Limited	Ordinary	Australia	100%	Teleradiology reporting
MED-IDX Pty Limited	Ordinary	Australia	50%	Teleradiology reporting

All UK subsidiaries have the same registered address as the Group being: 6th Floor One Priory Square, Priory Street, Hastings, TN34 1EA.

Medica Australia Pty Limited's registered address is: c/o KPMG, Level 38, Tower 3, 300 Barangaroo Avenue, Sydney NSW 2000, Australia.

Med-IDX trades as MedX and has a registered address at Level 9, 45 William Street, Melbourne VIC 3000, Australia.

The Irish subsidiaries' registered address is: Floor 1 Block 14, Rockfield Medical Campus, Balally, Dublin 16, Ireland.

The United States of America subsidiaries' registered address is: 251 Little Falls Drive, Wilmington, DE 19808.

On the 11 October 2021 Medica Reporting Services Limited and Medica Reporting Finance Limited entered liquidation which concluded during the current year.

Subsidiary audit exemption under parent guarantee:

For the year ended 31 December 2021, Medica Reporting Limited (Registered number 05026045) and Medica IT Services Limited (Registered number 13014281) are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006.

26 Financial instruments

Categories of financial instruments

	At 31 December 2022 £000	At 31 December 2021 £000
Financial assets measured at amortised cost		
Trade receivables	16,525	12,856
Cash and bank balances	11,004	9,616
	27,529	22,472
Financial liabilities measured at amortised cost		
Trade and other payables ¹	(7,566)	(6,183)
Lease liabilities	(1,269)	(1,094)
Borrowings	(10,218)	(5,739)
	(19,053)	(13,016)
Financial liabilities measured at fair value through profit and loss		
Contingent consideration	(1,550)	(6,888)

¹ Prior year accruals have been restated to remove balances which are not classified as financial liabilities under IFRS 9. However, the restatement is not material in respect of prior year.

A description of the Group's financial instrument risks, including risk management objectives and policies, is given in note 27.

26.1. Fair value measurement of financial instruments

The methods used to measure financial assets and liabilities reported at fair value are described below.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level of the fair value hierarchy which the measurement of the contingent consideration represents is a Level 3 valuation, as defined in IFRS 13: Fair Value Measurement, whereby inputs are not based on observable market data.

27 Financial instruments risk

27.1. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 26. The Group's financial instruments comprise cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The principal financial risks faced by the Group are liquidity, credit and interest rate risks. The Group has an exposure to transactional currency risk with its Irish, US and Australian subsidiaries as well as payment of some amounts in Euros and USD. It also has reporting currency risk with its Irish, US and Australian subsidiaries.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below.

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Group has no significant credit risk. The maximum exposure to credit risk is that shown within the balance sheet. All amounts are short term and management consider the amounts to be of good credit quality.

Liquidity/funding risk

The Group's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group. Operating subsidiaries are financed by retained profits. The Group manages liquidity risk by maintaining adequate reserves and agreed committed banking facilities. For a summary of non-derivative financial liabilities that have contractual maturities (including interest payment where applicable) please see note 22.3.

Notes to the financial statements **continued**

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Interest rate risk

The Group holds the majority of its cash and cash equivalents in corporate current accounts. The Group also utilises its Revolving Credit Facility (RCF). At 31 December 2022, £10.5m (2021: £6m) of the total facility was drawn. Interest under the RCF is charged at the relevant reference rate (RFR), which for amounts drawn down in GBP is SONIA, plus a variable margin depending on leverage. For 2022 the average margin was 2% (2021: 2%). As this is a variable rate depending both on the RFR and group leverage the total interest rate payable can and does vary. The maximum margin payable on the RCF would be 3%.

Foreign currency risk

The Group has cash, intercompany and contingent consideration balances held in non-functional currencies which exposes the Group to USD and EUR currency exchange rates. There is an immaterial exposure to transactional exchange differences as all subsidiaries trade in their local currencies with a small number of transactions in other currencies. The Group's exposure is reduced by a natural hedge through its subsidiaries which operate in the US and Europe. Management monitors foreign currency payment requirements and where needed, can draw down on the RCF in foreign currencies to mitigate the exposure. The Group does not currently have a requirement to hedge against currency risk but management continue to monitor the need to undertake such activity as the Group becomes more international.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into CU at the closing rate.

	USD \$000	EUR €000
31 December 2022		
Financial assets	17,885	927
Financial liabilities	(6,500)	(2,015)
Total Exposure	11,385	(1,088)
31 December 2021		
Financial assets	12,147	1,536
Financial liabilities	–	(5,171)
Total Exposure	12,147	(3,635)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that optimises the cost of capital.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes loans, other borrowings in notes 22; cash and cash equivalents as disclosed in the statement of financial position and note 20; and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The gearing ratios at the end of the reporting periods were as follows:

	2022 £000	2021 £000
Debt due within one year	4,516	5,739
Debt due in more than one year	5,702	–
Cash and bank balances	(11,004)	(9,616)
Net (cash)/debt	(786)	(3,877)
Total equity	61,087	54,903
Total capital	60,301	51,026
Net (cash)/debt to total capital	(1%)	(8%)

Debt is defined as long and short-term borrowings. Equity includes all capital and reserves of the Group that are managed as capital.

Sensitivity analysis

Interest rate

The £10.5m of RCF is at variable interest rate of SONIA and SOFR the GBP and USD tranches respectively, plus a variable margin which was 2% throughout the period. This Group therefore has a potential risk that the fair value of future cash flows may fluctuate because of changes in market interest rates.

At 31 December 2022, if the total interest payable on the all the facilities had been 1% higher with all other variables held constant, post-tax profit for the year and total equity would have been reduced by £55k (2021: £99k), arising as a result of higher interest expense on variable borrowings.

Foreign currency

The following illustrates the sensitivity of profit and equity in relating to the Group's financial assets and financial liabilities and the USD/CU exchange rate and EUR/CU exchange rate 'all other things being equal'. It assumes a +/- 10% change of the CU/USD exchange rate for the year ended on 31 December 2022 (2021: 10%). A +/- 5% change is considered for the CU/EUR exchange rate (2021: 5%). Both percentages have been determined based on the fluctuations in exchange rates in the year. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

A +/- 10% (2021: 10%) change of the CU/USD exchange rate would have an impact on profit and equity of +/- £941k (2021: £899k).

A +/- 5% change of the CU/EUR exchange rate would have an impact on profit and equity of +/- £48k (2021: +/- £153k)

28 Share-based payments

Under the Group's share-based incentive scheme the following expense was charged.

	2022 £000	2021 £000
Performance share plan	847	510
Performance share plan restricted stock units	650	–
Company share option plan	69	42
Save as you earn plan	91	94
Deferred bonus plan	41	36
	1,698	682
Employers NI on share-based payments	92	78
TOTAL	1,790	760

All share-based payment schemes are related to equity settled awards only. £92k (2021: 78k) was charged to the income statement in relation to employers NI on share option plans and included in accruals on the statement of financial position.

Summary of the number of options and movements in the year.

	PSP	PSP RSU	DBP	CSOP	SAYE	TOTAL
1 January 2022	5,032,875	–	42,321	372,867	393,597	5,841,660
Granted	1,137,092	1,021,988	318,097	–	42,504	2,519,681
Exercised	–	–	(7,872)	–	(4,799)	(12,671)
Forfeited	(100,844)	(42,003)	–	(107,508)	(54,757)	(305,112)
Lapsed	(1,041,016)	–	–	–	–	(1,041,016)
31 December 2022	5,028,107	979,985	352,546	265,359	376,545	7,002,542

	PSP	PSP RSU	DBP	CSOP	SAYE	TOTAL
1 January 2021	4,049,377	–	12,993	229,919	325,021	4,617,310
Granted	1,796,591	–	32,065	161,304	118,213	2,108,173
Exercised	(66,518)	–	(2,737)	–	(38,076)	(107,331)
Forfeited	(171,068)	–	–	(18,356)	(7,695)	(197,119)
Cancelled	–	–	–	–	(3,866)	(3,866)
Lapsed	(575,507)	–	–	–	–	(575,507)
31 December 2021	5,032,875	–	42,321	372,867	393,597	5,841,660

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Performance share plan

For scheme participants, the performance share plan is a nil-cost share award with an effective exercise price of £nil. Half the award is based on Earnings Per Share (EPS) targets and half is based on Total Shareholder Return (TSR) targets. The performance and vesting period are three years and there is an additional holding period one year for employees and of two years for key management and executives. Accordingly, the vesting period is deemed to be four and five years respectively. Further information is set out in the report of the remuneration committee on pages 42 to 63.

	Year end 2022	Year end 2021
1 January	5,032,875	4,049,377
Granted	1,137,092	1,796,591
Exercised	–	(66,518)
Forfeited	(100,844)	(171,068)
Lapsed	(1,041,016)	(575,507)
31 December	5,028,107	5,032,875

The remaining weighted average contractual life of options is 2.9 years (2021: 3.3 years).

No options were exercised during the year. (2021: Options exercised at a weighted average share price of £1.68).

Options forfeited during the year were due to the participants leaving before the vesting date of the options.

Options that lapsed in the year did not meet the performance conditions and related to the 2019 awards.

During the year a modification to Stuart Quin's 2019 PSP plan was made resulting in 50% of the award vesting and 50% lapsing. (See the remuneration committee on pages 42 to 63). The charge recognised for the modification in the year represents the original cost plus an incremental fair value at the modification date.

The Group engaged external consultants to calculate the fair value of the awards including the modification at the date of grant/modification. The valuation model used to calculate the fair value of the awards was a Monte-Carlo simulation model for market-based portion of the awards and the share price at grant for non-market based portion of the awards with the following inputs.

Normal awards

	PSP 2022	PSP 2021
Share price at date of grant	£1.34	£1.70
Exercise price	–	–
Expected volatility	41%	56%
Expected life	4.45 years	5 years
Risk free rate	3.16%	0.35%
Average fair value of award per share	£0.88	£1.15

Modification

	PSP 2022	PSP 2021
Share price at date of grant	£1.32	–
Share price at modification date	£1.51	–
Exercise price	–	–
Expected life from modification	2.3 years	–
Average incremental fair value of award per share	£1.51	–

Performance share plan – restricted stock units

For scheme participants, the restricted stock units plan is a nil-cost share award with an effective exercise price of £nil. There are no performance conditions other than service. The vesting period is three years.

	Year end 2022	Year end 2021
1 January	–	–
Granted	1,021,988	–
Forfeited	(42,003)	–
31 December	979,985	–

The remaining weighted average contractual life of options is 1.6 years.

333,472 of the total options granted had a one-year vesting term. 185,710 of these vested on 31 December 2022 and were exercisable with the remainder due the vest in 2023.

No options were exercised during the year.

Options forfeited during the year were due to the participants leaving before the vesting date of the options.

These schemes were valued using the share price at the grant date adjusted for the number of options expected to vest based on the estimated forfeiture rates.

The average fair value of the awards was valued at £1.57 using the weighted average of share price at grant date.

CSOP

All employees, including executive directors, are eligible to receive annual awards of an option to acquire shares in Medica for an amount that is not less than the market value of the Medica shares at the date of grant. Awards granted under the CSOP will normally have a vesting period of not less than three years. Awards may, but do not need to be, subject to performance conditions and targets. Further information is set out in the report of the remuneration committee on pages 42 to 63.

Details of scheme, issued at market value representing exercise price.

	Year end 2022	Year end 2021
1 January	372,867	229,919
Granted	–	161,304
Forfeited	(107,508)	(18,356)
31 December	265,359	372,867

The remaining weighted average contractual life of options is 0.7 years (2021: 1.6 years).

45,087 options relating to the CSOP 2019 scheme vested during the year and were exercised at the year end.

Options that were forfeited during the year due to participants leaving the business before the vesting date. No options were exercised or lapsed during the year.

The Group engaged external consultants to calculate the fair value of the awards at the date of grant. The valuation model used to calculate the fair value of the awards was a binomial model.

	CSOP 2022	CSOP 2021
Share price at date of grant	–	£1.62
Exercise price	–	–
Expected volatility	–	62%
Expected life	–	3 years
Risk free rate	–	0.33%
Expected dividend yield	–	1.5%
Average fair value of award per share	–	£0.85

DBP

The deferred bonus plan applies to executive directors and key management. Under the plan, 25%-40% of the annual bonus is deferred into awards in shares in Medica. Awards under plan are not subject to further performance conditions and vest after two years, broadly subject to continued employment. Further information is set out in the report of the remuneration committee on pages 42 to 63.

	Year end 2022	Year end 2021
1 January	42,321	12,993
Granted	318,097	32,065
Exercised	(7,872)	(2,737)
31 December	352,546	42,321

The remaining weighted average contractual life of options is 1.2 years (2021: 1.1 years).

Shares were exercised at a weighted average price of £1.57 (2021: £1.54). No shares were forfeited or lapsed during the year.

These schemes were valued using the share price at the grant date adjusted for the number of options expected to vest based on the estimated forfeiture rates.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

SAYE scheme

The SAYE scheme is an all-employee HMRC approved tax-advantaged share scheme. The scheme involves employees saving a set amount from their salary for a period of three years. At the end of the three years the employee is offered an opportunity to purchase the shares granted based on the amount saved at an option price set at a discount to the market price of a share at the grant date. The exercise price for awards granted in 2018 was £1.35, in 2019 was £1.35, in 2020 was £1.00, in 2021 was £1.46 and in 2022 was £1.42. Further information is set out in the report of the remuneration committee on pages 42 to 63.

	Year end 2022	Year end 2021
1 January	393,597	325,021
Granted	42,504	118,213
Exercised	(4,799)	(38,076)
Forfeited	(54,757)	(7,695)
Cancelled	–	(3,866)
31 December	376,545	393,597

The remaining weighted average contractual life of options is 0.9 years (2021: 1.7 years).

Options that were exercised during the year were exercised at a weighted average exercise price of £1.35p (2021: £1.35).

Options forfeited were due to participants leaving the Company and cancellations in the prior year were due to participants who stopped making the required contributions to the plans.

No options lapsed during the current or prior year.

The Group engaged external consultants to calculate the fair value of the awards at the date of grant. The valuation model used to calculate the fair value of the awards was a Black and Scholes valuation model.

	SAYE 2022	SAYE 2021
Share price at date of grant	£1.45	£1.62
Expected volatility	48.3%	62%
Expected life	3.5 years	3 years
Risk free rate	1.73%	0.37%
Average fair value of award per share	£0.54	£0.88

29 Transactions with directors and other related parties

Key management personnel (which the Group defines as the board of directors and senior managers) remuneration and dividends paid to directors are disclosed in notes 11 and 12.

On 23 March 2021 a total of 10,727,666 placing shares were placed by Investec Bank plc and Liberum Capital Limited at a price of 145 pence per placing share amounting to £15,555k of gross proceeds. In conjunction with the placing, all the directors of the Company, Junaid Bajwa (a non-executive director from 1 April 2021) and certain members of the senior management team agreed to subscribe for 383,444 new ordinary shares at the placing price which amounts to gross subscription proceeds for the Company of £556k in aggregate.

30 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.

31 Post balance sheet events

On 5th January 2023, the Company issued and allotted 200,000 shares of 0.2 pence each in the capital of the Company to the trustee of the Company's Employee Benefit Trust and these shares will be used to satisfy future awards and options vesting in the Medica Group PLC Performance Share Plan 2017. Following admission, the Company had 122,633,635 ordinary shares in issue.

On 27 January 2023, RadMD LLC, a Delaware limited liability company that is a subsidiary of the Company, acquired the assets of VoxelMetrics LLC, a North Carolina Limited Liability company engaged in the management of radiology readers for clinical trials. The acquisition expands the network of radiology readers across the US, further increasing reporting capacity to support our clients. The initial consideration paid for the assets of VoxelMetrics LLC was \$2.6m. At the date the financial statements were authorised for issue, all information in respect of the acquisition was not available and therefore disclosures required under IFRS 3 will be made in subsequent financial statements.

On 3 February 2023, the Company acquired the entire issued share capital of JCA Seminars Limited, an international radiologist training company based in the UK. This acquisition diversifies the offering to our customers whilst increasing the value of the service offered. The initial consideration paid was £1.4m. At the date the financial statements were authorised for issue, all information in respect of the acquisition was not available and therefore disclosures required under IFRS 3 will be made in subsequent financial statements.

32 Reconciliation of non-IFRS financial KPIs

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

	At 31 December 2022 £000	At 31 December 2021 £000
Reconciliation of underlying operating profit		
Operating profit before non-underlying costs	8,455	8,538
Adjustments for:		
Effects of amortisation of acquired intangibles	2,397	2,225
Effects of shared based payments	1,698	682
Social security costs on share based payment charge	92	78
Foreign exchange adjustment on contingent consideration	14	(173)
Acquisition costs incurred	5	173
Group restructuring costs	74	–
Depreciation adjustment to align to group accounting policies	173	–
New service development costs	132	–
Implementation of accounting software	254	–
One-off legal and professional fees	349	555
Underlying operating profit	13,643	12,078
Underlying operating profit margin	17.7%	19.5%
Reconciliation of underlying profit before tax		
Profit for the year	7,200	5,467
Adjustments for:		
Non-underlying profits or losses net of tax (see note 7)	3,508	3,926
Underlying profit after tax	10,708	9,393
Income tax charge on underlying expenses	2,196	2,079
Underlying profit before tax	12,904	11,472
Reconciliation of net debt		
Cash and equivalents	11,004	9,616
Borrowings due within one year	(4,516)	(5,739)
Borrowings due after one year	(5,702)	–
Net cash/(debt)	786	3,877

Company statement of financial position

COMPANY REGISTRATION 08497963

AS AT 31 DECEMBER 2022

	Note	31 December 2022 £000	31 December 2021 £000
Non-current assets			
Investments	35	54,831	52,482
Debtors due after more than one year	37	11,833	8,808
Deferred tax ¹		318	144
		66,982	61,434
Current assets			
Debtors	37	908	224
Cash and cash equivalents		4,566	1,709
		5,474	1,933
Total assets		72,456	63,367
Creditors: amounts falling due within one year			
Trade and other creditors	38	(14,800)	(13,098)
Borrowings	40	(4,516)	(5,739)
Contingent consideration	39	(775)	(1,783)
		(20,091)	(20,620)
Net current assets		(14,617)	(18,687)
Total assets less current liabilities		52,365	42,747
Non-current liabilities			
Borrowings	40	(5,702)	–
Contingent consideration		–	(670)
		(5,702)	(670)
Net assets		46,663	42,077
Capital and reserves			
Called up share capital	36	245	245
Share premium account	36	30,330	30,324
Profit and loss account		16,088	11,508
Total equity		46,663	42,077
Parent company profit and total comprehensive income for the year		6,192	9,963

¹ The prior year deferred tax balance has been reclassified from current assets to non-current assets in line with the correct presentation in the current year. However, the restatement is not material in respect of prior year.

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income and related notes as it prepares group financial statements. The Company's profit for the year is shown above.

The financial statements on pages 116 to 122 were approved and authorised for issue by the board of directors on 5 April 2023 and were signed on its behalf by:

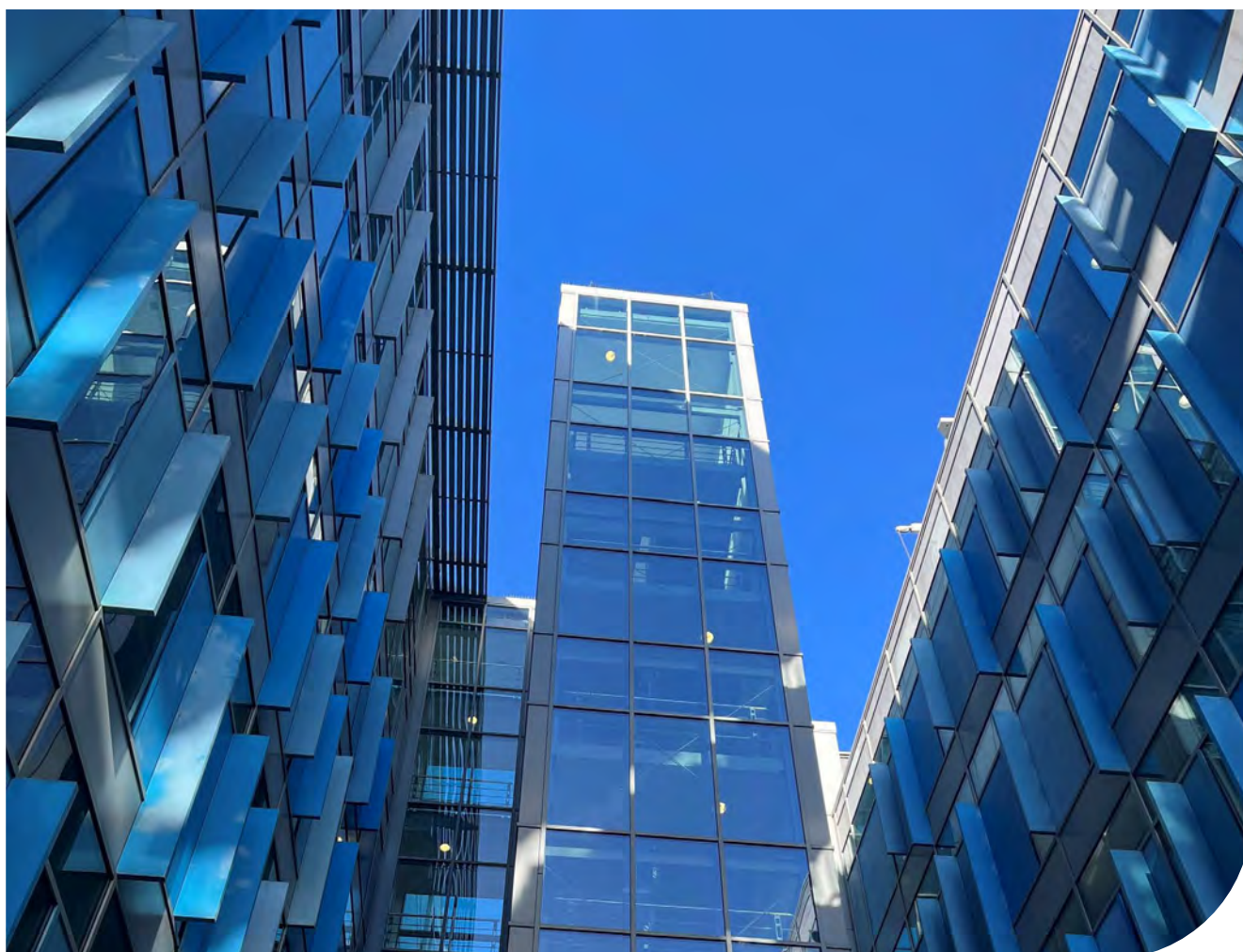
Stuart Quin
Director

Richard Jones
Director

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2021	223	14,721	4,063	19,007
Issue of share capital	22	15,603	–	15,625
Dividends paid to ordinary shareholders	–	–	(3,167)	(3,167)
Equity settled share based payments	–	–	682	682
Deferred tax on share based payments	–	–	(33)	(33)
Transactions with owner	22	15,603	(2,518)	13,107
Profit and total comprehensive income for the period	–	–	9,963	9,963
At 1 January 2022	245	30,324	11,508	42,077
Issue of share capital	–	6	–	6
Dividends paid to ordinary shareholders	–	–	(3,328)	(3,328)
Equity settled share based payments	–	–	1,698	1,698
Deferred tax on share based payments	–	–	18	18
Transactions with owner	–	6	(1,612)	(1,606)
Profit and total comprehensive income for the period	–	–	6,192	6,192
At 31 December 2022	245	30,330	16,088	46,663



Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

33 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in Sterling, which is the functional currency of the Company.

Exemptions

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these company financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the Group
- The effect of future accounting standards not adopted
- Disclosure of key management personnel compensation
- Disclosure in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- Share based payment disclosures required under IFRS 2

Going concern

The directors have prepared cashflow forecasts for a period of 21 months from the date of approval of these financial statements (the forecast period). These indicate that the Group and the Company will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period. These forecasts include an estimate of cashflow receipts from subsidiary companies to repay interest and borrowings, settle intercompany liabilities and via dividends declared in certain trading subsidiaries.

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

- Impact of reduced revenue from consideration of reduced radiologist availability
- Loss of certain material contracts
- Further material inflationary pressure on operating costs more than current expectations

Under these downside scenarios, individually and even in the implausible cumulative scenario, excluding any potential mitigating actions that could be taken, management conclude that the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 21 months from the date of approval of the financial statements and the board have therefore determined it is appropriate to adopt the going concern basis in preparing the financial statements.

Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at cost less impairment.

For the year ended 31 December 2021, Medica Reporting Finance Limited (Registered number: 08497950) and Medica Reporting Services Limited (Registered number: 08497952) are exempt from the requirements of the Companies Act 2006 relating to audit of individual accounts by virtue of section 479A of the Companies Act 2006.

Financial instruments

See Note 3.14 of the Group accounts.

Foreign currency translation

See Note 3.19 of the Group accounts.

Intercompany assets and liabilities denominated in a foreign currency are translated into the functional currency of the Company using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

Share capital and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits or losses. They also include charges related to share-based employee remuneration.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

Significant judgements and estimates

There are no significant or material key judgements made by management in applying the accounting policies of the Company. The following are estimates made by management in measuring the assets, liabilities, income, and expenses.

Fair value of contingent consideration on business combination

In relation to the acquisition of GDI in the year ended 31 December 2020, up to €1,600m (€800k by the Company) contingent consideration is payable in 2023 subject to the realisation of future events including the successful commencement and renewal of contracts. In accordance with IFRS 9 'Financial Liabilities' the fair value of contingent cash consideration was assessed based on applying a time value of money discount to the probability weighted expected future values under the various possible outcomes. If the renewal of the contract is unsuccessful the full amount of contingent consideration, £775k will be credited to the income statement. See note 22.5 for further details.

34 Directors and employees

The directors were the only employees of the Company during the year. The disclosures in respect of key management personnel have been provided in note 12 of the Group financial statements.

35 Investments in subsidiaries and joint ventures

Investments	Subsidiary undertakings £000	Joint ventures £000	Total £000
At 31 December 2020	18,870	–	18,870
Additions	33,668	–	33,668
Transfers	(56)	56	–
Share of results from joint ventures	–	(56)	(56)
At 31 December 2021	52,482	–	52,482
Additions	2,292	169	2,461
Share of results from joint ventures	–	(112)	(112)
At 31 December 2022	54,774	57	54,831

Additions in the prior year are made up of £3,208k in respect of the setup and subsequent acquisition of Medica US, Inc. and RadMD LLC, discussed further in note 18; £30,460k in respect of a group reorganisation, Medica Reporting Limited becoming directly owned by the Company; and Med-IDX Pty became a 50:50 joint venture with Integral Diagnostics Limited Pty and was transferred from investments in subsidiaries to an investment in joint ventures, applying the equity method of accounting. As the Company has no legal or constructive obligations to make payments on behalf of Med-IDX Pty no liability has been recognised.

Additions in subsidiaries in the current year relate to share-based payment charges pushed down to subsidiaries of £1,177k and payment of contingent consideration for the prior year acquisition of Medica US, Inc. and RadMD LLC, see note 22.5. £1,115k of the £4,051k contingent consideration paid by MGP on MUSI's behalf was capitalised in investments and the balance was recognised as an intercompany loan to MUSI.

Additions in joint ventures in the current year relate to £169k of additional investment in Med-IDX Pty.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

Subsidiary undertakings and joint ventures

	Class of share held	Country of incorporation	Proportion held	Nature of business
Medica Reporting Limited	Ordinary	England & Wales	100%	Teleradiology reporting
Medica IT Services Limited	Ordinary	England & Wales	100%	IT services
Global Diagnostics Ireland Limited	Ordinary	Ireland	100%	Teleradiology and managed services
Global Retinopathy Screening Limited	Ordinary	Ireland	100%	Diabetic retinopathy screening
Medica US, Inc.	Ordinary	United States of America	100%	Holding company
RadMD Inc	Ordinary	United States of America	100%	Imaging core labs
Medica Australia Pty Limited	Ordinary	Australia	100%	Teleradiology reporting
MED-IDX Pty Limited	Ordinary	Australia	50%	Teleradiology reporting

All UK subsidiaries have the same registered address as the Group being: 6th Floor One Priory Square, Priory Street, Hastings, TN34 1EA.

Medica Australia Pty Limited's registered address is: c/o KPMG, Level 38, Tower 3, 300 Barangaroo Avenue, Sydney NSW 2000, Australia.

Med-IDX trades as MedX and has a registered address at Level 9, 45 William Street, Melbourne VIC 3000, Australia.

The Irish subsidiaries' registered address is: Floor 1 Block 14, Rockfield Medical Campus, Balally, Dublin 16, Ireland.

The United States of America subsidiaries' registered address is: 251 Little Falls Drive, Wilmington, DE 19808

On the 11 October 2021 Medica Reporting Services Limited and Medica Reporting Finance Limited entered liquidation which concluded during the current year.

Subsidiary audit exemption under parent guarantee:

For the year ended 31 December 2022, Medica Reporting Limited (Registered number 05026045) and Medica IT Services Limited (Registered number 13014281) are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006.

36 Capital and reserves

Ordinary share capital issued and fully paid

	At 31 December 2022 £000	At 31 December 2021 £000
122,433,635 (2021: 122,428,836) ordinary shares of £0.002 each	245	245
Total ordinary share capital of the Company	245	245

Issue of share capital during the year

The below shares were issued on the exercise of SAYE options:

On 1 July 2022, 3,999 ordinary shares of 0.2p each were issued for cash at par value.

On 15 July 2022, 800 ordinary shares of 0.2p each were issued for cash at par value.

Rights attributable to issued shares

Any profits which the Company determines to distribute in any financial year shall be paid on the ordinary shares. Every holder of an ordinary share and ordinary share is entitled to one vote and has one vote for every share for which they are a holder.

On a return of capital on liquidation, capital reduction or otherwise, the surplus assets of the Company remaining after the payment of its liabilities shall be applied in distributing the balance of such assets amongst the holders of the ordinary shares.

Voting rights

The holders of ordinary shares are entitled to receive notice of and attend and vote at any general meeting of the Company.

Share premium

£6k was recognised in share premium on the issue on ordinary shares for the exercise of SAYE options.

Retained profit

Retained earnings include current and prior period retained profit and losses.

Share based payments

The Company has share based payment schemes in issue. The accounting policy and disclosures are contained within the Group accounts (Note 3.18 and Note 28). The share based payment charge which is determined based on share based payment schemes issued by the parent company, are recharged to the Company's subsidiaries through a capital contribution and an increase in the investment in the subsidiary.

37 Debtors

	At 31 December 2022 £000	At 31 December 2021 £000
Current		
Other debtors	41	8
Amounts due from subsidiary undertakings	506	19
Prepayments	151	77
Corporation tax recoverable	120	120
VAT reclaimable	90	–
	908	224
Non-current		
Amounts due from subsidiary undertakings	11,833	8,808
	11,833	8,808

The current amounts due from subsidiaries can be called for repayment on demand by the Company or repaid at any time at the option of the subsidiary.

The non-current debtor balance of £12.2m (\$14.9m) is repayable in July 2026, interest is charged at the cumulative compounded risk-free rate plus 3% per annum.

In the directors' view the entire outstanding balances could be settled by the relevant subsidiary within one year of the balance sheet date and as such the directors are satisfied that there are no allowances for expected credit losses required.

38 Trade and other creditors

	2022 £000	2021 £000
Trade creditors	193	49
VAT payable	49	51
Accruals	1,194	1,180
Amounts due to subsidiary undertakings	13,355	11,776
Other short-term creditors	9	42
	14,800	13,098

The creditor balance of £13.4m (2020: £11.8m) relates to amounts owed to subsidiaries. The balance can be called for repayment on demand.

Notes to the financial statements **continued**

FOR THE YEAR ENDED 31 DECEMBER 2022

39 Contingent consideration

	Global Diagnostics Ireland Limited £000
As at 1 January 2021	2,655
Fair value adjustment	(28)
Foreign exchange	(174)
As at 31 December 2021	2,453
Fair value adjustment	47
Amounts paid	(1,758)
Foreign exchange	33
As at 31 December 2022	775
Amounts due in less than one year	775
Amounts due in more than one year	–

Global Diagnostics Ireland Limited

Contingent consideration reduced by £1,678k during the period mainly driven by payments of £1,673k and £85k on commencement of a new contract and extension of the NSS contract respectively. Transaction bonuses of £23k and legal costs of £18k were offset against these payments.

The balance increased by a £47k fair value movement in relation to the unwinding of the time value of money and £33k relating to foreign exchange revaluation from Euros to GBP.

During the last quarter of 2022 the NSS retendered the contract held by MVI with the decision expected in quarter two of 2023. Due to the delay in the tender process the contract was extended for a further three months. No changes in the fair value estimate of contingent consideration were made following management's review of the probability weighted expected future values under the various possible outcome of the future contract events.

The balance on 31 December 2022 of £775k is disclosed under current liabilities on the statement of financial position. £88k of this was paid in January 2023 and the remaining balance is payable in the first half of 2023.

During the prior year, the NSS extended a contract held by MVI by a further 12 months and confirmed the retender of the contract in 2022 triggering a review of the probability weighted expected future values under the various possible outcome of the future contract events. This resulted in a decrease of £28k in the fair value estimate of contingent consideration. Other movements related to a decrease in the liability relating to foreign exchange revaluation from Euros to GBP of £174k.

40 Borrowings

Borrowings relate to the Group's bank and other loans which are set out in note 22.

41 Related parties

See note 29 in of the Group financial statements for related parties' information. The parent company has taken advantage of the exemption available under FRS 101 from the requirement to disclose related party transactions entered into between two or more members of the same group where all subsidiaries are wholly owned.

42 Post balance sheet events

See note 31 of the Group financial statements for post balance sheet events information.

Key advisors

The Board of Directors	G R Davis B Moorhouse J M Easton Dr J Bajwa Dr S J Quin R Jones
Company Secretary	R Jones
Registered Office	Medica Group PLC 6th Floor One Priory Square Priory Street Hastings East Sussex TN34 1EA
Independent Auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditors 30 Finsbury Square London EC2A 1AG
Legal Advisors	DLA Piper Victoria Square House Victoria Square Birmingham B2 4DL
Joint Brokers	Numis Securities Ltd 45 Gresham Street London EC2V 7BF Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London EC2Y 9LY
Registrar	Link Group 6th Floor, 65 Gresham Street London EC2V 7NQ
Registered Company number	08497963
medicagroupplc.com	6th floor One Priory Square Hastings East Sussex TN34 1EA
Contact	t: 033 33 111 222 enquiries@medica.co.uk

Glossary of terms

AI

When referring to Medica Reporting Ltd, AI is augmented intelligence.

Artificial Intelligence is the creation of machines to work and react like humans, Augmented Intelligence is using those same machines to complement/enhance the human worker.

CAGR

“Compound Annual Growth Rate” is the rate of return that would be required for an investment to grow from its beginning balance to its ending one.

CDP

“Climate Disclosure Project” is an international non-profit organisation that runs the global disclosure system for investors, companies, cities and regions to manage their environmental impacts.

CG&QC

“Clinical Governance and Quality Committee”

CHKS

CHKS is the leading provider of healthcare intelligence and quality improvement services, that provide the healthcare accreditation for Medica (Ireland).

CPD

“Continuing Professional Development”

CQC

“Care Quality Commission”, the independent regulator of all health and social care services in England.

CSOP

“Company Share Option Plan”, a tax-advantaged discretionary share option plan under which a company may grant options to any employee or full-time director.

CT

A “Computerised Tomography” scan combines a series of X-ray images taken from different angles and uses computer processing to create cross-sectional images (slices) of bones, blood vessels and soft tissues of the body.

CTMS

“Clinical Trial Management System” is the software system used to manage clinical trials in clinical research. The system maintains and manages planning, performing and reporting functions.

DART

“Days Away, Restricted or Transferred”

DBP

“Deferred Bonus Plan”

DEXA/DXA

“Dual Energy X-Ray Absorptiometry”, also known as a bone density scan, uses low dose X-rays to see how dense the patient’s bones are.

DR screening

Diabetic retinopathy is a complication of diabetes, whereby high blood sugar levels damage the back of the eye (retina). There are four stages of DR and if not treated, progresses to blindness. The

DR screening programme monitors a patient with diabetes, as catching the condition early can reduce the likelihood of blindness by 96%.

EBT

“Employee Benefit Trust” is a trust under which property (shares in the case of Medica Group PLC) is held on behalf of the employee.

EPS

“Earnings Per Share”

ESG

“Environment, Social and Governance”

FRS

“Financial Reporting Standard”

GDI

“Global Diagnostics Ireland” is the previous trading name and current registered name for Medica (Ireland).

GHG

“Greenhouse Gas”

GMC

“General Medical Council” is the public body that maintains the official register of medical professionals within the United Kingdom.

GPM

“Gross Profit Margin”

HSE

The Health Service Executive, when referring to Medica (Ireland), is the publicly funded healthcare system in the Republic of Ireland.

“Health and Safety Executive” when referring to Medica Group PLC.

IMC

“Irish Medical Council” is the public body that maintains the official register of medical professionals within Ireland.

ISO

“International Organisation for Standardisation”

JV

“Joint Venture” when referring to the joint venture between Medica Group PLC and Integral Diagnostics “MedX”

LTIP

“Long-Term Incentive Plan”

MDT

“Multi-Disciplinary Team” is the cooperation between different specialised healthcare professionals to meet the needs of individuals with complex care needs.

MRI

“Magnetic Resonance Imaging” uses magnetic fields and radio waves to create detailed images of the organs and tissues of a patient.

NIMIS

“National Integrated Medical Imaging System” when referring to Medica (Ireland) is the computer-based system for storing and examining radiological scans.

PACS

“Picture Archiving and Communication System” is a high-speed system that allows the secure transmission of radiological images and reports between clients and reporters.

PET-CT

“Positron Emission Tomography” – “Computerised Tomography” scans use a small amount of an injectable radioactive tracer to detect diseased cells and is often used in the early detection of cancer, heart disease and brain disorders.

PF

“Plain Film” an X-ray taken without the use of a contrast medium. See also “X-ray”

PPE

“Personal Protective Equipment”

PSP

“Performance Share Plan”

QSI

“The Quality Standard for Imaging” sets out the best practice in imaging services.

Radiographer

A healthcare professional that is highly trained to use medical imaging equipment.

Radiologist

A radiologist is a consultant/doctor that specialises in reporting diagnostic/radiological examinations.

RCF

“Revolving Credit Facility” is a form of credit issued by a financial institution that provides the borrower with the ability to drawn down or withdraw, repay and withdraw again.

Reporters

When referring to Medica Group PLC, radiologists and reporting radiographers are referred to collectively as ‘reporters’.

Reporting Radiographer

A radiographer trained to report on imaging, most commonly for plain film (X-ray).

ROCE

“Return on Capital Employed” is the financial ratio that measures a company’s profitability and the efficiency in which its capital is employed.

RSU

“Restricted Stock Unit” refers to a form of compensation issued by an employer to an employee in the form of company shares.

SASB

“Sustainability Accounting Standards Board”

SAYE

“Save as you earn” is the employee savings-related share scheme, allowing employees to buy shares with their savings (deducted from their salary) for a fixed price.

SECR

“Streamlined Energy and Carbon Reporting”

SLA

“Service Level Agreement” when referring to Medica Group PLC and all subsidiaries, is the performance agreement between the client and Medica Group PLC.

SMT

“Senior Management Team”

TCFD

“Task Force on Climate-Related Financial Disclosures”

TRIT

“Total Recordable Incident Rate”

TSR

“Total Shareholder Return”

VDI

“Virtual Desktop Infrastructure” is used to run applications/processes in a data centre and display, rather than process, the output on remote monitors.

WEEE

“Waste from Electrical and Electronic Equipment”



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