ERGOMED

TRANSFORMING DRUG DEVELOPMENT

Ergomed plc
Annual Report and Accounts 2016

FOUNDED IN 1997, ERGOMED PLC IS A UK COMPANY, DEDICATED TO THE PROVISION OF SPECIALISED SERVICES TO THE PHARMACEUTICAL INDUSTRY AND THE DEVELOPMENT OF NEW DRUGS. ERGOMED CURRENTLY OPERATES IN 56 COUNTRIES.

Ergomed provides clinical development, trial management and pharmacovigilance services to over 100 clients ranging from top 10 pharmaceutical and generics companies to small and mid-sized drug development companies. Ergomed successfully manages clinical development from Phase I through to late phase post-marketing programmes.

Ergomed has wide therapeutic expertise with a particular focus in oncology, neurology and immunology and the development of orphan drugs. Ergomed's approach to clinical trials is differentiated from that of other providers by its innovative Study Site Management model and the use of Study Physician Teams. This results in a closer relationship between Ergomed and the physicians involved in clinical trials.

As well as providing high quality clinical development services, Ergomed is building a portfolio of co-development partnerships with pharmaceutical and biotech companies which share the risks and rewards of drug development. Ergomed leverages its expertise and services in return for carried interest in the drugs under development. Recently, Ergomed acquired a pipeline of proprietary development products for the treatment of surgical bleeding. For further information, visit: www.ergomedplc.com.

A year in review

2016

Financial highlights

Revenue

+30%

£39.2m

(2015: £30.2m)

Gross profit

+43%

£12.0m

(2015: £8.4m)

- Research and development £1.0 million (2015: £nil)
- Cash and cash equivalents of £4.4 million with zero debt (2015: £4.0 million)
- EBITDA (adjusted)[1] £3.0 million (2015: £3.4 million). EBITDA £1.6 million (2015: £2.8 million), reducing principally due to inclusion of Haemostatix R&D following its acquisition in May 2016
- New services business won with an initial value of £42 million (2015: £28 million)
- Backlog of signed contracts at 1 January 2017 £70 million (1 January 2016: £59 million)

Corporate milestones

- An institutional placing raising gross proceeds of £9.2 million (May 2016)
- Acquisition of Haemostatix, a company focused on developing innovative products for surgical bleeding based in Nottingham, UK (May 2016)
- Acquisition of O+P and GASD, respectively CRO and biostatistics companies, both based in Germany (June 2016)
- Acquisition of PharmInvent, a leading pharmacovigilance and regulatory services business based in Czech Republic (November 2016)
- An agreement with Asarina AB for the co-development of sepranolone for the treatment of PMDD (November 2016)

Post period end highlights

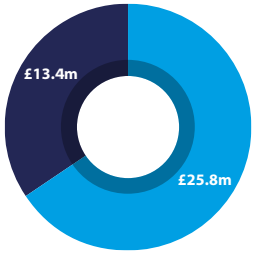
- Announcement of positive Phase II results of lorediplon for insomnia, under our co-development partnership with Ferrer (February 2017)
- Enrolment of first patient in Phase IIb study of PeproStat™, our wholly-owned product and first to come from the Haemostatix pipeline (April 2017)

Note:

1. Adjustments are made to EBITDA for share-based payment charge, deferred consideration for acquisition, write-back of deferred consideration for acquisition, acquisition costs and exceptional items.

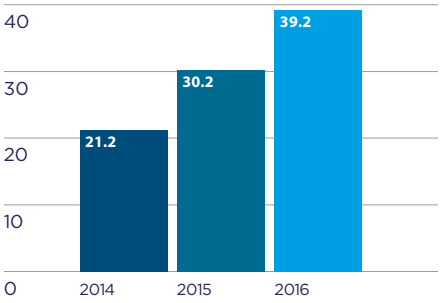
2016 Revenue

£39.2m

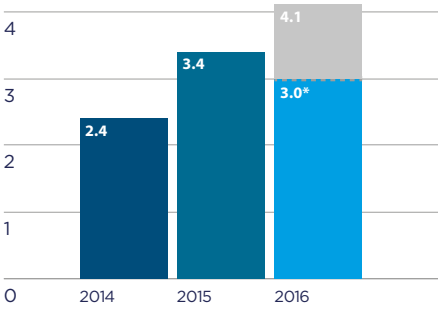


- Clinical research services: £25.8 million, growth of 18% on PY
- Drug safety and medical information: £13.4 million, growth of 63% on PY

Revenue (£m)



Services EBITDA (adjusted) (£m)



* Post-R&D EBITDA 2016

Research and development

Ergomed at a glance

OUR SERVICES

Clinical research services

Ergomed provides clinical development services to over 60 clients ranging from top 10 pharmaceutical companies to small and mid-sized drug development companies. Ergomed successfully manages clinical development from Phase I through to late phase post-marketing programmes. O+P and GASD were acquired in June 2016.

£25.8m

+18%

Clinical research services revenue

Drug safety and medical information

Established in 2008 and acquired by Ergomed in July 2014, PrimeVigilance is a pharmacovigilance ('PV') and Medical Information services company with an established international footprint and a heritage of excellence and leadership in the field of pharmacovigilance. PharmInvent was acquired in November 2016.

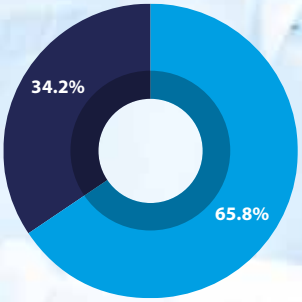
£13.4m

+63%

Drug safety and medical information revenue

2016 Revenue split

£39.2m



- Clinical research services: £25.8 million, growth of 18% on PY
- Drug safety and medical information: £13.4 million, growth of 63% on PY

£39.2m

+30%

revenue

Ergomed has 20 years' experience working across the world in many therapeutic areas, with a particular expertise in oncology, neurology and immunology and the development of orphan drugs. Solutions are tailored to meet the requirements of individual clients and specific projects with an uncompromising commitment to quality standards.

Ergomed believes its approach to clinical trials is differentiated from other providers by its innovative Study Site Management model and the use of Study Physician Teams resulting in a closer relationship between Ergomed and the physicians involved in clinical trials.

As well as providing high quality clinical development services, Ergomed is building a portfolio of co-development partnerships with pharma and biotech companies which share the risks and rewards of drug development. Ergomed leverages its expertise and services in return for carried interest in the drugs under development.

O+P and GASD, a full-service CRO and biostatistics specialist respectively, were acquired in June 2016. These companies expanded Ergomed's reach in the German speaking markets and brought specialist expertise into the Group.

300+
studies

50,000+
patients studied

56
countries where we conduct clinical trials

The pharmacovigilance services offered by PrimeVigilance cover all the regulatory and scientific elements of PV required to obtain and maintain a product licence within Europe:

- EU Qualified Person
- Risk Management Planning ('RMP'),
- Compliant PV System with consistent Adverse Event data capture
- Validated ARISg safety database
- Robust Quality Management
- Expedited reporting, preparation of PSURs, literature screening, signal detection and evaluation, benefit-risk assessment
- Compliance auditing, support during crisis and various ad hoc assignments
- Integrated international Medical Information service using AGInquirer database

PrimeVigilance operates from bases in Guildford, UK, Zagreb, Croatia, Belgrade, Serbia and this year has opened a fourth location in Boston, USA. PrimeVigilance is currently providing services across more than 100 countries to a range of international pharma, generic and biotech clients.

PharmInvent, a leading pharmacovigilance and regulatory services business, was acquired in November 2016. Combining PharmInvent's proven expertise with PrimeVigilance creates one of the largest international specialist service providers in the highly regulated drug safety sector. The enlarged business will have a broad international client list offering significant opportunities to cross sell, as well as an expanded range of services to attract new customers.

300+
employees

100+
customers

100+
countries covered

See our strategy on pages 12 to 15

Ergomed at a glance

OUR PRODUCTS
CO-DEVELOPMENT

FIVE
partners

SIX
products

Ergomed has created a risk-sharing model whereby we offer to contribute to the cost of clinical trials through significantly reduced fees in return for a carried interest in any future revenues of the product, including out-licensing milestones and sales.

Ergomed leverages its experience and expertise in drug development to evaluate new opportunities. The Company has an active portfolio of six co-development programmes with five co-development partners:

Our diversified product pipeline

Compound	Partner	Next milestone	Pre-clinical / Phase I / Phase II / Phase III
Partnership			
AEZS 108	Aeterna Zentaris	1H 2017	Endometrial cancer
Multikine	CEL-SCI	2018	Head & neck cancer
Lorediplon	Ferrer	1H 2017	Insomnia
Sevuparin	Modus Therapeutics	1H 2018	Sickle-Cell Disease
Sepranolone	Asarina Pharma	TBC	Premenstrual Dysphoric Disorder
Multikine	CEL-SCI	TBC	Perianal warts

Status of Ergomed's current partnerships

Grupo Ferrer Internacional, SA:
Ergomed has partnered with Ferrer on lorediplon, a novel, longer acting non-BZD hypnotic drug that modulates the GABAa receptor. We were very pleased to announce that the primary and many of the secondary endpoints for phase II study were met, indicating that lorediplon was both safe and effective in insomnia patients. Ferrer is currently exploring the full data set and will initiate partnering activities. Whilst the product already has an Asian commercial partner, Ferrer will look to bring on board a commercial partner for US marketing and to support the ongoing clinical development. If Ferrer receive a payment at completion of this licensing deal, Ergomed will receive a share, along with a share of all future revenues received by Ferrer for the commercialisation of the product.

Aeterna Zentaris Inc.
(NASDAQ: AEZS; TSX: AEZ):
Ergomed is working with Aeterna Zentaris on the Phase III pivotal study comparing zoptaerlin doxorubicin ('Zoptrex™') as second line therapy for locally-advanced, recurrent or metastatic endometrial cancer. In January 2017 Aeterna Zentaris announced completion of the study, with the required number of patient outcomes. We are currently in the process of collecting the final data points and the results of the study are expected to be announced in April 2017. If successful, the next step for this product would be registration. Aeterna Zentaris has entered into five marketing partnerships with Zoptrex for various territories in Asia, Israel, Australia and New Zealand. Ergomed has received a percentage of the upfront payments and will receive its share of further receipts accordingly to our revenue share agreement.

CEL-SCI Corporation
(NYSE: CVM):
Ergomed is working with CEL-SCI on the largest ever Phase III study in head and neck cancer with their lead product Multikine®. Having reached the recruitment target but observed a lower overall death rate, CEL-SCI decided to submit a protocol amendment to include additional patients into the study. During the review of the amendment, the FDA put the study on a partial clinical hold requesting additional information. CEL-SCI is in continuing dialogue with the FDA to try to resolve the questions posed and supply the FDA with supplemental information. Following a Type A meeting, on 8 February 2017, CEL-SCI announced that they were continuing with efforts to have the clinical hold released.

CEL-SCI Corporation
(NYSE: CVM):
Ergomed is also working with CEL-SCI on a Phase I study of Multikine® in peri-anal warts. With the ongoing discussions with the FDA regarding the head and neck cancer trial, CEL-SCI has temporarily suspended patient recruitment in the peri-anal warts study. All other activities, including pre-screening activities to identify potential subjects, are ongoing.

Modus Therapeutics AB
(formerly Dilaforette AB):
Ergomed is working with Modus Therapeutics on the Phase II study of sevuparin in patients with Sickle-Cell Disease ('SCD') experiencing acute Vaso-Occlusive Crisis ('VOC'). The first interim analysis was completed in November 2016 demonstrating a good safety profile and the study enrolment was extended to adolescents. With this permission, Modus Therapeutics decided to adjust the statistical assumptions and include 150 patients (up from 77) to give the study the strongest chance to reach a significant readout. It is planned that this recruitment target will be reached by first quarter 2018 with study results released thereafter. Modus Therapeutics is part of the Karolinska Development AB (STO: KDEV, 'Karolinska Development') portfolio.

Asarina AB:
In November 2016, Ergomed announced that it is working with Asarina on the Phase IIb study of sepranolone in Premenstrual Dysphoric Disorder ('PMDD'), an extremely severe form of pre-menstrual syndrome where women are, on a regular basis, unable to work or live a normal life for several days each menstrual cycle. Sepranolone, is a proprietary, first-in-class, endogenous, small molecule, that acts as a GABA-A modulating steroid antagonist ('GAMSA') and is the first product developed exclusively for PMDD. The effect of sepranolone has been demonstrated in animal models of the disorder as well as in a validated human pharmaco-dynamic model used to evaluate target engagement of drugs that influence GABA mechanisms in the brain. We are currently preparing the study protocol and expect the first patients to be recruited in the second half of 2017 with the study completing in 2018. The study is expected to enrol 235 patients in 14 sites across five countries. Asarina is also part of the Karolinska Development portfolio.

See our strategy on pages 12 to 15

Ergomed at a glance

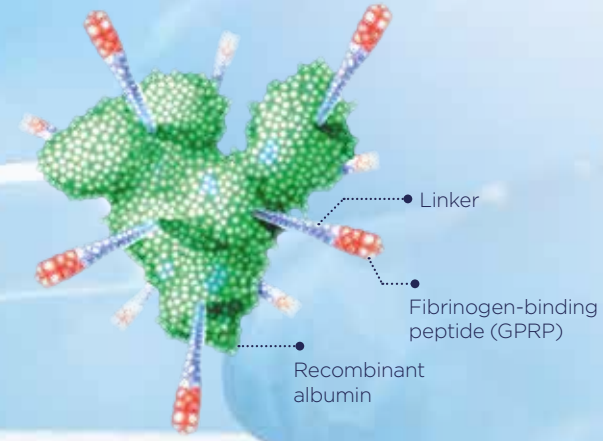
OUR PRODUCTS

HAEMOSTATIX

$2.5bn
haemostat market

Ergomed acquired Nottingham based Haemostatix in May 2016 to access its proprietary technology and pipeline of two lead products, PeproStat™ and ReadyFlow™, for the surgical bleeding market. The Haemostatix acquisition represents a logical extension of its well established commitment to co-development, with the potential to generate significant shareholder value.

Patented fibrinogen-binding peptide technology



Winner of the 2015 Emerging Technology competition

ROYAL SOCIETY OF CHEMISTRY

$500m
combined PeproStat™ and ReadyFlow™ peak sales potential

20
patients tested PeproStat™ in a Phase I clinical trial

1Q 2018
PeproStat™ is expected to report Phase IIb proof-of-concept trial

Surgical bleeding and its markets

The surgical bleeding market is estimated to be worth approximately $2.5 billion and is growing at six per cent. per annum (Source: MedMarket Diligence). It is comprised of a variety of drugs and devices ('haemostats'), some of which work simply by closing the wound to stop blood flow, thereby giving time for the body's own clotting system to work. Other products supplement the body's naturally occurring proteins and enzymes to promote clot formation. To address this broad market, Haemostatix has developed a platform technology which can generate different products to address the various segments, thereby accessing a significant portion of the total 'haemostat' market.

The current blood clotting products on the market have a number of drawbacks:

- **Require preparation or reconstitution:** they are typically either frozen or in powder form and therefore require preparation prior to use, which, in an acute situation, is an obvious disadvantage. Moreover, prior preparation can lead to wastage as bleeding is often unpredictable.
- **Slow speed of action:** some are relatively ineffective or can take a long time to work.
- **Derived from blood:** they are primarily derived from human donor blood or from animal sources, which have the theoretical risk of infection and a complex supply chain.

The Directors believe that the products under development by Haemostatix overcome these disadvantages. In addition, Haemostatix's products are planned to have a low cost of production, potentially allowing a pricing advantage over some existing products. The Directors estimate the combined market potential for its two lead products to be $0.5 billion.

The Haemostatix pipeline

PeproStat™
The Directors believe that the lead product, PeproStat™, a liquid haemostat, overcomes the major drawbacks of existing products; namely that the active pharmaceutical ingredient ('API') is manufactured from blood-free components, is formulated as a ready-to-use solution (applied with commercially available sponges) and acts rapidly.

PeproStat™ has been evaluated in a Phase I clinical trial in 20 patients and showed that during surgery, 95% of bleeding was stopped within three minutes, and on average in 1.4 minutes. This compares with the thrombins that are on the market and claim to stop bleeding in between three to six minutes.

A Phase IIb study will repeat the Phase I trial described above in a larger population and in four different surgical indications. The Phase IIb trial, which will begin in early 2017, will be conducted in about 120 patients and is expected to report results in 1Q 2018.

ReadyFlow™
Haemostatix's second product candidate, ReadyFlow™, is a ready-to-use, transparent, haemostatic gel that can be applied to bleeding sites where the surface is not accessible or uneven. ReadyFlow™ gel is pre-mixed with the potent peptide-based active and packaged in a pre-filled syringe. Unlike competing products, ReadyFlow™ is transparent and manufactured from blood-free and animal-free components. ReadyFlow™ is expected to enter Phase I clinical trials in 2018.

Chairman's statement

EXECUTING ON STRATEGY

Rolf Stahel
Chairman

Our results and numerous corporate milestones achieved in 2016 demonstrate Ergomed has built on the momentum gained in 2015. The Company is executing on the strategy laid out at IPO. The Board continues to look for opportunities to create significant shareholder value, be it acquisitions of complementary services businesses or expansion of our co-development portfolio. Ergomed is fortunate to have multiple avenues for driving growth and shareholder value.

2016 Milestones

January	– Stephen Stamp joins Board as Chief Financial Officer
May	– Acquisition of Haemostatix Limited – Institutional Placing raises £9.2 million (gross)
June	– Acquisition of O+P and GASD, two services companies based in Germany
September	– Co-development partner Aeterna Zentaris announces two licensing deals for Zoptrex™ – Ergomed completes recruitment of lorediplon trial
October	– Co-development partner Aeterna Zentaris announces fourth licensing deal for Zoptrex™
November	– Co-development agreement with Asarina for sepranolone in PMDD announced – Acquisition of PharmInvent, a leading pharmacovigilance company based in Czech Republic

Having served my term, I shall be stepping down as Chairman and retiring from the Board on 31 March 2017. I would like to thank my colleagues on the Board, Ergomed's employees and our advisers for their support over the last three years. I know Ergomed is in good hands under the chairmanship of my successor, Peter George and I wish him and Ergomed all the best.

"The Company is executing on the strategy laid out at IPO."

2016 Operational highlights: Solid progress

Acquired Haemostatix, raised £9.2 million in institutional placing


ERGOMED
Ergomed plc
Proposed acquisition of Haemostatix Limited
Conditional placing of 8,433,380 Initial Placing Shares at 148 pence each
Conditional placing of up to 2,875,899 Option Shares at 148 pence each
and
Notice of General Meeting

Acquired O+P and GASD


ERGOMED
Ergomed adds key capabilities through two German acquisitions

Opened US PrimeVigilance office in Boston, MA


ERGOMED

Co-development partner Aeterna Zentaris announces two licensing deals


ERGOMED
PRESS RELEASE

Ergomed completes recruitment of Phase IIa trial of lorediplon


ERGOMED
PRESS RELEASE

Contract win validates strategic rationale for German acquisitions


ERGOMED

Ergomed announces Co-Development agreement with Asarina AB


ERGOMED
PRESS RELEASE
Ergomed Announces Co-Development Agreement with Asarina AB

Ergomed and Modus Therapeutics expand Sickle Cell Disease phase 2 clinical study


ERGOMED
PRESS RELEASE

Ergomed strengthens PrimeVigilance through acquisition of PharmInvent


ERGOMED
PRESS RELEASE

Chief Executive Officer's review

DELIVERING ON MULTIPLE FRONTS

Dr Miroslav Reljanović
Chief Executive Officer

I am delighted to report on a transformational year for Ergomed. The Company exceeded its targets in terms of revenue and adjusted EBITDA, raised £9.2 million in an institutional placing, completed four acquisitions, of which O+P and GASD were acquired at the same time, and added another partnership to the co-development portfolio.

Services – another year of good growth
New business won in 2016 of £42 million, up 50% on 2015, drove overall Services revenue growth of 30%. Services growth was powered by PrimeVigilance revenues which grew at 63%, complemented by 18% growth from clinical research services. Excluding acquisitions, overall revenue growth was 27%.

In June 2016, we announced the acquisitions of O+P and GASD based in Cologne and Neuss, Germany respectively. O+P is a full service contract research organisation that has also developed a proprietary FDA compliant Electronic Data Capture ('EDC') system called OPVERDI, which can be configured for individual trials on a multilingual basis. GASD offers data management, statistical analysis, biometric reporting and statistical consulting services for the pharmaceutical industry. In addition to a scalable EDC system and world-class biostatistics expertise, the acquisitions of O+P and GASD have brought greater access to the German speaking markets and have already resulted in several contract wins.

In November 2016, we announced the acquisition of PharmInvent based in Prague, Czech Republic. PharmInvent is led by an experienced, ex-regulatory agency team that offers drug safety and regulatory consultancy expertise. They also have an extensive network of international pharmacovigilance experts that provide advice and support on local product safety and offer integrated global support for pharma and generic

"... a transformational year for Ergomed..."

£9.2m
funds raised

FOUR
acquisitions

£42m
new business won

£70m
order backlog

companies' products. Combining PharmInvent's proven expertise with PrimeVigilance creates one of the largest international specialist service providers in the highly regulated drug safety sector. The enlarged business has a broad international client list offering significant opportunities to cross sell, as well as an expanded range of services to attract new customers.

Global demand for quality outsourced drug development and drug safety services remains strong and Ergomed continues to benefit from this trend. Ergomed ended 2016 with a total backlog of contracted work with a value to be invoiced in future years of approximately £70 million (2015: £59 million).

Products – Haemostatix and one more co-development partnership added
Ergomed is also in the distinct position of offering co-development partnerships and is committed to building its portfolio of co-development assets and delivering clinical data, thereby creating significant potential shareholder value in the next few years.

As part of our co-development business development activities, we identified what we believe to be a particularly promising opportunity in Haemostatix. With solid pre-clinical and clinical evidence and a low cost yet fast development programme, we believe Haemostatix offers a rare opportunity to capture the full value of the product potential with reasonable risk. We acquired Haemostatix in May 2016, at the same time raising £9.2 million via an institutional placing. Since then, we have been preparing PeproStat™, a liquid haemostat for a Phase IIb study and announced the start of the trial in March 2017. We expect to complete recruitment around the end of the year with topline results available in the first quarter of 2018. At the same time, ReadyFlow™, a flowable gel haemostat, is in formulation development and is expected to be Phase I ready by the first quarter of 2018. With combined annual peak sales potential of up to $500 million, the Board believes the Haemostatix products have the capability to deliver very significant value to Ergomed shareholders not otherwise achievable in traditional co-development deals.

In November 2016 we signed a co-development agreement with Asarina AB for the Phase IIb clinical development of sepranolone as a targeted treatment for premenstrual dysphoric disorder ('PMDD'). The co-development deal with Asarina is Ergomed's second with a Karolinska Development spin-out company and brings the portfolio of co-development programmes to six in total.

Outlook
The current backlog of services contracts means Ergomed is well positioned to deliver its revenue targets for 2017, although the market for clinical research out-sourcing remains highly competitive. Ergomed continues to seek focused acquisition opportunities to expand the services business. This expansion of our profitable service businesses remains the core component of Ergomed's strategy and the Board is prioritising this initiative.

We are on track to progress the Haemostatix pipeline in 2017 with the start of the Phase IIb clinical trial of PeproStat™ and the pre-clinical development of ReadyFlow™. Our co-development business continues to gain traction as we seek more partnership opportunities to extend our diverse pipeline of development projects. Ergomed also anticipates further clinical updates from its existing partnership with the next inflexion point being pivotal Phase III data on Zoptrex™ from our co-development partner Aeterna Zentaris in April 2017.

Based on our £70 million backlog and the opportunities in front of us I think 2017 will be another exciting year for Ergomed.

Newsflow

2017

- Ferrer: Phase II insomnia results
- Haemostatix: PeproStat™ Phase IIb start
- Aeterna Zentaris: Zoptrex™ Phase III results
- Asarina: sepranalone Phase IIb start

2018

- Haemostatix: PeproStat™ Phase IIb results
- Modus Therapeutics: Sevuparin Phase II top line results
- Haemostatix: ReadyFlow™ Phase I ready
- Haemostatix: PeproStat™ Phase III ready

Co-development deals – target two p.a.
Services acquisitions
PeproStat™/ReadyFlow™ out-licensing opportunities

Our strategy for

ACCELERATED GROWTH

Strategic priorities

The Board continually looks for opportunities to capitalise on Ergomed's expertise with the following key components:

- augment the organic growth of its services business with selective acquisitions to add complementary services and/or geographical coverage to the Company's current offering; and
- enhance the co-development portfolio by including deals which (a) mirror the existing investment risk profile but (b) in addition include deals which allow the Company to exercise greater control over both the development plan and monetisation of the product with the expectation of a greater share of the upside in return for bearing more of the development costs.

The Board is committed to pursuing both components of the growth strategy in parallel and maintaining a balance between services income and development costs.

Strategy

Organic growth

Organic growth must be the foundation of any healthy company and is the primary focus of the Board. We constantly measure ourselves against prior period performance and against our peers and competitors.

The market for out-sourced clinical research is relatively mature and is dominated by mainly large US-based companies. To compete, effectively, we must play to our strengths, including our innovative Study Site Management model, and utilise our Study Physician Group to competitive advantage.

The market for out-sourced pharmacovigilance and medical information, while smaller is less competitive. The combination of PrimeVigilance and PharmInvent makes a leading international independent pharmacovigilance and medical information provider.

See CEO statement on pages 10 and 11

Acquisitions – strategic and selective

Services acquisitions are a key component of Ergomed's growth strategy with an emphasis on:

- Services and skills which complement our existing services offering. We can offer a broader ('one-stop-shop') suite of services to customers, reducing reliance on partners and expanding margins.
- Geographical expansion. Although we have preferred subcontract providers in some markets, having our own presence in certain key markets ensures quality control, scalability and, again, enhanced margins.

See strategy in action on page 14

Product development/ Co-development partnerships

Ergomed has created a risk-sharing model whereby we offer to contribute to the cost of clinical trials through significantly reduced fees in return for a carried interest in any future revenues of the product, including out-licensing milestones and sales.

Ergomed leverages its experience and expertise in drug development to evaluate new opportunities. The Company has an active portfolio of six co-development programmes with five sponsor partners.

See strategy in action on page 15

Progress

Clinical research services

+18% Ergomed

+7.5% Industry

Drug safety and medical information

+63% Ergomed

+17% Industry

PharmInvent
Acquired in November 2016

O+P & GASD
Acquired in June 2016

Co-development due diligence process

Reviews
100 products reviewed

CDA/Due diligence
50 reviewed against additional criteria

Advanced negotiations
Comprehensive review of final 12

ASARINA

Strategy in action

ACQUISITION
PHARMINVENT

PharmInvent
Let regulations work for you!

€4.1m revenue

Consideration of €4.8m plus up to €3.2m deferred

Ergomed strengthens PrimeVigilance with acquisition of European pharmacovigilance and regulatory services business, PharmInvent.

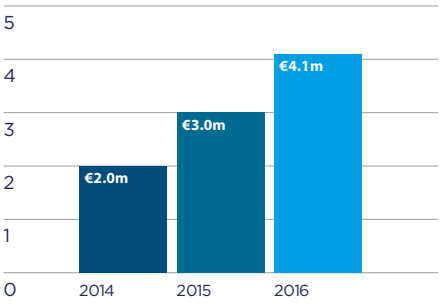
This acquisition is consistent with Ergomed's stated strategy to grow its existing, profitable services businesses both organically and through bolt-on acquisitions. The transaction will expand and complement its existing pharmacovigilance division, PrimeVigilance.

PharmInvent is led by an experienced ex-regulatory agency team that offers drug safety and regulatory consultancy expertise. PharmInvent also has an extensive network of international pharmacovigilance experts that provide advice and support on both local product safety and offer integrated global support for pharmaceutical and generic companies' products.

Combining PharmInvent's proven expertise with PrimeVigilance creates one of the largest international specialist service providers in the highly regulated drug safety sector. The enlarged business will have a broad international client list offering significant opportunities to cross sell, as well as an expanded range of services to attract new customers. From this strong position Ergomed's strategy is to actively expand the pharmacovigilance and regulatory division, especially in the US, thereby underpinning Ergomed's planned growth of revenues and Group profitability.

Revenues

+37% growth



Strategy in action

CO-DEVELOPMENT PARTNERSHIPS

ASARINA

ASARINA PHARMA

$500m

Potential peak sales

Ergomed and Asarina entered into a co-development agreement for the Phase IIb clinical development of sepranolone as a targeted treatment for patients with premenstrual dysphoric disorder ('PMDD').

Under the terms of the agreement, Ergomed will conduct Asarina's multicentre, multinational, randomised Phase IIb clinical trial. The study is planned to start in 2017. Ergomed will co-invest into the trial in return for an equity stake in Asarina.

PMDD is the most severe form of Premenstrual Syndrome, characterised by cyclic symptoms such as depression, anxiety, irritability, mood lability and loss of emotional control consistently occurring during the luteal part of the menstrual cycle with high impact on personal and professional life. Approximately 5% of all women will experience this disorder during their fertile years from the onset of menstruation till menopause.

Asarina's product candidate, sepranolone, is a proprietary, first-in-class, endogenous, small molecule, that acts as a GABA-A modulating steroid antagonist ('GAMSA'). Sepranolone is the first product developed exclusively for PMDD. The effect of sepranolone has been demonstrated in animal models of the disorder as well as in a validated human pharmaco-dynamic model used to evaluate target engagement of drugs that influence GABA mechanisms in the brain.

Financial review

A YEAR OF STRONG RESULTS

Our mission

Building a profitable services business combined with sustainable product development for significant shareholder value.

Key performance indicators
The Directors consider the principal financial performance indicators of the Group to be:

	2016 £m	2015 £m
Revenue	**39.2**	30.2
Gross profit	**12.0**	8.4
Research and development expenditure	**1.0**	–
EBITDA (adjusted)[1]	**3.0**	3.4
Cash and cash equivalents	**4.4**	4.0

1 Please refer to note 38, which explains the adjustments to operating profit which result in adjusted EBITDA.

The Directors consider the principal non-financial performance indicators of the Group to be:
- The delivery of high quality services that continue to meet the highest industry standards as evidenced by internal and external quality audits.
- The development of new and/or the expansion of existing service offerings.
- The expansion of the co-development portfolio with the addition of two new partnerships per year.

Condensed consolidated statement of comprehensive income
Revenue for the year ended 31 December 2016 was £39.2 million (2015: £30.2 million), an increase of 30%, driven by 63% growth in drug safety and medical information, complemented by 18% growth from clinical research services. Excluding the impact of acquisitions, revenues grew at 27%.

Gross profit was £12.0 million and gross margin was 31% (2015: gross profit £8.4 million and gross margin 28%). Ergomed's gross margin fluctuates compared to a traditional clinical research organisation ('CRO') service provider as Ergomed operates a hybrid model working with customers on a normal full priced basis as well as working with co-development partners where Ergomed is carrying out clinical studies at reduced fees in return for carried interests in the partnered product. The mix of full service work to co-development work in any given period therefore impacts the gross profit and gross margin in that period.

Administration expenses were £10.5 million (2015: £6.4 million), an increase of £4.1 million. Included in administrative expenses are increases in amortisation of acquired fair valued intangible assets of £0.2 million, share-based payment charge of £0.1 million, deferred consideration for acquisition of £0.7 million, acquisition costs of £0.3 million, exceptional items of £0.1 million offset by a write-back of deferred consideration for acquisition of £0.5 million. The increase in other

£39.2m
+30%
Revenue

£12.0m
+43%
Gross profit

administrative expenses of £3.1 million was driven by an additional £1.2 million of overhead in acquisitions, £0.7 million investments in improved corporate infrastructure, £0.3 million additional recruitment costs, £0.2 million increase in investor relations and public relations activities, £0.1 million increase in depreciation and £0.9 million provision for doubtful debts offset by foreign exchange gains of £0.4 million.

Research and development costs were £1.0 million (2015: £nil) relating to Haemostatix and included chemistry, manufacturing and controls ('CMC') costs in preparation for a Phase IIb clinical trial of PeproStat™ and pre-clinical formulation development costs for ReadyFlow™.

Deferred consideration for achieving 2016 financial targets of £0.7 million in respect of PharmInvent has been charged to profit and loss in the year because it is tied to the continued employment of the vendors.

The Company incurred acquisition costs totalling £0.6 million (2015: £0.3 million) in the year, primarily in respect of the Haemostatix, O+P and GASD and PharmInvent acquisitions. In addition, £0.2 million in respect of start-up costs for PrimeVigilance's US office was recognised as an exceptional item.

Included in finance charges is £0.3 million relating to the unwinding of the discount applied to contingent consideration for Haemostatix.

The Group's tax charge was reduced by an R&D tax credit of £0.2 million in the year.

Condensed consolidated balance sheet
As at 31 December 2016 total assets less total liabilities amounted to £34.6 million (2015: £16.9 million) including cash and cash equivalents of £4.4 million (2015: £4.0 million).

The principal movements in the Condensed consolidated balance sheet during the year were:

- Acquisitions of Haemostatix, O+P and GASD and PharmInvent in May 2016, June 2016 and November 2016 respectively and the associated goodwill of £5.5 million and intangible assets of £19.3 million.
- Increase in trade and other receivables by £5.4 million reflecting higher trading levels and a £0.5 million increase in clinical trial inventory.
- An increase in deferred consideration, after unwinding of discount, of £8.2 million in respect of Haemostatix. Deferred consideration in respect of PharmInvent is recognised as incurred in the profit and loss account since it is tied to the continued employment by the vendors of that business.
- An increase in deferred tax liability of £2.5 million, principally related to the acquisitions of Haemostatix, O+P and GASD and PharmInvent.
- An increase in share premium, arising from the Institutional Placing, net of costs.
- An increase in merger reserve, arising from the acquisitions of Haemostatix, O+P and GASD and PharmInvent.

Condensed consolidated cash flow statement
At present, the Group does not have any borrowings or long term debt apart from a few immaterial fixed asset finance leases.

Cash inflows from operating activities before changes in working capital in the year were £2.7 million (2015: £2.7 million). Changes in working capital included a £3.7 million increase in trade and other receivables, a £0.4 million increase in inventory and a £0.1 million decrease in trade and other payables.

Cash outflows from investing activities were £5.8 million including the acquisitions of Haemostatix, O+P and GASD and PharmInvent together with deferred consideration of £0.1 million for Sound Opinion, £0.4 million for the acquisition of tangible assets and £0.7 million for the acquisition of intangible assets.

The Group also paid taxation of £0.9 million in 2016 (2015: £0.6 million).

Financial outlook
Ergomed's Board has set the objective of remaining profitable and cash generative. This is being achieved by running profitable services businesses alongside a managed portfolio of drug co-development partnerships where Ergomed contributes services at reduced prices in return for a carried interest in the potential commercial returns that may be generated in the future.

Ergomed currently had a strong contracted backlog of about £70 million at 1 January 2017. The overall trading environment for full service business is generally strong although still very competitive. Ergomed's Board believes it can continue to generate further growth and profits from both the Clinical Research and PrimeVigilance/ PharmInvent businesses in 2017 and beyond whilst at the same time expanding the co-development portfolio on a selected basis.

Going concern
As at 31 December 2016 the Group had £4.4 million in cash or cash equivalents and a strong backlog of signed contracts. The Directors therefore expect Ergomed's services business to remain both profitable and cash generative. Taking into account existing cash resources and, after due consideration of cash flow forecasts, the Directors are of the view that Ergomed will continue to have access to adequate resources to allow the Group to continue trading on normal terms of business for no less than 12 months from the date of signing of the financial statements and have therefore prepared the financial statements on a going concern basis.

Principal risks and uncertainties

There are number of risks and uncertainties associated with the Group's activities. The Board believes the following are the principal risks, along with the mitigation actions being pursued.

Competition
Ergomed's competitors and potential competitors include companies which may have substantially greater resources than those of Ergomed. The additional financial transparency to which Ergomed is subject, now that it is a public company, may have the effect of increasing the number of competitors. Generally, the ability of Ergomed to win new business or repeat business from existing customers is a key risk and if the business development function fails to deliver new, profitable contracts then Ergomed's profits and cash flows will suffer.

Dependency on pharmaceutical industry
A significant proportion of Ergomed's current revenue results from expenditure by pharmaceutical and biotech businesses on research and development and regulatory compliance. If customers or potential customers in this sector were to:

- reduce such expenditure, in particular by reducing the numbers of drugs put into clinical trials;
- seek to retain work in-house rather than outsourcing it; and/or
- consolidate through the vertical integration of their businesses and choose not to engage Ergomed then Ergomed's business could be negatively impacted.

Legislation and regulation of the pharmaceutical and biotechnology industries
An element of Ergomed's competitive advantage stems from its ability to navigate the strictly regulated medicinal products and clinical trial services approval processes, which are expensive, complex and demanding. If there were to be substantial relaxation of such processes, cross jurisdictional harmonisation or simplification of the legislative or regulatory framework, this could reduce the barriers to entry which prospective competitors face, thereby eroding part of the Group's competitive advantage. If such a change were to occur, this may have a negative impact on Ergomed's business opportunities. Conversely, any change to, or increase in the complexity of, legislative or regulatory requirements having the effect of preventing Ergomed operating in a particular country, or compliance with which would require significant expenditure on the part of Ergomed, could have a material adverse effect on Ergomed's operations, profitability and financial performance.

Licences, approvals and compliance
Ergomed is dependent to a significant degree on certain licences and regulatory approvals. Non-compliance with those licences is likely to result in a warning from the relevant authority. However, in extreme cases, licences may be restricted or revoked, which could adversely affect Ergomed's business, results of operations, financial condition and future prospects. More generally, Ergomed operates in an environment which is subject to detailed and complex regulation. This places a significant compliance burden on Ergomed, since any failure to achieve compliance could result in the termination of Ergomed's contracts and in significant reputational damage as well as regulatory fines.

Customers, pricing and payment terms
Some of Ergomed's customers may have substantial purchasing power and negotiating leverage. While Ergomed has historically been able to secure good contractual terms, there can be no assurance that it will continue to be able to do so in the future. In certain cases Ergomed may accept payment terms which impact adversely upon the revenue received by, the margins achieved by, and the cash flow of, Ergomed in any given period.

Dependence on a limited number of key clients
A significant proportion of the Group's revenue is derived from a relatively small number of clients, although the identity of the top five clients has varied over the last three financial years. The percentage of the Group's total invoiced revenue generated by the top five clients in the year ended 31 December 2016 was 51.0%. The loss of any client or clients who represent a significant proportion of Ergomed's revenue could have a negative impact on Ergomed's operating results and cash flows.

Cancellation or delay of clinical trials by customers
The customers of Ergomed may cancel or delay proposed clinical trials either without notice or upon short notice. The cancellation or delay of a clinical trial may result in a risk of Ergomed having to reduce its staff overheads which could in turn have a negative impact on the Group's profitability, albeit that the terms of Ergomed's contracts seek to mitigate the impact of any such cancellation or delay by structuring standard study close down procedures with the customer.

Treasury policy and financial risk
The Group maintains a centralised treasury function, which operates under policies and guidelines approved by the Board. These cover funding, management of foreign exchange exposure and interest rate risk. The purpose is to manage the financial risks of the business and to secure the most cost-effective funding. The Group's principal financial assets are bank balances and long term deposits, which are exposed to varying degrees to the following risks: liquidity risk, credit risk and foreign currency risk. The policy for managing these risks is outlined below:

- liquidity risk – the Group maintains good relationships with its banks, financial institutions with high credit ratings, and its working capital requirements are anticipated via the forecasting and budgetary process; and
- credit risk – the Group is mainly exposed to credit risk from its trade and other receivables, short term deposits and bank balances, and mitigates the risk by managing any exposure to a single institution.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Management considers the above measures to be sufficient to control the credit risk exposure.

Foreign currency risk
A significant proportion of Ergomed's business is carried out, and is intended to be carried out in the future, outside the UK and in the relevant local currency. To the extent that there are fluctuations in exchange rates outside any hedged positions that the Group may contract, this may have a material impact on Ergomed's financial position or results of operations, as shown in Ergomed's accounts. Ergomed manages this risk by seeking advice from specialist foreign currency brokers, regularly reviewing the geographical mix of its operational costs and also its currency revenue streams and by the inclusion of exchange rate reviews in its major commercial contracts.

Approved by the Board of Directors and signed on behalf of the Board.

S A Stamp
Director

Board of Directors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1 Rolf Stahel
Non-Executive Chairman

Rolf Stahel brings over 30 years' experience in the global pharmaceutical industry. He led Shire Pharmaceuticals Group plc as Chief Executive Officer from 1994 to 2003, building Shire into a FTSE 100 Company. Rolf worked for 27 years with Wellcome plc in Switzerland, Italy, Thailand, Singapore and the UK. Rolf sits on the Advisory Board of Imperial Business School (Imperial College London). He has been non-executive Chairman of several companies including: Newron Pharmaceuticals; Cosmo Pharmaceuticals; PowderMed; and EUSA Pharma. He is currently Non-Executive Chairman of Connexios Life Sciences and Midatech. Rolf, a Swiss national, is a graduate in Business Studies (KSL, CH) and attended 97th AMP (Harvard). Rolf retired as Chairman and Director of Ergomed plc with effect from 31 March 2017.

2 Dr Miroslav Reljanovic
Founder and Chief Executive Officer

Dr Miroslav Reljanovic is a medical doctor and a board-certified neurologist. Whilst practicing as a physician in a large WHO Collaborating Centre in Zagreb, he was the clinical investigator in numerous Phase II and III studies in the field of neurology and a consultant to various pharmaceutical companies. In 1997 Miro founded Ergomed and he introduced the novel Study Site Coordination model as an intrinsic part of the conduct of clinical studies. Together with co-founder Elliot Brown, MB, MRCGP, FFPM, a well-known international expert in drug safety, Miro started PrimeVigilance in 2008, which soon became a leading specialist vendor of contracted pharmacovigilance services to the pharmaceutical industry.

3 Neil Clark
Chief Executive Officer - PrimeVigilance

Neil Clark joined Ergomed as Chief Financial Officer in January 2009 and was promoted to Chief Executive Officer – PrimeVigilance in January 2016. Prior to joining Ergomed, Neil was Chief Executive Officer of CeNeS Pharmaceuticals plc, a UK biotech company listed in London. CeNeS was acquired by the German biotech company Paion in 2008. Neil joined CeNeS in 1997 when it was a venture capital backed private biotech company and later became Chief Financial Officer. CeNeS was listed in 1999 and Neil was appointed Chief Executive Officer in 2001. Prior to joining CeNeS, Neil worked for PWC in Cambridge, UK, for over 10 years on a variety of local, national and international assignments in audit, corporate finance and consultancy. Neil is a qualified chartered accountant ('FCA'). Neil ceased to be a Director with effect from 16 April 2017.

4 Andrew Mackie
Chief Business Officer

Andrew Mackie joined Ergomed as Chief Business Officer in 2015 having worked with the Company as a consultant since 2004. He has been instrumental in developing the co-development business and negotiating the partnerships signed to date. Prior to joining Ergomed, Andrew worked in the Business Development group at Eli Lilly, having previously been Head of Life Sciences at IP Group and Head of Alliance Management at Antisoma. Prior to that, Andrew held a variety of R&D positions at Novartis, Sanofi and MDS. Andrew holds a BSc in biochemistry from Queen's University (Canada), an LLB from the University of London and an MBA from the London Business School.

5 Stephen Stamp
Chief Financial Officer

Stephen Stamp joined Ergomed as Chief Financial Officer in January 2016. Prior to joining Ergomed, Stephen worked in the US as Chief Financial Officer of AssureRx Health, Inc. Prior to that he was CFO of EZCORP, Inc and Chief Operating Officer and CFO at Xanodyne Pharmaceuticals, Inc. Before leaving for the US, Stephen was Group Finance Director of Shire plc and Regus Plc. Earlier in his career, Stephen was an investment banker with Lazard in London, advising mainly public companies on cross-border M&A and corporate finance. Prior to Lazard, he worked for KPMG in London where he qualified as a Chartered Accountant. Stephen holds a BA (Econ) from The University of Manchester.

6 Peter George
Non-Executive Director

Peter George joined Ergomed as a Non-Executive Director in May 2014. Peter has over 20 years' experience in the pharmaceutical services industry, most recently as Chief Executive Officer of Clinigen Group plc (AIM: 'CLIN'), the global speciality pharmaceuticals and pharmaceutical services business. Peter stepped down as CEO of Clinigen in November 2106 but remains a non-executive director. Prior to Clinigen, he was CEO at Penn Pharma, having led a £67 million management company buy-out in 2007. Before this, Peter was executive Vice President for Wolters Kluwer Health with responsibility for Europe and Asia Pacific regions. Peter has also held roles as the Chief Operating Officer of Unilabs Clinical Trials International Limited, Head of Clinical Pathology in the Oxford region of the NHS and as Director of PharmaPatents Global. Peter became Chairman of Ergomed plc with effect from 1 April 2017.

7 Christopher Collins
Non-Executive Director

Christopher was the CEO and a founding partner of Code Securities, a healthcare-focused advisory and broking firm, which was formed in 2003, acquired by Nomura in 2005 and continued as Nomura Code Securities until late 2013. Chris was previously head of the Life Sciences Group at WestLBPanmure, having founded that firm's activities in the sector in 1993. He has advised companies at all stages of development on transactions including private financings, IPOs, secondary offerings and mergers and acquisitions. Prior to WestLBPanmure, Chris was Managing Director of Corporate Finance at Panmure Gordon, after eight years as a Director of Corporate Finance at Hoare Govett and nine years in corporate finance at Charterhouse Japhet. He has an MBA and read Biology at Sussex University.

Corporate governance statement

Corporate governance
The Company is listed on the Alternative Investment Market ('AIM') and is not required to comply with the provisions of the UK Corporate Governance Code 2010 (2010 Code), as set out in the Financial Services Authority Listing Rules. However, the Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a company of its nature and size. The Corporate Governance Guidelines were devised by the Quoted Company Alliance ('QCA'), in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the 2010 Code to be inappropriate to many AIM companies. The Corporate Governance Guidelines state that: ''The purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term.''

The Board comprises a Chairman, four Executive Directors and two Non-Executive Directors. The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, the Directors receive appropriate and timely information. Briefing papers are distributed to the Directors in advance of Board meetings. The Directors have access to the advice and services of the Company Secretary and the Chief Financial Officer, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Board considers Peter George and Christopher Collins to be independent Directors.

Board committees
The Company has Audit and Risk, Nomination, AIM Compliance and Remuneration Committees. The Audit and Risk Committee has Christopher Collins as Chairman, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of shareholders. The Audit and Risk Committee meets at least twice a year. Peter George is the other member of the Audit and Risk Committee. The Nomination Committee identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least twice a year. Rolf Stahel was Chairman of the Nomination Committee until 31 March 2017. Miroslav Reljanovic, Peter George, Christopher Collins, and, until 16 April 2017, Neil Clark are the other members of the Nomination Committee. The Remuneration Committee has Peter George as Chairman, and reviews the performance of the Executive Directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee meets at least twice a year. Christopher Collins and, until 31 March 2017, Rolf Stahel are the other members of the Remuneration Committee.

The Company has established an AIM Compliance Committee to ensure that the Company is complying with the AIM Rules. In addition, the Committee assesses the Company's Corporate Governance obligations every year. The AIM Compliance Committee is chaired by Christopher Collins and its other member is Peter George.

The Directors understand the importance of complying with the AIM Rules relating to Directors' dealings and have established a share dealing code which is appropriate for an AIM listed company.

Internal control and risk management
The Board acknowledges its responsibility for safeguarding the shareholders' investments and the Group's assets. In applying this principle, the Board recognises that it has overall responsibility for ensuring that the Group maintains a system of internal control that provides it with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through the Audit and Risk Committee, the Directors have reviewed the effectiveness of the internal controls. Since admission to AIM in July 2014, management is continuing to invest significant time in further developing the Group's internal control environment. The key features of the internal control system are described below:

- control procedures and environment – the Group has an organisational structure with clearly drawn lines of accountability and authority. Employees are required to follow well-defined internal procedures and policies appropriate to the business and their position within the business and management promotes the highest levels of professionalism and ethical standards;
- identification and evaluation of risks – the Group employs Executive Directors and senior management with the appropriate knowledge and experience required for a medical and scientific research group. Identification and evaluation of risk is a continuous process running in parallel with the significant organic growth of the Group;
- risk register – senior management works with the Audit and Risk Committee to identify key risks facing the Group, any mitigating controls and persons responsible for reviewing and managing such risks. The risk register is reviewed periodically and updated and reviewed by the Board no less than annually;
- financial information – the Group prepares detailed budgets and working capital forecasts annually. These are based upon the strategy of the Group and are approved by the Board. Detailed management accounts and working capital re-forecasts are reviewed at least quarterly for each Board meeting, with any variances from budget investigated thoroughly and a summary provided to the Board. Annual Reports, Preliminary Statements and Half-year Reports prepared by the Group are reviewed by the Audit and Risk Committee prior to approval by the Board;
- monitoring – the Board monitors the activities of the Group through the supply of reports from various areas of the business as contained in the Board papers. The Executive Committee performs a more detailed review, taking corrective action if required; and
- financial position and prospects memorandum – senior management works with the Audit and Risk Committee to produce a comprehensive review of risks and internal procedures to control financial reporting in compliance with ICAEW Technical Relate RECH 01/13 CFF. The memorandum is reviewed in detail and approved by the Board annually.

The Board, through the Audit and Risk Committee, reviews the effectiveness of the systems of internal control. Given the Group's relative small size, the Board does not consider it either necessary or practical at present to have its own internal audit function. The Board continues to monitor the requirement to have an internal audit function.

Communication with shareholders
The Board attaches great importance to communication with both institutional and private shareholders. Regular communication is maintained with all shareholders through Company announcements, the Annual Report and Accounts, Preliminary Statements and Half-year Report. The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders, especially considering the long term nature of the business. Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and to give feedback regularly throughout the year. With private shareholders this is not always practical. The Board, therefore, intends to use the Company's Annual General Meeting as the opportunity to meet private shareholders who are encouraged to attend, after which the Chief Executive Officer will give a presentation on the activities of the Group. Following the presentation there will be an opportunity to ask questions of Directors on a formal and informal basis and to discuss the development of the business.

The Company operates a website at www.ergomedplc.com. The website contains details of the Group and its activities, regulatory announcements and Company announcements, Annual Reports and Half-year Reports, and the Terms of Reference of the Audit and Risk Committee and of the Remuneration Committee.

Going concern
As disclosed in note 1 to the consolidated financial statements, having made relevant and appropriate enquiries, including consideration of the Company and Group current resources and working capital forecasts, the Directors have a reasonable expectation that, at the time of approving the financial statements, the Company has adequate resources to continue in operational existence for at least the next 12 months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Directors' remuneration report (Unaudited)

Ergomed has elected voluntarily to prepare an unaudited Directors' remuneration report as set out below.

Remuneration policy overview
The aim of the remuneration policy is to encourage and reward superior performance by the Executive Directors and senior management, with performance being measured by reference to the achievement of corporate goals, strong financial performance and the delivery of value to shareholders.

The policy is designed to offer rewards that:
- enable the Group to attract and retain the management talent it needs to ensure its success;
- incentivise the achievement of the Group's strategy and the delivery of sustainable long term performance of the Group by the executives; and
- have flexibility to accommodate the changing needs of the Group as it grows and its strategy evolves.

Remuneration levels are benchmarked against a subset of companies in the UK life sciences and biotechnology sectors with the aim of achieving the following:
- Base salary between average and upper quartile.
- Performance-based bonus between average and upper quartile.
- Share incentives industry average.
- Total compensation between average and upper quartile.

The Remuneration Committee has established a policy that enables the Group to retain and motivate the Executive Directors and senior management appropriately while still maintaining a strong 'pay-for-performance' culture within the Group. The remuneration policy is reviewed by the Remuneration Committee on an annual basis to ensure that it is in line with the Group's objectives and shareholders' interests.

Executive Directors
Miroslav Reljanovic has a service agreement with Ergomed plc dated 14 July 2014, with continuous employment from 28 September 2009. His appointment is terminable on six months' notice by himself and 12 months by the Company.

Neil Clark had a service agreement with Ergomed plc dated 14 July 2014, with continuous employment from January 2009. His appointment is terminable on six months' notice by himself and 12 months by the Company.

Andrew Mackie has a service agreement with Ergomed plc dated 1 July 2015. His appointment is terminable on six months' notice by himself and 12 months by the Company.

Stephen Stamp has a service agreement with Ergomed plc dated 11 January 2016. His appointment is terminable on six months' notice by himself and six months by the Company.

Non-Executive Directors
The Non-Executive Directors have entered into letters of appointment with the Company, with the Board determining any fees paid.

The Non-Executive Directors do not participate in the Group's pension, bonus or option schemes. Rolf Stahel's appointment was terminable on three months' notice by either party. The other two Non-Executive appointments are terminable on one month's notice by either party.

Remuneration
The Executive Directors, Miroslav Reljanovic, Neil Clark, Andrew Mackie and Stephen Stamp are entitled to receive base salary, travel allowance, employer pension contributions, share options and a discretionary performance-related bonus.

Salary
Base salaries are generally reviewed annually and effective from the beginning of January. The Remuneration Committee seeks to assess the market competitiveness of pay primarily in terms of total remuneration, with less emphasis on base salary.

Stephen Stamp's salary was increased from £175,000 per annum to £200,000 per annum with effect from 1 July 2017.

Bonuses
The timing and amount of bonuses are decided by the Remuneration Committee with reference to the individual's performance and contribution to the Group. The maximum bonus that can be earned by an Executive Director is 75% of base salary.

Pensions
The Group does not operate a Group pension scheme. The Group pays an employer pension contribution of 10% of base salary to personal pension schemes established by the Executive Directors.

Directors' remuneration
The Directors received the following remuneration during the year:

Name of Director	Fees & salary £000s	Benefits £000s	Annual bonus £000s	Pension £000s	Total 2016 £000s
Rolf Stahel[1]	**102**	**–**	**–**	**–**	**100**
Miroslav Reljanovic	**242**	**–**	**–**	**–**	**242**
Neil Clark[2]	**200**	**4**	**–**	**20**	**224**
Andrew Mackie[2]	**200**	**1**	**–**	**20**	**221**
Stephen Stamp[4]	**183**	**–**	**–**	**18**	**201**
Chris Collins	**40**	**–**	**–**	**–**	**40**
Peter George	**40**	**–**	**–**	**–**	**40**

Name of Director	Fees & salary £000s	Benefits £000s	Annual bonus £000s	Pension £000s	Total 2015 £000s
Rolf Stahel[1]	104	–	–	–	104
Miroslav Reljanovic	232	–	69	–	301
Neil Clark[2]	200	3	50	20	273
Andrew Mackie[2,3]	100	1	25	10	136
Chris Collins	40	–	–	–	40
Peter George	40	–	–	–	40

1. The remuneration of Rolf Stahel includes consultancy fees of £52,000 paid to Chesyl Pharma Limited (2015: £54,000).
2. Neil Clark and Andrew Mackie receive private medical insurance as a benefit.
3. Andrew Mackie was appointed a Director on 1 July 2015.
4. Stephen Stamp was appointed a Director on 11 January 2016.

Share options
The Company issues share options to the Directors and employees to reward performance, to encourage loyalty and to enable valued employees to share in the success of the Company.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary Shares in the Company granted to or held by the Directors.

Prior to the IPO Ergomed had established an Unapproved Executive Share Option 2007 Scheme and the Rolf Stahel Option Agreement. A new share option scheme, the 'Ergomed plc Long Term Incentive Plan', was established immediately following the Company's IPO in July 2014.

Ergomed has established three share option schemes:
i) the Unapproved Executive Share Option Scheme 2007;
ii) the Stahel Option Agreement; and
iii) the Ergomed plc Long Term Incentive Plan.

In addition, Neil Clark, Andrew Mackie and Stephen Stamp hold options over shares held by Miroslav Reljanovic.

Directors' remuneration report (Unaudited) continued

Options granted as at 31 December 2016

Name of Director	Date of grant	Number of Ordinary Shares under option	Exercise price per Ordinary Share	Exercise period from	Exercise period to	Name of scheme
Options over new Ergomed shares:						
Rolf Stahel	18/4/2014	1,260,000	£1.60	18/04/2014	17/04/2024	Stahel Option Agreement
Neil Clark	31/12/2009	1,000,000	£0.01	31/12/2009	30/12/2019	Unapproved Share Option Scheme 2007
	24/12/2015	150,000	£1.69	03/06/2018	23/12/2025	Ergomed plc Long Term Incentive Plan
Andrew Mackie	24/12/2015	125,000	£1.69	03/06/2018	23/12/2025	Ergomed plc Long Term Incentive Plan
Stephen Stamp	11/01/2016	400,000	£0.01	10/01/2019	10/01/2026	Ergomed plc Long Term Incentive Plan
Options over Ergomed shares owned by Miroslav Reljanovic:						
Neil Clark	20/07/2015	88,235	£0.01	20/07/2015	19/07/2025	N/A
	20/07/2015	88,235	£0.01	20/07/2016	19/07/2025	N/A
Andrew Mackie	20/07/2015	88,235	£0.01	20/07/2015	19/07/2025	N/A
	20/07/2015	88,235	£0.01	20/07/2016	19/07/2025	N/A
Stephen Stamp	30/11/2016	50,000	£0.01	11/01/2017	29/11/2025	N/A
	30/11/2016	50,000	£0.01	11/01/2018	29/11/2026	N/A

No options held by the Directors were exercised or lapsed during the year.

This report was approved by the Board of Directors on 26 April 2017 and signed on its behalf by

P George
Director, Chairman of the Remuneration Committee

Directors' report
For the year ended 31 December 2016

The Directors present their report and financial statements for the Company and Group for the year ended 31 December 2016.

Principal activities
Ergomed is a profitable global business providing drug development and safety services to the pharmaceutical industry and has a growing portfolio of co-development partnerships. It operates in over 56 countries.

Business review and key performance indicators
The Group's results are set out in the Consolidated income statement on page 30 and are explained in the Financial review on pages 16 and 17. A detailed review of the business, its results and future direction is included in the Chief Executive Officer's review on pages 10 and 11.

Capital structure
The Group is primarily financed through equity provided by its shareholders and cash generated from its profitable operations.

Dividends
The Directors do not recommend the payment of a dividend (2015: £nil).

Directors
The Directors of the Company who served during the year are as follows:
Rolf Stahel (resigned 31 March 2017)
Miroslav Reljanovic
Neil Clark (resigned 16 April 2017)
Andrew Mackie
Stephen Stamp (appointed 11 January 2016)
Christopher Collins
Peter George

At 31 December 2016, the Directors had the following beneficial interests in the Company's shares:

	Number of shares	Percentage of total issued share capital
Rolf Stahel	125,000	0.3%
Miroslav Reljanovic	17,632,237	43.5%
Neil Clark	91,912	0.2%
Andrew Mackie	–	–
Stephen Stamp	200,000	0.5%
Christopher Collins	31,250	0.1%
Peter George	131,250	0.3%

Biographical details of the Directors are set out on page 21.

Directors' interests
The interests of Directors in the shares and options of the Company are set out above and in the Directors' remuneration report on pages 24 to 26.

None of the Directors had a material interest at any time during the year in any contract of significance with the Group other than a service contract or an arm's length commercial contract. See note 37 for all related party transactions. Information regarding Directors' service contracts is given on page 24 within the Directors' remuneration report.

Share capital
As at 31 December 2016, the issued share capital of the Company was:

Number of ordinary shares of £0.01 each ('Ordinary Shares') issued and fully paid up – 40,504,806 (2015: 28,750,000).

The closing market price of the Company's ordinary shares at close of business on 29 December 2016, the last trading day of the year, was 155.85 pence.

Directors' report continued

The maximum share price during the period from 1 January 2016 through 31 December 2016, was 169.5 pence and the minimum price was 117 pence per share.

Auditor
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Subsequent events
There were no subsequent events.

Directors' responsibilities
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 Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected under company law to prepare the Company financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. 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 estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with applicable IFRSs as adopted by the EU; and
- 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.

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 comply with the Companies Act 2006. 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 are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:
- the financial statements, prepared in accordance with the relevant financial reporting framework, 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 Strategic report includes a fair view of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board of Directors and signed on behalf of the Board.

S Jurić
Company Secretary
26 April 2017

Independent auditor's report

To the members of Ergomed plc

We have audited the financial statements of Ergomed plc for the year ended 31 December 2016 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and parent company balance sheets, the Consolidated and parent company statements of changes in equity, the Consolidated and parent company cash flow statements and the related notes 1 to 59. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by 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
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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 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.

Matthew Hall
FCA, (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants Statutory Auditor
Deloitte House, Station Place, Cambridge CB1 2FP

26 April 2017

Consolidated income statement

For the year ended 31 December 2016

	Notes	2016 £000s	2015 £000s
Revenue	3, 4	**39,233**	30,178
Cost of sales		**(27,239)**	(21,808)
Gross profit		**11,994**	8,370
Administrative expenses		**(10,483)**	(6,379)
Administrative expenses comprises:			
Other administrative expenses		**(8,323)**	(5,186)
Amortisation of acquired fair valued intangible assets	15	**(771)**	(596)
Share-based payment charge	30	**(398)**	(288)
Deferred consideration for acquisition	34	**(690)**	–
Write-back of deferred consideration	33	**460**	–
Acquisition costs	7	**(584)**	(272)
Exceptional items	8	**(177)**	(37)
Research and development		**(1,040)**	–
Other operating income		**127**	81
Operating profit		**598**	2,072
Investment revenues	9	**2**	1
Finance costs	10	**(274)**	(1)
Profit before taxation		**326**	2,072
Taxation	12	**153**	(520)
Profit for the year	5	**479**	1,552
Earnings per share			
Basic	13	**1.3p**	5.4p
Diluted	13	**1.3p**	5.2p

All activities in the current and prior period relate to continuing operations.

The notes on pages 35 to 70 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	2016 £000s	2015 £000s
Profit for the year	**479**	1,552
Items that may be classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**680**	(244)
Other comprehensive income for the year net of tax	**680**	(244)
Total comprehensive income for the year	**1,159**	1,308

Consolidated balance sheet

As at 31 December 2016

	Notes	2016 £000s	2015 Re-stated £000s	2014 Re-stated £000s
Non-current assets				
Goodwill	14	**12,285**	7,488	7,282
Other intangible assets	15	**19,842**	2,819	2,927
Property, plant and equipment	16	**717**	335	185
Investments	18	**271**	183	39
Deferred tax asset	19	**1,448**	365	323
		34,563	11,190	10,756
Current assets				
Trade and other receivables	20	**14,958**	9,528	6,343
Clinical trial inventory	21	**450**	–	–
Cash and cash equivalents	22	**4,424**	3,974	4,576
		19,832	13,502	10,919
Total assets		**54,395**	24,692	21,675
Current liabilities				
Borrowings	23	**(3)**	(5)	(7)
Trade and other payables	24	**(7,077)**	(5,955)	(5,010)
Deferred revenue		**(1,393)**	(795)	(594)
Current tax liability		**(119)**	(478)	(144)
Total current liabilities		**(8,592)**	(7,233)	(5,755)
Net current assets		**11,240**	6,269	5,164
Non-current liabilities				
Borrowings	23	**(5)**	(7)	(6)
Deferred consideration	25	**(7,772)**	–	–
Deferred tax liability	19	**(3,418)**	(516)	(575)
Total liabilities		**(19,787)**	(7,756)	(6,336)
Net assets		**34,608**	16,936	15,339
Equity				
Share capital	26	**406**	288	288
Share premium account	27	**17,957**	9,361	9,361
Merger reserve	28	**10,264**	2,981	2,981
Share-based payment reserve	29	**1,048**	650	362
Translation reserve	29	**143**	(537)	(293)
Retained earnings		**4,790**	4,193	2,640
Total equity		**34,608**	16,936	15,339

The notes on pages 35 to 70 form an integral part of these financial statements.

The re-statement of the balance sheets for 2014 and 2015 are explained in note 1.

Approved by the Board of Directors and authorised for issue on 26 April 2017.

S A Stamp
Director

Company Registration No. 04081094

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2014	288	12,342	–	362	(293)	2,640	15,339
Correction of accounting treatment (note 1)	–	(2,981)	2,981	–	–	–	–
As re-stated	288	9,361	2,981	362	(293)	2,640	15,339
Profit for the year	–	–	–	–	–	1,552	1,552
Other comprehensive income for the year	–	–	–	–	(244)	–	(244)
Total comprehensive income for the year	–	–	–	–	(244)	1,552	1,308
Share-based payment charge for the year	–	–	–	288	–	–	288
Deferred tax credit taken directly to equity	–	–	–	–	–	1	1
Balance at 31 December 2015 (re-stated)	288	9,361	2,981	650	(537)	4,193	16,936
Profit for the year	–	–	–	–	–	479	479
Other comprehensive income for the year	–	–	–	–	680	–	680
Total comprehensive income for the year	–	–	–	–	680	479	1,159
Share issue during the year for cash (net of expenses)	66	8,596	–	–	–	–	8,662
Share issues during the year for non-cash consideration	51	–	7,144	–	–	–	7,195
Contingent share issue for non-cash consideration	1	–	139	–	–	–	140
Share-based payment charge for the year	–	–	–	398	–	–	398
Deferred tax credit taken directly to equity	–	–	–	–	–	118	118
Balance at 31 December 2016	**406**	**17,957**	**10,264**	**1,048**	**143**	**4,790**	**34,608**

Consolidated cash flow statement

For the year ended 31 December 2016

	Notes	2016 £000s	2015 £000s
Cash flows from operating activities			
Profit before taxation		**326**	2,072
Adjustment for:			
Amortisation and depreciation		**1,027**	713
(Gain)/loss on disposal of fixed assets		**(2)**	4
Share-based payment charge		**398**	288
Acquisition of shares for non-cash consideration		**(54)**	(142)
Exchange adjustments		**419**	(251)
Acquisition costs and deferred consideration		**726**	54
Write-back of deferred consideration		**(415)**	–
Investment revenues		**(2)**	(1)
Finance costs		**274**	1
Operating cash flow before changes in working capital and provisions		**2,697**	2,738
Increase in trade and other receivables		**(3,667)**	(2,898)
Increase in inventory		**(405)**	–
(Decrease)/increase in trade and other payables		**(58)**	1,012
Cash (utilised by)/generated from operations		**(1,433)**	852
Taxation paid		**(941)**	(588)
Net cash (outflow)/inflow from operating activities		**(2,374)**	264
Investing activities			
Investment revenues received		**2**	1
Acquisition of intangible assets		**(705)**	(285)
Acquisition of property, plant and equipment		**(404)**	(270)
Investment in joint venture and other investments		**–**	(1)
Acquisition of subsidiaries, net of cash acquired		**(4,755)**	(312)
Receipts from sale of property, plant and equipment		**31**	2
Net cash outflow from investing activities		**(5,831)**	(865)
Financing activities			
Issue of new shares		**9,185**	–
Expenses of fundraising		**(523)**	–
Finance costs paid		**(2)**	(1)
Increase in borrowings		**–**	7
Repayment of borrowings		**(5)**	(7)
Net cash inflow/(outflow) from financing activities		**8,655**	(1)
Net increase/(decrease) in cash and cash equivalents		**450**	(602)
Cash and cash equivalents at start of the year		**3,974**	4,576
Cash and cash equivalents at end of year	22	**4,424**	3,974

Notes to the consolidated financial statements
For the year ended 31 December 2016

1. Accounting policies
Ergomed plc and its wholly owned subsidiaries provide a full range of clinical trial planning, management and monitoring, as well as drug safety and medical information services. The Group has a worldwide presence with operations in the UK, Poland, Germany, Bosnia, Croatia, Serbia, Russia, Switzerland, Ukraine, Taiwan, the United Arab Emirates and the USA. Ergomed plc is a company incorporated and domiciled in the UK.

The Group financial statements were authorised for issue by the Board of Directors on 26 April 2017.

Basis of accounting
Consolidated financial statements
The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and the Companies Act 2006. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

Parent company financial statements
The Company financial statements have been produced in accordance with International Financial Reporting Standards, the Companies Act 2006 and under the historical cost convention.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:
- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of the subsidiaries is attributed to the owners of the Company.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transitions between the members of the Group are eliminated on consolidation.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing of the financial statements. The Directors have reviewed a cash flow forecast ('the Forecast') for the period ending 31 December 2018. The Forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues, which are subject to inherent uncertainties. However, the Forecast demonstrates that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

On the basis of the above factors and, having made appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Compliance with accounting standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 1 (amendments)	Disclosure Initiative
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amendments)	Agriculture: Bearer Plants
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment Entities: Applying the Consolidation Exemption
Annual Improvements to IFRSs: 2012–2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. IFRS 15 may have an impact on revenue recognition and related disclosures, and IFRS 16 will have an impact on the measurement and recognition of leases and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

Re-statement of prior year Consolidated balance sheet

In July 2014, Ergomed plc acquired the entire issued share capital of PrimeVigilance Limited for consideration comprising £6,000,000 in cash, and 1,875,000 shares of £0.01 each, valued at £1.60 per share. The excess of share value over the nominal value of those shares was taken to the share premium account. However, under the Companies Act 2006, these amounts should have been posted to the merger reserve. An adjustment has been made to the Consolidated balance sheet as at 31 December 2014 and 31 December 2015. This adjustment has no impact on the net assets of the Group, the Consolidated income statement or the Consolidated cash flow statement. The impact on the Consolidated balance sheet is set out below.

	2015 Previously reported £000s	Adjustment £000s	2015 Re-stated £000s
Non-current assets			
Goodwill	7,488	–	7,488
Other intangible assets	2,819	–	2,819
Property, plant and equipment	335	–	335
Investments	183	–	183
Deferred tax asset	365	–	365
	11,190	–	11,190
Current assets			
Trade and other receivables	9,528	–	9,528
Cash and cash equivalents	3,974	–	3,974
	13,502	–	13,502
Total assets	24,692	–	24,692
Current liabilities			
Borrowings	(5)	–	(5)
Trade and other payables	(5,955)	–	(5,955)
Deferred revenue	(795)	–	(795)
Current tax liability	(478)	–	(478)
Total current liabilities	(7,233)	–	(7,233)
Net current assets	6,269	–	6,269
Non-current liabilities			
Borrowings	(7)	–	(7)
Deferred tax liability	(516)	–	(516)
Total liabilities	(7,756)	–	(7,756)
Net assets	16,936	–	16,936
Equity			
Share capital	288	–	288
Share premium account	12,342	(2,981)	9,361
Merger reserve	–	2,981	2,981
Share-based payment reserve	650	–	650
Translation reserve	(537)	–	(537)
Retained earnings	4,193	–	4,193
Total equity	16,936	–	16,936

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

	2014 Previously reported £000s	Adjustment £000s	2014 Re-stated £000s
Non-current assets			
Goodwill	7,282	–	7,282
Other intangible assets	2,927	–	2,927
Property, plant and equipment	185	–	185
Investments	39	–	39
Deferred tax asset	323	–	323
	10,756	–	10,756
Current assets			
Trade and other receivables	6,343	–	6,343
Cash and cash equivalents	4,576	–	4,576
	10,919	–	10,919
Total assets	21,675	–	21,675
Current liabilities			
Borrowings	(7)	–	(7)
Trade and other payables	(5,010)	–	(5,010)
Deferred revenue	(594)	–	(594)
Current tax liability	(144)	–	(144)
Total current liabilities	(5,755)	–	(5,755)
Net current assets	5,164	–	5,164
Non-current liabilities			
Borrowings	(6)	–	(6)
Deferred tax liability	(575)	–	(575)
Total liabilities	(6,336)	–	(6,336)
Net assets	15,339	–	15,339
Equity			
Share capital	288	–	288
Share premium account	12,342	(2,981)	9,361
Merger reserve	–	2,981	2,981
Share-based payment reserve	362	–	362
Translation reserve	(293)	–	(293)
Retained earnings	2,640	–	2,640
Total equity	15,339	–	15,339

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less depreciation less any provision for impairment. Depreciation is provided on assets at rates calculated to write off the cost, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	2.5% straight line or over the remaining lease term, whichever is shorter
Motor vehicles	8.33 – 50% straight line
Computer equipment	8.33 – 50% straight line
Fixtures and fittings	10 – 50% straight line
Laboratory equipment	20% straight line

Business combinations
Acquisitions of companies are accounted for in accordance with the principles of IFRS 3, as the Directors consider it reflects the economic substance of transactions.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Deferred consideration in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets expected to be transferred by the Group to the former owners of the acquiree and the equity interest to be issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:
- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill
Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the fair value of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The recoverable amount is the higher of the fair value less costs to sell, and the 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 for which the estimates of future cash flows have not been adjusted.

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

1. Accounting policies continued

Investments

Investments are stated at cost less provision for impairment in value.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Software	20–30% straight line

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Costs associated with the development of computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditure, including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

The computer software under development is currently under construction and so no amortisation has been recognised in the current year. The asset will subsequently be carried at cost less accumulated amortisation and accumulated impairment losses. These costs will be amortised to profit or loss using the straight line method over their estimated useful lives of five years, once the asset is in use.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately, as follows.

Customer contract	20% straight line
Customer relationships	20% straight line
Brand	13.3% straight line
Technology	40% straight line
In-process R&D	Not currently amortised

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs to sell, and the 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 for which the estimates of future cash flows have not been adjusted.

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.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
The Company classifies its financial assets in the following categories:
- at fair value through profit or loss ('FVTPL')
- loans and receivables
- available-for-sale financial assets ('AFS')
- held-to-maturity investments

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it was acquired principally for the purpose of selling it in the short term or if so designated by management. Financial instruments at fair value through profit and loss comprise of 'derivative financial instruments'. Assets in this category are classified as current assets, if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise of 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

allowance account are recognised in profit or loss.

1. Accounting policies continued

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Clinical trial inventory

Clinical trial inventory relates to clinical trial material to be used in the clinical development programmes of the Group. It is stated at cost and comprises direct material costs and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and estimated credit notes.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract based on time spent. Revenue is recognised when it is probable that economic benefits will flow to the Company.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Operating profit

Operating profit is stated before investment income, finance costs and tax.

Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expenditure that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise 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 is calculated at the tax rates that are enacted or substantively enacted at the reporting date.

Foreign currency translation
The functional currency of the Company is the Euro, and the presentational currency is UK Sterling, meeting the requirements of shareholders. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated on a monthly basis at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognised directly in Other comprehensive income.

Pensions
The pension costs charged in the financial statements represent the contributions payable by the Company during the year in accordance with IAS 19.

Leasing and hire purchase commitments
Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Share-based payments
The Group operates an equity-settled share-based option scheme under which the Group receives services from employees in consideration for equity instruments (options) of the Company. The fair value of the employees' services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The total amount expensed is recognised over the vesting period, which is the period over which all the specified conditions are satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the vesting conditions.

Exceptional items
Significant non-recurring transactions undertaken by the Group during the year are classified as exceptional items.

2. Critical accounting judgements and key sources of estimation and uncertainty
In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

2. Critical accounting judgements and key sources of estimation and uncertainty continued

Revenue recognition

The amount of revenue to be recognised is based on, inter alia, management's estimate of the fair value of the consideration received or receivable, the stage of completion and of the point in time at which management considers that it becomes probable that economic benefits will flow to the entity (as the outcome is not always certain at the inception of a contract).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Bad debt provision

In determining the level of provisioning for bad debts, the Directors have considered the aging of trade receivables, and the payment history and financial position of debtors. The provision against trade receivables as at 31 December 2016 was £1,016,000 (2015: £233,000) (note 20).

Impairment of goodwill

Under IFRSs, goodwill is reviewed for impairment at least annually. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The calculation of the recoverable amount requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to determine whether the recoverable amount is greater than the carrying value. The carrying amount of goodwill and any impairment loss is disclosed in note 14.

Fair value measurements

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group incurs share-based payment charges in relation to share options awards made in the current and prior periods. This charge is based on the fair value of such share options for financial reporting purposes. In estimating the fair value of a share-based payment, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

3. Revenue

An analysis of the Group's revenue is as follows:

	2016 £000s	2015 £000s
Provision of clinical research services	**25,777**	21,906
Provision of drug safety and medical information services	**13,456**	8,272
	39,233	30,178
Other operating income	**127**	81
Investment revenues	**2**	1
	39,362	30,260

The provision of clinical research services includes the revenues of O+P and GASD following their acquisition by the Company on 12 June 2016.

The provision of drug safety and medical information services includes the revenues of PharmInvent following its acquisition by the Company on 28 November 2016.

4. Operating segments

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive Officer, who is the chief operating decision maker ('CODM'), for the purpose of resource allocation and assessment of segment performance is focused on the Group operating as two business segments, being clinical research services ('CRS') and drug safety and medical information services ('DS&MI'). All revenues arise from direct sales to customers. The segment information reported below all relates to continuing operations.

Geographical information

The Group's revenue from external customers by geographical location is detailed below:

2016

	Revenue from external customers		
	CRS £000s	**DS&MI £000s**	**Total £000s**
UK	**3,330**	**4,746**	**8,076**
Rest of Europe, Middle East and Africa	**15,590**	**4,461**	**20,051**
North America	**6,490**	**4,018**	**10,508**
Asia	**367**	**27**	**394**
Australia	**–**	**204**	**204**
	25,777	**13,456**	**39,233**

2015

	Revenue from external customers		
	CRS £000s	DS&MI £000s	Total £000s
UK	2,748	3,395	6,143
Rest of Europe, Middle East and Africa	9,407	2,878	12,285
North America	7,945	1,874	9,819
Asia	1,806	3	1,809
Australia	–	122	122
	21,906	8,272	30,178

2016

Revenue	**CRS £000s**	**DS&MI £000s**	**Eliminations £000s**	**Consolidated total £000s**
Third party sales	**25,777**	**13,456**	**–**	**39,233**
Intersegment sales and recharges	**670**	**2**	**(672)**	**–**
Total revenue	**26,447**	**13,458**	**(672)**	**39,233**

Revenue	**CRS £000s**	**DS&MI £000s**	**Eliminations £000s**	**Consolidated total £000s**
Segment result	**203**	**3,586**	**9**	**3,798**
Research and development				**(1,040)**
Amortisation of acquired fair valued intangible assets				**(771)**
Share-based payment charge				**(398)**
Deferred consideration for acquisition				**(690)**
Write-back of deferred consideration for acquisition				**460**
Acquisition costs				**(584)**
Exceptional items				**(177)**
Operating profit				**598**
Investment revenues				**2**
Finance costs				**(2)**
Finance charge for deferred consideration for acquisition				**(272)**
Profit before tax				**326**
Tax				**153**
Profit after tax				**479**

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

4. Operating segments continued

2015

Revenue	CRS £000s	DS&MI £000s	Eliminations £000s	Consolidated total £000s
Third party sales	21,906	8,272	–	30,178
Intersegment sales and recharges	67	9	(76)	–
Total revenue	21,973	8,281	(76)	30,178

Revenue	CRS £000s	DS&MI £000s	Eliminations £000s	Consolidated total £000s
Segment result	1,165	2,102	(2)	3,265
Amortisation of acquired fair valued intangible assets				(596)
Share-based payment charge				(288)
Acquisition costs				(272)
Exceptional items				(37)
Operating profit				2,072
Investment revenues				1
Finance costs				(1)
Profit before tax				2,072
Tax				(520)
Profit after tax				1,552

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Segment net assets

	2016 £000s	2015 £000s
CRS	**16,489**	5,913
DS&MI	**18,119**	11,023
Consolidated total net assets	**34,608**	16,936

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Goodwill has been allocated to reportable segments as described in note 14.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2016 £000s	2015 £000s	**2016 £000s**	2015 £000s
CRS	**528**	286	**705**	238
DS&MI	**499**	427	**404**	317
	1,027	713	**1,109**	555

Information about major customers

In 2016, the Group had two customers that contributed 10% or more to the Group's revenue. Revenues of approximately £5,479,000 and £4,771,000 were recognised from these customers respectively, all relating to the provision of clinical research services.

In 2015, the Group had two customers that contributed 10% or more to the Group's revenue. Revenues of approximately £5,219,000 and £5,181,000 were recognised from these customers respectively for clinical research services.

5. Profit for the year

	2016 £000s	2015 £000s
Profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment – owned	**231**	105
Depreciation of property, plant and equipment – leased	**5**	5
Amortisation of intangible assets	**20**	7
Depreciation and amortisation charges within Administrative expenses	**256**	117
Amortisation of acquired fair valued intangible assets	**771**	596
Exchange (gain)/loss	**(274)**	115
(Gain)/loss on disposals of property, plant and equipment	**(2)**	4
Staff costs (note 11)	**11,839**	7,546

6. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2016 £000s	2015 £000s
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**128**	93
Total audit fees	**128**	93
– Interim review	**33**	33
Total non-audit fees	**33**	33

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

7. Acquisition costs

	2016 £000s	2015 £000s
Acquisition of Sound Opinion	**7**	54
Acquisition of Haemostatix (note 32)	**370**	–
Acquisition of O+P and GASD (note 33)	**85**	–
Acquisition of PharmInvent (note 34)	**118**	–
Other M&A activities	**4**	218
	584	272

8. Exceptional items

	2016 £000s	2015 £000s
Establishment of Taiwan office	**–**	37
Establishment of PrimeVigilance US office	**177**	–
	177	37

In line with the way the Board and chief operating decision maker review the business, large one-off exceptional costs related to the establishment of the subsidiaries in Taiwan and the US are shown as exceptional costs.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

9. Investment revenues

	2016 £000s	2015 £000s
Bank and other interest	**2**	1

10. Finance costs

	2016 £000s	2015 £000s
Loan and other interest payable	**(2)**	(1)
Finance charge for deferred consideration for acquisition	**(272)**	–
	(274)	(1)

The finance charge for deferred consideration for acquisition relates to the first payment of deferred consideration payable to the vendors of PharmInvent. The payment of deferred consideration for PharmInvent is conditional upon the vendors' continuing employment by the Group and, in accordance with IFRS 3, is therefore recognised as a finance cost.

11. Employees

Number of employees

The average monthly number of persons employed by the Group (including Executive Directors and excluding Non-Executive Directors) during the year was:

	2016 Number	2015 Number
Administration	**52**	40
Project staff	**296**	216
Management	**18**	13
Directors	**4**	2
	370	271

Employment costs

	2016 £000s	2015 £000s
Wages and salaries	**9,923**	6,546
Social security costs	**1,734**	882
Other pension costs (note 36)	**182**	118
	11,839	7,546

Disclosures relating to key management personnel are included within the Directors' remuneration report on pages 24 to 26.

12. Taxation

	2016 £000s	2015 £000s
Current tax		
UK corporation tax (credit)/charge for the year	**(181)**	349
Overseas corporation tax	**180**	308
Adjustment in respect of prior years	**(16)**	13
Current tax (credit)/charge for the year	**(17)**	670
Deferred tax		
Origination and reversal of timing differences	**(40)**	(143)
Effect of changes in tax rates	**(96)**	(7)
Total tax (credit)/charge for the year	**(153)**	520

Under IAS 12 Income Taxes, the amount of tax benefit that can be recognised in the income statement is limited by reference to the IFRS 2 share-based payment charge. The excess amount of tax benefit in respect of share options gives rise to a credit which has been recognised directly in equity, in addition to the amounts charged to the income statement and other comprehensive income, as follows:

	2016 £000s	2015 £000s
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**(118)**	(1)
Total income tax credit recognised directly in equity	**(118)**	(1)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 20% (2015: 20.25%). The actual tax charges for the years differ from the standard rate for the reasons set out in the following reconciliation.

	2016 £000s	2015 £000s
Profit on ordinary activities before taxation	**326**	2,072
Tax on profit on ordinary activities at blended standard rate of 20% (2015: 20.25%)	**65**	419
Non-deductible expenses	**449**	268
Additional allowable expenses	**(449)**	(91)
Timing differences arising in the year	**(64)**	(155)
R&D tax credit receivable	**(181)**	–
Adjustments to previous periods	**(13)**	13
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3)**	74
Difference due to change in rate of taxation	**(80)**	(7)
Increase/(utilisation) of tax losses	**144**	(8)
Translation effect	**(21)**	7
Tax (credit)/expense for the year	**(153)**	520

The Finance Act 2015, which provides for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2016, and from 19% to 17% effective from 1 April 2017 was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

13. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2016 £000s	2015 £000s
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	**479**	1,552
Effect of dilutive potential Ordinary Shares	**–**	–
Earnings for the purposes of diluted earnings per share	**479**	1,552

	2016 £000s	2015 £000s
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**35,573,733**	28,750,000
Effect of dilutive potential Ordinary Shares		
Share options	**1,484,600**	1,015,223
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**37,058,333**	29,765,223

14. Goodwill

	£000s
Cost	
At 1 January 2015	7,282
Arising on acquisition of subsidiary	206
At 1 January 2016	7,488
Arising on acquisition of subsidiaries (notes 32, 33 and 34)	4,797
At 31 December 2016	**12,285**
Accumulated impairment losses	
At 1 January 2015, 1 January 2016 and 31 December 2016	**–**
Net book value	
At 31 December 2016	**12,285**
At 31 December 2015	7,488

The goodwill arising during the year ended 31 December 2016 relates to the acquisitions of Haemostatix, O+P and GASD and PharmInvent on 24 May 2016, 12 June 2016 and 28 November 2016 respectively.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2016 £000s	2015 £000s	2014 £000s
Clinical research services			
Ergomed Virtuoso	**455**	455	455
Haemostatix	**2,086**	–	–
O+P and GASD	**487**	–	–
	3,028	455	455
Drug safety and medical information services			
PrimeVigilance	**6,827**	6,827	6,827
Sound Opinion	**206**	206	–
PharmInvent	**2,224**	–	–
	9,257	7,033	6,827
	12,285	7,488	7,282

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and growth rates.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on management's estimates based on the Group's planned organic expansion of its operations and broadened overall offering, and the increased demand for services. Profit margins included in the projections are based on industry standards.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Board for the next five years and extrapolates cash flows for the following five years based on a terminal growth rate of 2%, except for the Ergomed Virtuoso Sarl CGU and the Haemostatix Limited CGU, both of the clinical research services ('CRS') segment. This rate does not exceed the average long term growth rate for the relevant markets. The Ergomed Virtuoso Sarl CGU extrapolates cash flows over the remaining life of the Customer Contract using a terminal growth rate of 0%. The Haemostatix Limited CGU extrapolates cash flows over the patent life of the In-process research and development using a terminal growth rate of 0%.

The post-tax rate used to discount the forecast cash flows from both the clinical research services ('CRS') and drug safety and medical information ('DS&MI') and research and development segments is 13.4%.

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15. Other intangible assets

	Software £000s	Customer contract £000s	Customer relationships £000s	Brand £000s	In-Process R&D £000s	Technology £000s	Total £000s
Cost							
At 1 January 2015	472	1,070	1,480	460	–	–	3,482
Acquired with subsidiary	–	–	210	–	–	–	210
Additions	285	–	–	–	–	–	285
Translation movement	(6)	–	–	–	–	–	(6)
At 31 December 2015	751	1,070	1,690	460	–	–	3,971
Acquired with subsidiaries (see notes 32, 33 and 34)	–	–	1,487	–	15,200	419	17,106
Additions	705	–	–	–	–	–	705
Assets written-off	(18)	–	–	–	–	–	(18)
Re-allocation to tangible fixed assets	(2)	–	–	–	–	–	(2)
Translation movement	22	–	–	–	–	–	22
At 31 December 2016	**1,458**	**1,070**	**3,177**	**460**	**15,200**	**419**	**21,784**
Amortisation							
At 1 January 2015	109	267	148	31	–	–	555
Charge for the year	7	–	–	–	–	–	7
Amortisation cost of acquired fair valued intangible assets	–	214	321	61	–	–	596
Translation movement	(6)	–	–	–	–	–	(6)
At 31 December 2015	110	481	469	92	–	–	1,152
Charge for the year	20	–	–	–	–	–	20
Amortisation cost of acquired fair valued intangible assets	–	214	398	61	–	98	771
Assets written-off	(18)	–	–	–	–	–	(18)
Translation movement	17	–	–	–	–	–	17
At 31 December 2016	**129**	**695**	**867**	**153**	**–**	**98**	**1,942**
Net book value							
At 31 December 2016	**1,329**	**375**	**2,310**	**307**	**15,200**	**321**	**19,842**
At 31 December 2015	641	589	1,221	368	–	–	2,819

The intangible assets acquired with subsidiary during 2015 relate to the acquisition of Sound Opinion on 26 May 2015.

The intangible assets acquired with subsidiary during 2016 relate to the acquisitions of Haemostatix, O+P and GASD and PharmInvent on 24 May 2016, 12 June 2016 and 28 November 2016 respectively.

Included within Software is software under development with an asset value of £1,125,000 (2015: £583,000). The software is currently still under construction and so no amortisation has been recognised in the current year.

16. Property, plant and equipment

	Leasehold improvements £000s	Fixtures and fittings £000s	Motor vehicles £000s	Computer equipment £000s	Laboratory equipment £000s	Total £000s
Cost						
At 1 January 2015	38	51	68	346	–	503
Additions	17	35	19	199	–	270
Acquired with subsidiary	–	–	–	2	–	2
Re-allocation	–	(2)	–	2	–	–
Disposals	–	(1)	(14)	(3)	–	(18)
Translation movement	(2)	(2)	(5)	(11)	–	(20)
At 31 December 2015	53	81	68	535	–	737
Additions	17	67	9	269	42	404
Acquired with subsidiaries (notes 32, 33 and 34)	–	5	145	35	3	188
Re-allocation from Intangible assets	2	–	–	–	–	2
Disposals	–	–	(2)	(52)	–	(54)
Translation movement	8	14	12	89	–	123
At 31 December 2016	**80**	**167**	**232**	**876**	**45**	**1,400**
Depreciation						
At 1 January 2015	26	28	28	236	–	318
Charge for the year	5	10	5	90	–	110
Re-allocation	–	(2)	–	2	–	–
Disposals	–	–	(9)	(3)	–	(12)
Translation movement	(1)	(1)	(2)	(10)	–	(14)
At 31 December 2015	30	35	22	315	–	402
Charge for the year	10	34	25	158	9	236
Disposals	–	–	–	(25)	–	(25)
Translation movement	4	6	4	56	–	70
At 31 December 2016	**44**	**75**	**51**	**504**	**9**	**683**
Net book value At 31 December 2016	**36**	**92**	**181**	**372**	**36**	**717**
At 31 December 2015	23	46	46	220	–	335

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £000s
Net book value At 31 December 2016	**32**
At 31 December 2015	33
Depreciation charge for the year Year ended 31 December 2016	**5**
Year ended 31 December 2015	5

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For the year ended 31 December 2016

17. Subsidiaries

The Ergomed Group consists of a parent company, Ergomed plc, incorporated in the UK, and a number of subsidiaries held directly and indirectly by Ergomed plc which operate and are incorporated around the world. Note 46 to the parent company's separate financial statements lists details of the material interests in subsidiaries.

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries 2016	2015
Clinical research services	Germany	**3**	1
Clinical research services	Poland	**1**	1
Clinical research services	Serbia	**1**	1
Clinical research services	USA	**1**	1
Clinical research services	Croatia	**1**	1
Clinical research services	Russia	**1**	1
Clinical research services	Bosnia	**1**	1
Clinical research services	UAE	**1**	1
Clinical research services	Switzerland	**1**	1
Clinical research services	Taiwan	**1**	1
Drug safety and medical information services	United Kingdom	**2**	2
Drug safety and medical information services	Croatia	**1**	1
Drug safety and medical information services	Serbia	**1**	–
Drug safety and medical information services	USA	**1**	–
Drug safety and medical information services	Czech Republic	**2**	–
Research and development	United Kingdom	**1**	–
Dormant	United Kingdom	**1**	1

The registered offices of the Company's subsidiaries are as follows:

Company	Registered address
Ergomed GmbH	Otto-Volger-Str. 9b, 65843 Sulzbach (Taunus), Germany
Ergomed Sp. z o.o.	Kolowa 8, 30-134 Krakow, Poland
Ergomed d.o.o. Novi Sad	Avgusta Cesarca 18, 21 000 Novi Sad, Serbia
Ergomed Clinical Research Inc	9901 IH-10W, Suite 800, 78230, San Antonio, TX, USA
Ergomed Istraživanja Zagreb d.o.o.	Oreškovićeva 20a, 10 020 Zagreb, Croatia
Ergomed Clinical Research LLC	125040, Moscow, 17 Skakovaya Street, Building 2, Office 2714, The Russian Federation
Ergomed d.o.o. Sarajevo	Zmaja od Bosne 7-7a, Sarajevo, Bosnia and Herzegovina
Ergomed Clinical Research FZ-LLC	Dubai International Academic City, Premises 06, Floor: Ground, Building: 03, Dubai, UAE
Ergomed Virtuoso Sarl	18, Avenue Lois-Casai, 1209 Geneva, Switzerland
Ergomed Clinical Research Limited	Fl. 2, No. 467, Sec.6, Zhongxiao E Rd., Nangang District, Taipei City 115, Taiwan
Dr Oestreich + Partner GmbH	Venloer Str. 47-53, 50672 Cologne, Germany
Gesellschaft für angewandte Statistik + Datenanalyse mbH	Am Konvent 8-10, D-41460 Neuss, Germany
PrimeVigilance Limited	26-28 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey, GU2 7YD, UK
PrimeVigilance Zagreb d.o.o.	Oreškovićeva 20a, 10 020 Zagreb, Croatia
PrimeVigilance d.o.o. Beograd	Đorđa Stanojevića 14, Beograd – Novi Beograd, Serbia
PrimeVigilance Inc	Reservoir Place, 1601 Trapelo Road, Waltham, MA 02451, USA
Sound Opinion Limited	26-28 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey, GU2 7YD, UK
European Pharminvent Services s.r.o.	Prague 3 - Vinohrady, Slezska 856/74, 13000, Czech Republic
Pharminvent regulatory s.r.o.	Prague 3 - Vinohrady, Slezska 856/74, 13000, Czech Republic
Haemostatix Limited	BioCity Nottingham, Pennyfoot Street, Nottingham, NG1 1GF, UK
Ergomed Clinical Research Limited	26-28 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey, GU2 7YD, UK

18. Investments

	Modus Therapeutics Holding AB £000s	Ergomed Saudi Limited £000s	Total £000s
Cost			
At 1 January 2015	–	39	39
Additions	142	–	142
Translation movement	2	–	2
At 31 December 2015	144	39	183
Additions	54	–	54
Translation movement	30	4	34
At 31 December 2016	**228**	**43**	**271**
Provision for impairment			
At 31 December 2015 and 31 December 2016	**–**	**–**	**–**
Net book value			
At 31 December 2016	**228**	**43**	**271**
At 31 December 2015	144	39	183

Modus Therapeutics Holding AB (formerly Dilaforette Holding AB)
Under the co-development agreement with Modus Therapeutics AB (formerly Dilaforette AB), the Group receives shares in Modus Therapeutics Holding AB in return for its contribution to the co-development programme. During the year, shares valued at £54,000 (2015: £142,000) were issued to the Group.

Ergomed Saudi Limited
On 22 July 2014, the Group invested £40,000 for a 50% holding in a joint venture in Saudi Arabia – 'Ergomed Saudi Limited'. The operation is still in the set up phase and the asset is held at cost.

19. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Deferred tax assets

	Tax losses £000s	Timing differences £000s	Total £000s
At 1 January 2015	–	323	323
Credit to profit or loss	3	46	49
Credit direct to equity	–	1	1
Translation movement	–	(8)	(8)
At 31 December 2015	3	362	365
Acquired with subsidiaries	–	1,015	1,015
Charge to profit or loss	(3)	(47)	(50)
Credit direct to equity	–	118	118
At 31 December 2016	**–**	**1,448**	**1,448**

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For the year ended 31 December 2016

19. Deferred tax continued

Deferred tax liabilities

	ACAs £000s	Timing differences £000s	Total £000s
At 1 January 2015	(78)	(497)	(575)
Acquired with subsidiary	–	(42)	(42)
(Charge)/credit to profit or loss	(46)	147	101
At 31 December 2015	(124)	(392)	(516)
Acquired with subsidiaries	–	(3,145)	(3,145)
(Charge)/credit to profit or loss	(48)	291	243
At 31 December 2016	**(172)**	**(3,246)**	**(3,418)**

	2016 £000s	2015 £000s
Deferred tax assets	**1,448**	365
Deferred tax liabilities	**(3,418)**	(516)
Net deferred tax liabilities	**(1,970)**	(151)

At 31 December 2016, the Group had unused tax losses of £5,731,000 (2015: £384,000) available for offset against future profits. A deferred tax asset has been recognised in respect of £5,731,000 (2015: £16,000) of such losses. No deferred tax asset has been recognised in respect of the remaining £nil (2015: £368,000) as it is not considered probable that there will be future profits available. Included in unrecognised tax losses are losses of £nil (2015: £77,000) that will expire in 2026. Other losses may be carried forward indefinitely.

20. Trade and other receivables

	2016 £000s	2015 £000s
Trade receivables	**9,540**	6,412
Other receivables	**1,025**	381
Prepayments	**841**	376
Accrued income	**2,538**	1,989
Corporation tax receivable	**1,014**	370
	14,958	9,528

Included in trade receivables are the following amounts that are past due at the reporting date by the following periods.

	2016 £000s	2015 £000s
Less than 30 days overdue	**1,795**	1,592
31 to 60 days overdue	**1,588**	221
61 to 90 days overdue	**105**	24
More than 90 days overdue	**221**	404
	3,709	2,241

Movement in the provision for doubtful debts.

	2016 £000s	2015 £000s
Balance at the beginning of the year	**233**	200
Impairment losses recognised	**(116)**	–
Acquired with subsidiaries	**3**	–
Provision made during the year	**855**	45
Translation movements	**41**	(12)
Balance at the end of the year	**1,016**	233

The carrying value of trade receivables approximates to their fair value at the balance sheet date.

The carrying values of the Group's trade and other receivables are uncovered. The Group has not pledged as security any of the amounts included in receivables.

21. Clinical trial inventory

	2016 £000s	2015 £000s
Clinical trial inventory	**450**	–

Clinical trial inventory relates to GMP material for use in the clinical development programmes of Haemostatix Limited.

22. Cash and cash equivalents

	2016 £000s	2015 £000s
Cash at bank	**4,424**	3,974

The effective interest rate at the balance sheet date on cash at bank was 0.006% (2015: 0.021%).

The carrying amount of cash and cash equivalents approximates to their fair value at the balance sheet date and are denominated in the following currencies:

	2016 £000s	2015 £000s
GBP	**1,144**	913
Euro	**1,239**	348
USD	**1,078**	1,116
Other	**963**	1,597
	4,424	3,974

23. Borrowings

	2016		2015	
	Capital £000s	Interest £000s	Capital £000s	Interest £000s
Secured borrowings at amortised cost				
Finance leases				
Borrowings within one year	**3**	**–**	5	1
Between one and two years	**3**	**–**	3	–
Between two and five years	**2**	**–**	4	–
Borrowings greater than one year	**5**	**–**	7	–
Totals	**8**	**–**	12	1

Finance leases are secured on the assets to which they relate.

24. Trade and other payables

	2016 £000s	2015 £000s
Trade creditors	**3,037**	2,381
Amounts payable to related parties	**49**	71
Social security and other taxes	**632**	374
Other payables	**600**	381
Accruals	**2,759**	2,748
	7,077	5,955

The carrying amount of the Group's trade and other payables approximates to their fair value at the balance sheet date and are uncovered.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

25. Deferred consideration

	2016 £000s	2015 £000s
Deferred consideration	**7,772**	–

This amount relates to the fair value of the deferred consideration in relation to the acquisition of Haemostatix Limited. The carrying amount of the Company's trade and other payables approximates to their fair value at the balance sheet date and are uncovered.

26. Share capital

	2016 No.	2015 No.
Allotted, called up and fully paid		
Ordinary shares of £0.01 each		
Balance at 1 January	**28,750,000**	28,750,000
Shares issued during the year	**11,754,806**	–
Contingent shares for deferred consideration	**94,618**	–
Balance at 31 December	**40,599,424**	28,750,000

	2016 £000s	2015 £000s
Allotted, called up and fully paid		
Ordinary shares of £0.01 each		
Balance at 1 January	**288**	288
Shares issued for cash during the year	**66**	–
Shares issued for non-cash consideration during the year	**51**	–
Contingent shares for deferred consideration	**1**	–
Balance at 31 December	**406**	288

During 2016, a total of 11,754,806 ordinary shares of £0.01 each ('Ordinary Shares') were issued, of which 6,560,850 were issued for cash in an institutional placing, 4,415,051 were issued as part consideration for Haemostatix, 138,329 were issued as part consideration for O+P and GASD and 640,576 were issued as part consideration for PharmInvent. In addition, a further 94,618 Ordinary Shares will be issued to part satisfy the first component of deferred consideration for PharmInvent.

27. Share premium account

	2016 £000s	2015 £000s
Balance at 1 January (re-stated) (note 1)	**9,361**	9,361
Share issue for cash during the year	**9,120**	–
Expenses of share issue for cash during the year	**(524)**	–
Balance at 31 December	**17,957**	9,361

The share premium arising during 2016 related to the issue of 6,560,850 ordinary shares at a price of £1.40 per share on 24 May 2016 in connection with an institutional placing. Expenses of £524,000 relating to the issue of shares were deducted from the Share premium account.

28. Merger reserve

	2016 £000s	2015 £000s
Balance at 1 January (re-stated) (note 1)	**2,981**	2,981
Shares issued for non-cash consideration during the year	**7,144**	–
Contingent shares for deferred consideration	**139**	–
Balance at 31 December	**10,264**	2,981

The merger reserve arising during 2016 for non-cash consideration related to the issue of a total of 5,193,956 ordinary

shares of £0.01 each ('Ordinary Shares'). Of these, 4,415,051 were issued at £1.40 per share as part consideration for Haemostatix, 138,329 were issued at £1.37 per share as part consideration for O+P and GASD and 640,576 were issued at £1.29 per share as part consideration for PharmInvent.

In addition, an additional 94,618 Ordinary Shares will be issued at £1.48 per share to part satisfy the first component of deferred consideration for PharmInvent.

29. Reserves
The movements in reserves are shown in the Consolidated statement of changes in equity.

Share-based payment reserve
The corresponding credit associated with the charge for share options (note 30) is recognised as a credit to the share-based payment reserve.

Translation reserve
The translation reserve records any exchange differences arising as a result of the translation of foreign currency equity balances and foreign currency non-monetary items.

30. Share-based payments
The Company operates three share option schemes:
- the Ergomed plc Long Term Incentive Plan;
- the Unapproved Executive Share Option Scheme 2007; and
- an Unapproved Executive Share Option Agreement made with Rolf Stahel.

Ergomed plc Long Term Incentive Plan
The Ergomed plc Long Term Incentive Plan allows for the grant of options to both executives and all other Group employees, which may or may not be subject to performance criteria. It further provides for any options granted under its terms to be options that qualify under the Enterprise Management Incentives legislation ('Qualifying EMI options'), as well as options that do not qualify ('Unapproved options').

Selected Directors and employees of the Group may be granted options under the Long Term Incentive Plan at the discretion of the Company's Board of Directors or a duly authorised committee thereof (the 'Committee'). Employees and Directors will be eligible to participate in the Long Term Incentive Plan as follows:

i) Qualifying EMI options can be granted to an employee or Director of the Company (or a Group company) who commits at least 25 hours per week or, if less, at least 75% of his or her working time on the business of the Company (or Group company) and, at the grant date, does not either individually or together with his associates control more than 30% of the ordinary share capital of the Company.

ii) Unapproved options can be granted to any employee (including an Executive Director) of a Group company.

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1,353,000**	**1.64**	–	–
Granted during the year	**835,000**	**0.56**	1,368,000	1.64
Lapsed during the year	**(150,000)**	**1.625**	(15,000)	1.625
Outstanding at the end of the year	**2,038,000**	**1.20**	1,353,000	1.64
Vested at the end of the year	**–**		–	
Exercisable at the end of the year	**–**		–	

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30. Share-based payments continued

Options were valued using a Black-Scholes option pricing model, using the following inputs:

Award date	11 January 2016	11 January 2016	3 July 2016	3 July 2016	3 December 2016
Fair value per share option	1.6327p	0.4226p	0.1441p	1.1791p	0.2493p
Share price	£1.693	£1.693	£1.21	£1.21	£1.43
Exercise price	£0.01	£0.01	£1.39	£0.01	£1.39
Volatility	27%	27%	27%	28%	28%
Expected life	3 years	3 years	2.9 years	1.7 years	2.5 years
Expected dividends	1.0%	1.0%	1.0%	1.0%	1.0%
Risk free rate	0.7%	0.7%	0.23%	0.11%	0.21%

Award date	3 June 2015	24 December 2015
Fair value per share option	44.68p	42.38p
Share price	£1.625	£1.660
Exercise price	£1.625	£1.660
Volatility	28%	27%
Expected life	5 years	5 years
Expected dividends	0%	0%
Risk free rate	1.52%	1.29%

Volatility was based upon the historical volatility for a basket of comparable listed companies measured over a period commensurate with the expected life of the grant.

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £331,000 related to equity-settled share-based payment transactions in the year ended 31 December 2016 (2015: £95,000).

At 31 December 2016, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	2016 No.	2015 No.
2015	03/06/2018 – 02/06/2025	1.625	**928,000**	1,078,000
2015	03/06/2018 – 23/12/2025	1.69	**275,000**	275,000
2016	11/01/2016 – 10/01/2026	0.01	**200,000**	–
2016	11/01/2016 – 10/01/2026	0.01	**200,000**	–
2016	03/07/2016 – 02/06/2026	1.39	**185,000**	–
2016	03/07/2016 – 02/06/2026	0.01	**100,000**	–
2016	03/12/2016 – 02/12/2026	1.39	**150,000**	–

The weighted average remaining life was eight years and ten months (2015: nine years and six months).

Unapproved Executive Share Option Scheme 2007

The Unapproved Executive Share Option Scheme 2007 is an unapproved equity-settled share option scheme for the benefit of employees. Grants are made at the discretion of the Board of Directors, or an authorised committee thereof.

Options are forfeited (even if already vested) if the employee ceases employment with the Company and can only be exercised upon a sale, listing or the passing of a resolution for the voluntary winding-up of the Company or making of an order for the compulsory winding up of the Company. The employee retains the options vested at the time of the cessation of the employee's employment for a six month period. The movement on options in issue under these schemes is set out below:

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning and end of the year	**1,000,000**	**0.01**	1,000,000	0.01
Vested at the end of the year	**1,000,000**		1,000,000	
Exercisable at the end of the year	**1,000,000**		1,000,000	

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £nil related to equity-settled share-based payment transactions in the year ended 31 December 2016 (2015: £nil).

At 31 December 2016, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	**2016 No.**	2015 No.
2009	31/01/2009 – 30/12/2019	0.01	**1,000,000**	1,000,000

The weighted average remaining life was three years (2015: four years).

Unapproved Executive Share Option Agreement made with Rolf Stahel
On 18 April 2014, an award of share options was made to Rolf Stahel under a separate option agreement. The award comprised options over 1,260,000 Ordinary Shares. The exercise of the options is linked to the timing of the Admission which has given rise to an exercise price of £1.60 per share. The option becomes exercisable in respect of one thirty-sixth of the options one month from the date of the share option agreement and on the same date in each subsequent calendar month over one thirty-sixth of the options.

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1,260,000**	**1.60**	1,260,000	1.60
Granted during the year	**–**	**–**	–	–
Outstanding at the end of the year	**1,260,000**	**1.60**	1,260,000	1.60
Vested at the end of the year	**1,120,000**		700,000	
Exercisable at the end of the year	**1,120,000**		700,000	

Thirty-two thirty-sixths of the total amount of options awarded have vested by 31 December 2016, representing 1,120,000 shares at an exercise price of £1.60. All unexercised options carry an exercise price of £1.60. The awards have a 10 year contractual life. At 31 December 2016, the awards therefore had a remaining contractual life of seven years and four months.

The options were valued using a Black-Scholes option pricing model, using the following inputs:

Award date	18 April 2014
Fair value per share option	47.79p
Share price	£1.60
Exercise price	£1.60
Volatility	30%
Expected life	5 years
Expected dividends	0%
Risk free rate	1.91%

Volatility was based upon the historical volatility for a basket of comparable listed companies measured over a period commensurate with the expected life of the grant.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

30. Share-based payments continued

Based on the calculation of the total fair value of the options granted, the share-based remuneration expense in respect of equity-settled schemes is an amount of £67,000 (2015: £193,000). There are no outstanding liabilities.

At 31 December 2016, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	2016 No.	2015 No.
2014	18/04/2014 – 17/04/2024	1.60	**1,260,000**	1,260,000

The weighted average remaining life was seven years and four months (2015: eight years and four months).

31. Financial instruments

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Categories of financial instruments

31 December 2016	Financial instruments at fair value through profit and loss £000s	Loans and receivables £000s	Current financial liabilities at amortised cost £000s	Non-current financial liabilities at fair value through profit and loss £000s	Non-current financial liabilities at amortised cost £000s	Carrying amount £000s	Fair value £000s
Financial assets							
Investments	**228**	**–**	**–**	**–**	**–**	**228**	**228**
Trade receivables	**–**	**9,540**	**–**	**–**	**–**	**9,540**	**9,540**
Other receivables	**–**	**198**	**–**	**–**	**–**	**198**	**198**
Accrued income	**–**	**2,233**	**–**	**–**	**–**	**2,233**	**2,233**
Cash and cash equivalents	**–**	**4,424**	**–**	**–**	**–**	**4,424**	**4,424**
	228	**16,395**	**–**	**–**	**–**	**16,623**	**16,623**
Financial liabilities							
Finance leases	**–**	**–**	**3**	**–**	**5**	**8**	**8**
Trade creditors	**–**	**–**	**3,037**	**–**	**–**	**3,037**	**3,037**
Amounts owed to related parties	**–**	**–**	**49**	**–**	**–**	**49**	**49**
Other payables	**–**	**–**	**600**	**–**	**–**	**600**	**600**
Accruals	**–**	**–**	**2,759**	**–**	**–**	**2,759**	**2,759**
Deferred consideration	**–**	**–**	**–**	**7,772**	**–**	**7,772**	**7,772**
	–	**–**	**6,448**	**7,772**	**5**	**14,225**	**14,225**

Categories of financial instruments

31 December 2015	Financial instruments at fair value through profit and loss £000s	Loans and receivables £000s	Current financial liabilities at amortised cost £000s	Non-current financial liabilities at amortised cost £000s	Carrying amount £000s	Fair value £000s
Financial assets						
Investments	144	–	–	–	144	144
Trade receivables	–	6,412	–	–	6,412	6,412
Other receivables	–	141	–	–	141	141
Accrued income	–	740	–	–	740	740
Cash and cash equivalents	–	3,974	–	–	3,974	3,974
	144	11,267	–	–	11,411	11,411
Financial liabilities						
Finance leases	–	–	5	7	12	12
Trade creditors	–	–	2,381	–	2,381	2,381
Amounts owed to related parties	–	–	71	–	71	71
Other payables	–	–	381	–	381	381
Accruals	–	–	2,748	–	2,748	2,748
	–	–	5,586	7	5,593	5,593

The Group's financial assets held for managing liquidity risk, being loans and receivables, which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities within six months.

Financial risk management objectives

The Group's Finance function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by natural hedging in currency accounts, and the functional currency is the Euro. The carrying amounts of the Group's financial assets and financial liabilities by currency at the reporting date are as follows:

Financial assets

	2016 £000s	2015 £000s
GBP	**2,487**	2,094
Euro	**6,396**	2,145
USD	**5,797**	5,126
Other	**1,943**	2,046
	16,623	11,411

Financial liabilities

	2016 £000s	2015 £000s
GBP	**9,026**	886
Euro	**4,032**	3,875
USD	**170**	249
Other	**997**	583
	14,225	5,593

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

31. Financial instruments continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro currency and the US Dollar currency. However as the Euro is the functional currency their exposure is less sensitive.

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity and a negative number indicates a decrease in profit and other equity.

2016	**Strengthen +10% £000s**	**Weaken -10% £000s**
Euro	**(215)**	**263**
USD	**(511)**	**625**
Other	**(86)**	**105**
	(812)	**993**

2015	Strengthen +10% £000s	Weaken -10% £000s
Euro	157	(192)
USD	(443)	542
Other	(133)	162
	(419)	512

Interest rate risk management

The Group is exposed to the interest rate risks associated with its holdings of cash and cash equivalents and short term deposits and finance leases payable.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which regularly monitors the Group's short, medium and long term funding, and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The impact on profit and other comprehensive income due to interest rate exposure is not considered significant, and no interest rate sensitivity has been performed.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group assesses the creditworthiness of customers in advance of entering into any contract. During the life of a contract, the customer's financial status is monitored as well as payment history. The Group does have some larger customer balances representing more than 15% of the trade receivables at a particular time, but these will be large profitable pharmaceutical companies with good credit ratings or smaller biotech companies with supportive shareholders and a history of successful fundraising, and this is not considered indicative of an increased credit risk. Credit information is supplied by independent rating agencies where appropriate and if available. Alternatively the Group uses other publicly available financial information and its own trading records to rate its major customers.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

There has been no history of bad debts as the majority of its sales are to multinational pharmaceutical companies and as a consequence the Directors do not consider that the Group has a credit risk.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity and interest risk tables
The Group has no significant long term financial liabilities.

Fair value estimation
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of long term trade receivables and payables is estimated by discounting the future contractual cash flows at the current market interest rate for the underlying currency of the transaction.

Fair value measurements
The financial instruments measured subsequent to initial recognition at fair value comprise investments. The fair value hierarchy of these assets is Level 2. The valuation technique is market value, based on the most recent investment price. The Group did not have any other financial instruments that are measured subsequent to initial recognition at fair value. An analysis of the fair value hierarchy has therefore not been presented.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

32. Acquisition of subsidiary – Haemostatix

On 24 May 2016, Ergomed plc acquired 100% of the issued share capital of Haemostatix Limited ('Haemostatix'), a research and development company based in Nottingham, UK developing novel products for the surgical bleeding market. The acquisition of Haemostatix enhances Ergomed's portfolio of development products with the potential to generate significant shareholder value.

The amounts provisionally recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Book values £000s	Fair value adjustments £000s	Final valuation £000s
Intangible assets	–	15,200	15,200
Property, plant and equipment	4	–	4
Deferred tax asset	–	1,015	1,015
Total non-current assets	4	16,215	16,219
Trade and other debtors	164	–	164
Clinical trial inventory	45	–	45
Cash and equivalents	63	–	63
Current assets	272	–	272
Trade and other creditors	(1,365)	–	(1,365)
Deferred tax liability	–	(2,736)	(2,736)
Financial liabilities	(1,365)	(2,736)	(4,101)
Total identifiable net assets/(liabilities)	(1,089)	13,479	12,390
Goodwill	15,565	(13,479)	2,086
Total consideration	14,476	–	14,476
Satisfied by:			
Cash	800	–	800
Equity	6,181	–	6,181
Deferred consideration	7,495	–	7,495
Total consideration	14,476	–	14,476
Net cash outflow arising on acquisition			
Cash consideration	800	–	800
Less: cash and cash equivalent balances acquired	(63)	–	(63)
Transaction expenses (note 7)	370	–	370
	1,107	–	1,107

The provisional fair value of intangible assets relates to the in-process research and development of PeproStat™ and ReadyFlow™. The provisional fair value of the financial assets includes receivables with a fair value of £164,000 and a gross contractual value of £164,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

Goodwill is provisionally valued at £2,086,000. None of the goodwill is expected to be deductible for income tax purposes. Deferred consideration represents the fair valuation of the additional consideration payable, which could be an aggregate maximum of £20,000,000, subject to the future performance of the business.

Ergomed plc has a 12 month measurement period from the date of acquisition, and therefore the measurement period ends on 23 May 2017.

As a research and development company, Haemostatix is investing in its development portfolio and does not currently generate revenues. If the acquisition of Haemostatix had been completed on the first day of the financial year, Group revenues for the year ended 31 December 2016 would have been unchanged and Group profit would have been £1,082,000 lower.

33. Acquisition of subsidiary – O+P and GASD

On 12 June 2016, Ergomed acquired 100% of the issued share capital of Dr Oestreich+ Partner GmbH ('O+P') and Gesellschaft für angewandte Statistik + Datenanalyse mbH ('GASD'). O+P is a long established contract research organisation based in Cologne, Germany and GASD is a specialist data management and biostatistics company. The acquisition of O+P and GASD brings, among other things, a proprietary electronic data capture system and specialist biostatics expertise which can be deployed across the Ergomed global platform.

O+P and GASD were acquired as a single unit. The amounts provisionally recognised in relation to both entities in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Book values £000s	Fair value adjustments £000s	Final valuation £000s
Intangible assets	–	615	615
Property, plant and equipment	23	–	23
Total non-current assets	23	615	638
Trade and other debtors	91	–	91
Accrued income	71	–	71
Corporation tax receivable	6	–	6
Cash and equivalents	498	–	498
Current assets	666	–	666
Trade and other creditors	(218)	–	(218)
Tax payable	(2)	–	(2)
Deferred tax liability	–	(164)	(164)
Financial liabilities	(220)	(164)	(384)
Total identifiable net assets	469	451	920
Goodwill	938	(451)	487
Total consideration	1,407	–	1,407
Satisfied by:			
Cash	802	–	802
Equity	190	–	190
Deferred consideration	415	–	415
Total consideration	1,407	–	1,407
Net cash outflow arising on acquisition			
Cash consideration	802	–	802
Less: cash and cash equivalent balances acquired	(498)	–	(498)
Transaction expenses (note 7)	85	–	85
	389	–	389

The provisional fair value of the financial assets includes receivables with a fair value of £91,000 and a gross contractual value of £91,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

Goodwill is provisionally valued at £487,000 and is attributable to the synergies and the enhanced offering of the Ergomed Group following the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Deferred consideration represents the provisional fair valuation of the additional consideration payable which could be an aggregate maximum of £951,000, subject to the future performance of the business. This deferred consideration was written back during the year, giving rise to a credit through the profit and loss account of £460,000.

Ergomed plc has a 12 month measurement period from the date of acquisition, and therefore the measurement period ends on 11 June 2017.

If the acquisition of O+P and GASD had been completed on the first day of the financial year, Group revenues for the year ended 31 December 2016 would have been £381,000 higher and Group profit would have been £134,000 lower.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

34. Acquisition of subsidiary – PharmInvent

On 28 November 2016, Ergomed acquired 100% of the issued share capital of European PharmInvent Services s.r.o. ('PharmInvent'). PharmInvent offers a comprehensive range of pharmacovigilance and regulatory services to over 100 clients in the global pharmaceutical industry. Pharmacovigilance services include an outsourced global network of 95 Qualified Persons for Pharmacovigilance ('QPPVs') in 50 countries, case management, risk management, audit, training and consulting services on the establishment and maintenance of pharmacovigilance systems. Regulatory services include strategic advice on regulatory strategy, clinical trial and protocol design and medical writing of regulatory submissions.

The amounts provisionally recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Book values £000s	Fair value adjustments £000s	Final valuation £000s
Intangible assets	–	1,291	1,291
Property, plant and equipment	161	–	161
Total non-current assets	161	1,291	1,452
Trade and other debtors	786	–	786
Cash and equivalents	252	–	252
Current assets	1,038	–	1,038
Trade and other creditors	(300)	–	(300)
Tax payable	(45)	–	(45)
Deferred tax liability	–	(245)	(245)
Financial liabilities	(345)	(245)	(590)
Total identifiable net assets	854	1,046	1,900
Goodwill	3,270	(1,046)	2,224
Total consideration	4,124	–	4,124
Satisfied by:			
Cash	3,299	–	3,299
Equity	825	–	825
Total consideration	4,124	–	4,124
Net cash outflow arising on acquisition			
Cash consideration	3,299	–	3,299
Less: cash and cash equivalent balances acquired	(252)	–	(252)
Transaction expenses (note 7)	118	–	118
	3,165	–	3,165

The provisional fair value of the financial assets includes receivables with a fair value of £786,000 and a gross contractual value of £786,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

Goodwill is provisionally valued at £2,224,000 and is attributable to the enhanced offering of the Ergomed Group following the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

In addition to the consideration identified above, deferred consideration is payable subject to the achievement of commercial milestones and conditional upon the continued employment of the vendors by the Company. In accordance with IFRS 3 – Business Combinations, such payments are charged through the profit and loss account when achieved. £690,000 has been charged through the profit and loss account in respect of milestones relating to the year ended 31 December 2016.

Ergomed plc has a 12 month measurement period from the date of acquisition, and therefore the measurement period ends on 27 November 2017.

If the acquisition of PharmInvent had been completed on the first day of the financial year, Group revenues for the year ended 31 December 2016 would have been £3,216,000 higher and Group profit would have been £593,000 higher.

35. Financial commitments

At 31 December 2016 the Group was committed to making the following payments under non-cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2016 £000s	2015 £000s	**2016 £000s**	2015 £000s
Within one year	**663**	284	**128**	57
Between two and five years	**459**	178	**185**	74
	1,122	462	**313**	131

36. Pension costs

The Group makes contributions to defined contribution personal pension schemes of the employees. The pension cost represents contributions payable by the Group to the schemes and amounted to £182,000 (2015: £118,000). Contributions payable to the schemes at 31 December 2016 were £193,000 (2015: £123,000).

37. Related party transactions

Ergomed d.o.o., a company registered in Croatia, is under the control of Miroslav Reljanovic, who is a Director and shareholder of the Company. During the year the Company and its subsidiaries were charged £240,000 (2015: £160,000) by Ergomed d.o.o. and its subsidiaries in respect of clinical research costs and other administration. At 31 December 2016 a balance of £37,000 was owed by the Company and its subsidiaries to Ergomed d.o.o. in respect of these costs (2015: £57,000). In addition, during the year, the Group sold medical equipment to a subsidiary of Ergomed d.o.o. for £33,000 (2015: £nil).

Chesyl Pharma Limited is a company owned by Rolf Stahel, who was a Director of the Company. During the year, the Company was charged consultancy fees of £52,000 (2015: £54,000) in relation to the services of Rolf Stahel, included in the remuneration paid to Rolf Stahel. At 31 December 2016, amounts payable to Chesyl Pharma in relation to such consultancy services and associated expenses were £12,000 (2015: £5,000).

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

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

38. EBITDA and EBITDA (adjusted)

	2016 £000s	2015 £000s
Operating profit	**598**	2,072
Adjust for:		
Depreciation and amortisation charges within Other administrative expenses	**256**	117
Amortisation of acquired fair valued intangible assets	**771**	596
EBITDA	**1,625**	2,785
Share-based payment charge	**398**	288
Deferred consideration for acquisition	**690**	–
Write-back of deferred consideration for acquisition	**(460)**	–
Acquisition costs	**584**	272
Exceptional items	**177**	37
EBITDA (adjusted)	**3,014**	3,382

The adjustments to EBITDA are made to ensure that 2016 results and 2015 results are presented on a comparable basis.

Notes to the consolidated financial statements continued

For the year ended 31 December 2016

39. Adjusted earnings per share

	2016 £000s	2015 £000s
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	**479**	1,552
Effect of dilutive potential ordinary shares	**–**	–
Earnings for the purposes of diluted earnings per share	**479**	1,552
Adjust for:		
Amortisation of acquired fair valued intangible assets	**771**	596
Share-based payment charge	**398**	288
Deferred consideration for acquisition	**690**	–
Write-back of deferred consideration for acquisition	**(460)**	–
Acquisition costs	**584**	272
Exceptional items	**177**	37
Adjusted earnings for the purposes of diluted earnings per share	**2,639**	2,745
Adjusted earnings per share		
Basic	**7.4p**	9.5p
Diluted	**7.1p**	9.2p

40. Subsequent events

There were no subsequent events.

Company balance sheet

As at 31 December 2016

	Note	2016 £000s	2015 Re-stated £000s	2014 Re-stated £000s
Non-current assets				
Intangible assets	44	**153**	4	–
Property, plant and equipment	45	**24**	8	8
Investments	46	**34,082**	10,557	10,569
Deferred tax asset	47	**457**	342	304
		34,716	10,911	10,881
Current assets				
Trade and other receivables	48	**11,808**	6,824	4,886
Cash and cash equivalents	49	**930**	1,407	3,430
		12,738	8,231	8,316
Total assets		**47,454**	19,142	19,197
Current liabilities				
Trade and other payables	50	**(7,524)**	(5,945)	(5,138)
Deferred revenue		**(1,260)**	(773)	(586)
Total current liabilities		**(8,784)**	(6,718)	(5,724)
Net current assets		**3,954**	1,513	2,592
Non-current liabilities				
Deferred consideration	51	**(7,772)**	–	–
Deferred tax liability	47	**(5)**	(2)	(1)
Total liabilities		**(16,561)**	(6,720)	(5,725)
Net assets		**30,893**	12,422	13,472
Equity				
Share capital	52	**406**	288	288
Share premium account	53	**17,957**	9,361	9,361
Merger reserve	54	**10,264**	2,981	2,981
Share-based payment reserve	55	**1,048**	650	362
Translation reserve	55	**2,550**	(1,046)	(235)
Retained earnings		**(1,332)**	188	715
Total equity		**30,893**	12,422	13,472

The notes on pages 74 to 89 form an integral part of these financial statements.

The re-statement of the balance sheets for 2014 and 2015 are explained in note 41.

As permitted by Section 408 of the Companies Act 2006 the Statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss after tax for the financial year was £1,638,000 (2015: £528,000).

Approved by the Board of Directors and authorised for issue on 26 April 2017.

S A Stamp
Director
Company Registration No. 04081094

Company statement of changes in equity

For the year ended 31 December 2016

	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2014	288	12,342	–	362	(235)	715	13,472
Correction of accounting treatment (note 41)	–	(2,981)	2,981	–	–	–	–
As re-stated	288	9,361	2,981	362	(235)	715	13,472
Loss for the year	–	–	–	–	–	(528)	(528)
Other comprehensive income for the year	–	–	–	–	(811)	–	(811)
Total comprehensive income for the year	–	–	–	–	(811)	(528)	(1,339)
Share-based payment charge for the year	–	–	–	288	–	–	288
Deferred tax credit taken directly to equity	–	–	–	–	–	1	1
Balance at 31 December 2015 (re-stated)	288	9,361	2,981	650	(1,046)	188	12,422
Loss for the year	–	–	–	–	–	(1,638)	(1,638)
Other comprehensive income for the year	–	–	–	–	3,596	–	3,596
Total comprehensive income for the year	–	–	–	–	3,596	(1,638)	1,958
Share issue for cash (net of expenses) during the year	66	8,596	–	–	–	–	8,662
Share issues for non-cash consideration during the year	51	–	7,144	–	–	–	7,195
Contingent share issue for non-cash consideration	1	–	139	–	–	–	140
Share-based payment charge for the year	–	–	–	398	–	–	398
Deferred tax credit taken directly to equity	–	–	–	–	–	118	118
Balance at 31 December 2016	**406**	**17,957**	**10,264**	**1,048**	**2,550**	**(1,332)**	**30,893**

Company cash flow statement

For the year ended 31 December 2016

	Note	2016 £000s	2015 £000s
Cash flows from operating activities			
Loss before taxation		**(1,581)**	(563)
Adjustment for:			
Amortisation and depreciation		**21**	4
Share-based payment charge		**398**	288
Exchange adjustments		**118**	(198)
Acquisition of shares for non-cash consideration		**(54)**	(142)
Write-back of deferred consideration		**(415)**	–
Acquisition costs and deferred consideration		**726**	54
Investment revenues		**(1)**	–
Finance costs		**273**	–
Operating cash flow before changes in working capital and provisions		**(515)**	(557)
Increase in trade and other receivables		**(4,938)**	(1,807)
Increase in trade and other payables		**2,066**	914
Cash utilised by operations		**(3,387)**	(1,450)
Taxation paid		**–**	(149)
Net cash outflow from operating activities		**(3,387)**	(1,599)
Investing activities			
Acquisition of intangible assets		**(150)**	(4)
Acquisition of property, plant and equipment		**(34)**	(5)
Acquisition of subsidiaries		**(5,568)**	(415)
Net cash outflow from investing activities		**(5,752)**	(424)
Financing activities			
Issue of new shares		**9,185**	–
Expenses of fundraising		**(523)**	–
Net cash inflow from financing activities		**8,662**	–
Net (decrease)/increase in cash and cash equivalents		**(477)**	(2,023)
Cash and cash equivalents at start of the year		**1,407**	3,430
Cash and cash equivalents at end of year	49	**930**	1,407

Notes to the Company financial statements

For the year ended 31 December 2016

41. Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements.

Re-statement of prior year Company balance sheet

In July 2014, Ergomed plc acquired the entire issued share capital of PrimeVigilance Limited for consideration comprising £6,000,000 in cash, and 1,875,000 shares of £0.01 each, valued at £1.60 per share. The excess of share value over the nominal value of those shares was taken to the share premium account. However, under the Companies Act 2006, these amounts should have been posted to the merger reserve. An adjustment has been made to the Company balance sheet as at 31 December 2014 and 31 December 2015. This adjustment has no impact on the net assets of the Company, the Company income statement or the Company cash flow statement. The impact on the Company balance sheet is set out below.

	2015 Previously reported £000s	Adjustment £000s	2015 Re-stated £000s
Non-current assets			
Other intangible assets	4	–	4
Property, plant and equipment	8	–	8
Investments	10,557	–	10,557
Deferred tax asset	342	–	342
	10,911	–	10,911
Current assets			
Trade and other receivables	6,824	–	6,824
Cash and cash equivalents	1,407	–	1,407
	8,231	–	8,231
Total assets	19,142	–	19,142
Current liabilities			
Trade and other payables	(5,945)	–	(5,945)
Deferred revenue	(773)	–	(773)
Total current liabilities	(6,718)	–	(6,718)
Net current assets	1,513	–	1,513
Non-current liabilities			
Deferred tax liability	(2)	–	(2)
Total liabilities	(6,720)	–	(6,720)
Net assets	12,422	–	12,422
Equity			
Share capital	288	–	288
Share premium account	12,342	(2,981)	9,361
Merger reserve	–	2,981	2,981
Share-based payment reserve	650	–	650
Translation reserve	(1,046)	–	(1,046)
Retained earnings	188	–	188
Total equity	12,422	–	12,422

	2014 Previously reported £000s	Adjustment £000s	2014 Re-stated £000s
Non-current assets			
Property, plant and equipment	8	–	8
Investments	10,569	–	10,569
Deferred tax asset	304	–	304
	10,881	–	10,881
Current assets			
Trade and other receivables	4,886	–	4,886
Cash and cash equivalents	3,430	–	3,430
	8,316	–	8,316
Total assets	19,197	–	19,197
Current liabilities			
Trade and other payables	(5,138)	–	(5,138)
Deferred revenue	(586)	–	(586)
Total current liabilities	(5,724)	–	(5,724)
Net current assets	2,592	–	2,592
Non-current liabilities			
Deferred tax liability	(1)	–	(1)
Total liabilities	(5,725)	–	(5,725)
Net assets	13,472	–	13,472
Equity			
Share capital	288	–	288
Share premium account	12,342	(2,981)	9,361
Merger reserve	–	2,981	2,981
Share-based payment reserve	362	–	362
Translation reserve	(235)	–	(235)
Retained earnings	715	–	715
Total equity	13,472	–	13,472

42. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 41, the Directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The amount of revenue to be recognised is based on, *inter alia*, management's estimate of the fair value of the consideration received or receivable, the stage of completion and of the point in time at which management considers that it becomes probable that economic benefits will flow to the entity (as the outcome is not always certain at the inception of a contract).

Notes to the Company financial statements continued

For the year ended 31 December 2016

42. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Bad debt provision

In determining the level of provisioning for bad debts, the Directors have considered the aging of trade receivables, and the payment history and financial position of debtors. The provision against trade receivables as at 31 December 2016 was £1,013,000 (2015: £188,000) (note 48).

Fair value measurements

Some of the Company's liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Company incurs share-based payment charges in relation to share options awards made in the current and prior periods. This charge is based on the fair value of such share options for financial reporting purposes. In estimating the fair value of a share-based payment, the Company engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

43. Loss of the parent company

As permitted by Section 408 of the Companies Act 2006 the Statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss after tax for the financial year was £1,638,000 (2015: £528,000).

44. Intangible assets

	Software £000s
Cost	
At 1 January 2015	88
Translation movement	(10)
Additions	4
At 31 December 2015	82
Translation movement	12
Additions	150
At 31 December 2016	**244**
Amortisation	
At 1 January 2015	88
Translation movement	(10)
At 31 December 2015	78
Charge for the year	1
Translation movement	12
At 31 December 2016	**91**
Net book value	
At 31 December 2016	**153**
At 31 December 2015	4

Intangible assets represent software currently in use by the business.

45. Property, plant and equipment

	Fixtures and fittings £000s	Computer equipment £000s	Total £000s
Cost			
At 1 January 2015	1	23	24
Additions	–	4	4
Translation movement	–	(1)	(1)
At 31 December 2015	1	26	27
Additions	18	16	34
Translation movement	1	5	6
At 31 December 2016	**20**	**47**	**67**
Depreciation			
At 1 January 2015	1	15	16
Charge for the year	–	4	4
Translation movement	–	(1)	(1)
At 31 December 2015	1	18	19
Charge for the year	12	8	20
Translation movement	–	4	4
At 31 December 2016	**13**	**30**	**43**
Net book value			
At 31 December 2016	**7**	**17**	**24**
At 31 December 2015	–	8	8

No assets in the above were held under finance leases or hire purchase contracts.

46. Investments

	Shares in subsidiary undertakings £000s	Modus Therapeutics Holding AB £000s	Ergomed Saudi Limited £000s	Total £000s
Cost				
At 1 January 2015	10,530	–	39	10,569
Additions	441	142	–	583
Translation movement	(597)	2	–	(595)
At 31 December 2015	10,374	144	39	10,557
Additions	20,007	54	–	20,061
Translation movement	3,430	30	4	3,464
At 31 December 2016	**33,811**	**228**	**43**	**34,082**
Provision for impairment				
At 31 December 2015 and 31 December 2016	–	–	–	–
Net book value				
At 31 December 2016	**33,811**	**228**	**43**	**34,082**
At 31 December 2015	10,374	144	39	10,557

Notes to the Company financial statements continued

For the year ended 31 December 2016

46. Investments continued

Subsidiary undertakings

The Company has direct interests in the following subsidiaries which are included in the consolidated financial statements:

Principal activity – clinical research services	Place of incorporation and operation	Class	Holding
Ergomed GmbH	Germany	Ordinary	100%
Ergomed Spolka z o.o.	Poland	Ordinary	99%
Ergomed d.o.o. Novi Sad	Serbia	Ordinary	100%
Ergomed Clinical Research Inc	USA	None issued	100%
Ergomed Istrazivanja Zagreb d.o.o.	Croatia	Ordinary	100%
Ergomed Clinical Research LLC	Russia	Ordinary	100%
Ergomed d.o.o. Sarajevo	Bosnia	Ordinary	100%
Ergomed Clinical Research FZ LLC	UAE	Ordinary	100%
Ergomed Virtuoso Sarl	Switzerland	Ordinary	100%
Ergomed Clinical Research Limited	Taiwan	Ordinary	100%
Dr Oestreich + Partner GmbH[1]	Germany	None issued	100%
Gesellschaft für angewandte Statistik + Datenanalyse mbH[1]	Germany	None issued	100%

Principal activity – drug safety and medical information services	Place of incorporation and operation	Class	Holding
PrimeVigilance Limited	United Kingdom	Ordinary	100%
Sound Opinion Limited	United Kingdom	Ordinary	100%
European Pharminvent Services s.r.o.[2]	Czech Republic	None issued	100%

Principal activity – research and development	Place of incorporation and operation	Class	Holding
Haemostatix Limited[3]	United Kingdom	Ordinary	100%

Principal activity – dormant	Place of incorporation and operation	Class	Holding
Ergomed Clinical Research Limited	United Kingdom	Ordinary	100%

1 These companies were acquired by the Company on 12 June 2016 (note 33).
2 This company was acquired by the Company on 28 November 2016 (note 34).
3 This company was acquired by the Company on 24 May 2016 (note 32).

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

Modus Therapeutics Holding AB (formerly Dilaforette Holding AB)

Under the co-development agreement with Modus Therapeutics AB (formerly Dilaforette AB), the Group receives shares in Modus Therapeutics Holding AB in return for its contribution to the co-development programme. During the year, shares valued at £54,000 (2015: £142,000) were issued to the Company.

Ergomed Saudi Limited

On 22 July 2014, the Group invested £40,000 for a 50% holding in a joint venture in Saudi Arabia – 'Ergomed Saudi Limited'. The operation is still in the set up phase and the asset is held at cost.

47. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

Deferred tax assets

	Tax losses £000s	Timing differences £000s	Total £000s
At 1 January 2015	–	304	304
Credit to profit or loss	3	34	37
Credit direct to equity	–	1	1
At 31 December 2015	3	339	342
Credit to profit or loss	(3)	–	(3)
Credit direct to equity	–	118	118
At 31 December 2016	**–**	**457**	**457**

Deferred tax liabilities

	Timing differences £000s
1 January 2015	(1)
Charge to profit or loss	(1)
At 31 December 2015	(2)
Charge to profit or loss	(3)
At 31 December 2016	**(5)**

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £000s	2015 £000s
Deferred tax assets – Timing differences	**457**	339
Deferred tax assets – Recognised losses	**–**	3
Deferred tax liabilities – ACAs	**(5)**	(2)
Net deferred tax assets	**452**	340

48. Trade and other receivables

	2016 £000s	2015 £000s
Trade receivables	**5,117**	3,820
Amounts receivable from Group companies	**3,963**	665
Other receivables	**527**	157
Prepayments	**231**	98
Accrued income	**1,671**	1,831
Corporation tax receivable	**299**	253
	11,808	6,824

Included in trade receivables are the following amounts that are past due at the reporting date by the following periods.

	2016 £000s	2015 £000s
Less than 30 days overdue	**964**	962
31 to 60 days overdue	**161**	38
61 to 90 days overdue	**98**	31
More than 90 days overdue	**138**	281
	1,361	1,312

Notes to the Company financial statements continued

For the year ended 31 December 2016

48. Trade and other receivables continued

Movement in the provision for doubtful debts.

	2016 £000s	2015 £000s
Balance at the beginning of the year	**188**	200
Impairment losses recognised	**(72)**	–
Provision made during the year	**856**	–
Translation movement	**41**	(12)
Balance at the end of the year	**1,013**	188

The carrying value of the Company's trade and other receivables are uncovered. The Company has not pledged as security any of the amounts included in receivables.

49. Cash and cash equivalents

	2016 £000s	2015 £000s
Cash at bank	**930**	1,407

The carrying amount of cash and cash equivalents approximates to their fair values at the balance sheet date and are denominated in the following currencies:

	2016 £000s	2015 £000s
GBP	**36**	152
Euro	**395**	270
USD	**472**	959
Other	**27**	26
	930	1,407

50. Trade and other payables

	2016 £000s	2015 £000s
Trade creditors	**1,754**	1,498
Amounts payable to related parties	**42**	29
Amounts payable to Group companies	**3,502**	1,917
Social security and other taxes	**83**	22
Other payables	**69**	90
Accruals	**2,074**	2,389
	7,524	5,945

The carrying amount of the Company's trade and other payables approximates to their fair value at the balance sheet date and are uncovered.

51. Deferred consideration

	2016 £000s	2015 £000s
Deferred consideration	**7,772**	–

This amount relates to the fair value of the deferred consideration in relation to the acquisition of Haemostatix Limited, being the Board's best estimates based on discounted and risk adjusted forecasts.

52. Share capital

	2016 No.	2015 No.
Allotted, called up and fully paid		
Ordinary shares of £0.01 each		
Balance at 1 January	**28,750,000**	28,750,000
Shares issued during the year	**11,754,806**	–
Contingent shares for deferred consideration	**94,618**	–
Balance at 31 December	**40,599,424**	28,750,000

	2016 £000s	2015 £000s
Allotted, called up and fully paid		
Ordinary shares of £0.01 each		
Balance at 1 January	**288**	288
Shares issued for cash during the year	**66**	–
Shares issued for non-cash consideration during the year	**51**	–
Contingent shares for deferred consideration	**1**	–
Balance at 31 December	**406**	288

During 2016, a total of 11,754,806 ordinary shares of £0.01 each ('Ordinary Shares') were issued, of which 6,560,850 were issued for cash in an institutional placing, 4,415,051 were issued as part consideration for Haemostatix, 138,329 were issued as part consideration for O+P and GASD and 640,576 were issued as part consideration for PharmInvent. In addition, a further 94,618 Ordinary Shares will be issued to part satisfy the first component of deferred consideration for PharmInvent.

Notes to the Company financial statements continued

For the year ended 31 December 2016

53. Share premium account

	2016 £000s	2015 £000s
Balance at 1 January (re-stated) (note 41)	**9,361**	9,361
Share issue for cash during the year	**9,120**	–
Expenses of share issue during the year	**(524)**	–
Balance at 31 December	**17,957**	9,361

The share premium arising during 2016 related to the issue of 6,560,850 ordinary shares at a price of £1.40 per share on 24 May 2016 in connection with an institutional placing. Expenses of £524,000 relating to the issue of shares were deducted from the share premium account.

54. Merger reserve

	2016 £000s	2015 £000s
Balance at 1 January (re-stated) (note 41)	**2,981**	2,981
Shares issued for non-cash consideration during the year	**7,144**	–
Contingent shares for deferred consideration	**139**	–
Balance at 31 December	**10,264**	2,981

The merger reserve arising during 2016 for non-cash consideration related to the issue of a total of 5,193,956 ordinary shares of £0.01 each ('Ordinary Shares'). Of these, 4,415,051 were issued at £1.40 per share as part consideration for Haemostatix, 138,329 were issued at £1.37 per share as part consideration for O+P and GASD and 640,576 were issued at £1.29 per share as part consideration for PharmInvent.

In addition, an additional 94,618 Ordinary Shares will be issued at £1.48 per share to part satisfy the first component of deferred consideration for PharmInvent.

55. Reserves

The movements in reserves are shown in the Company statement of changes in equity.

Share-based payment reserve

The corresponding credit associated with the charge for share options (note 56) is recognised as a credit to the share-based payment reserve.

Translation reserve

The translation reserve records any exchange differences arising as a result of the translation of foreign currency equity balances and foreign currency non-monetary items.

56. Share-based payments

The Company operates three share option schemes:
- the Ergomed plc Long Term Incentive Plan;
- the Unapproved Executive Share Option Scheme 2007; and
- an Unapproved Executive Share Option Agreement made with Rolf Stahel.

Ergomed plc Long Term Incentive Plan

The Ergomed plc Long Term Incentive Plan allows for the grant of options to both executives and all other Group employees, which may or may not be subject to performance criteria. It further provides for any options granted under its terms to be options that qualify under the Enterprise Management Incentives legislation ('Qualifying EMI options'), as well as options that do not qualify ('Unapproved options').

Selected Directors and employees of the Group may be granted options under the Long Term Incentive Plan at the discretion of the Company's Board of Directors or a duly authorised committee thereof (the 'Committee'). Employees and Directors will be eligible to participate in the Long Term Incentive Plan as follows:

i) Qualifying EMI options can be granted to an employee or Director of the Company (or a Group company) who commits at least 25 hours per week or, if less, at least 75% of his or her working time on the business of the Company (or Group company) and, at the grant date, does not either individually or together with his associates control more than 30% of the ordinary share capital of the Company.
ii) Unapproved options can be granted to any employee (including an Executive Director) of a Group company.

Ergomed plc Long Term Incentive Plan

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1,353,000**	**1.64**	–	–
Granted during the year	**835,000**	**0.56**	1,368,000	1.64
Lapsed during the year	**(150,000)**	**1.625**	(15,000)	1.625
Outstanding at the end of the year	**2,038,000**	**1.20**	1,353,000	1.64
Vested at the end of the year	**–**		–	
Exercisable at the end of the year	**–**		–	

Options were valued using a Black-Scholes option pricing model, using the following inputs:

Award date	**11 January 2016**	**11 January 2016**	**3 July 2016**	**3 July 2016**	**3 December 2016**
Fair value per share option	1.6327p	0.4226p	0.1441p	1.1791p	0.2493p
Share price	1.693	1.693	1.21	1.21	1.43
Exercise price	0.01	0.01	1.39	0.01	1.39
Volatility	27%	27%	27%	28%	28%
Expected life	3 years	3 years	2.9 years	1.7 years	2.5 years
Expected dividends	1.0%	1.0%	1.0%	1.0%	1.0%
Risk free rate	0.7%	0.7%	0.23%	0.11%	0.21%

Award date	3 June 2015	24 December 2015
Fair value per share option	44.68p	42.38p
Share price	1.625	1.660
Exercise price	1.625	1.660
Volatility	28%	27%
Expected life	5 years	5 years
Expected dividends	0%	0%
Risk free rate	1.52%	1.29%

Notes to the Company financial statements continued

For the year ended 31 December 2016

56. Share-based payments continued

Volatility was based upon the historical volatility for a basket of comparable listed companies measured over a period commensurate with the expected life of the grant.

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £331,000 related to equity-settled share-based payment transactions in the year ended 31 December 2016 (2015: £95,000).

At 31 December 2016, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	**2016 No.**	2015 No.
2015	03/06/2018 – 02/06/2025	1.625	**928,000**	1,078,000
2015	03/06/2018 – 23/12/2025	1.69	**275,000**	275,000
2016	11/01/2016 – 10/01/2026	0.01	**200,000**	–
2016	11/01/2016 – 10/01/2026	0.01	**200,000**	–
2016	03/07/2016 – 02/06/2026	1.39	**185,000**	–

The weighted average remaining life was eight years and ten months (2015: nine years and six months).

Unapproved Executive Share Option Scheme 2007

The Unapproved Executive Share Option Scheme 2007 is an unapproved equity-settled share option scheme for the benefit of employees. Grants are made at the discretion of the Board of Directors, or an authorised committee thereof.

Options are forfeited (even if already vested) if the employee ceases employment with the Company and can only be exercised upon a sale, listing or the passing of a resolution for the voluntary winding-up of the Company or making of an order for the compulsory winding up of the Company. The employee retains the options vested at the time of the cessation of the employee's employment for a six month period. The movement on options in issue under these schemes is set out below:

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning and end of the year	**1,000,000**	**0.01**	1,000,000	0.01
Vested at the end of the year	**1,000,000**		1,000,000	
Exercisable at the end of the year	**1,000,000**		1,000,000	

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £nil related to equity-settled share-based payment transactions in the year ended 31 December 2016 (2015: £nil).

At 31 December 2016, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	**2016 No.**	2015 No.
2009	31/12/2009 – 30/12/2019	0.01	**1,000,000**	1,000,000

The weighted average remaining life was three years (2015: four years).

Unapproved Executive Share Option Agreement made with Rolf Stahel

On 18 April 2014, an award of share options was made to Rolf Stahel under a separate option agreement. The award comprised options over 1,260,000 Ordinary Shares. The exercise of the options is linked to the timing of the Admission which has given rise to an exercise price of £1.60 per share. The option becomes exercisable in respect of one thirty-sixth of the options one month from the date of the share option agreement and on the same date in each subsequent calendar month over one thirty-sixth of the options.

	2016		2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1,260,000**	**1.60**	1,260,000	1.60
Granted during the year	**–**	**–**	–	–
Outstanding at the end of the year	**1,260,000**	**1.60**	1,260,000	1.60
Vested at the end of the year	**1,120,000**		700,000	
Exercisable at the end of the year	**1,120,000**		700,000	

Thirty-two thirty-sixths of the total amount of options awarded have vested by 31 December 2016, representing 1,120,000 shares at an exercise price of £1.60. All unexercised options carry an exercise price of £1.60. The awards have a 10 year contractual life. At 31 December 2016, the awards therefore had a remaining contractual life of seven years and four months. The options were valued using a Black-Scholes option pricing model, using the following inputs:

Award date	18 April 2014
Fair value per share option	47.79
Share price	£1.60
Exercise price	£1.60
Volatility	30%
Expected life	5 years
Expected dividends	0%
Risk free rate	1.91%

Volatility was based upon the historical volatility for a basket of comparable listed companies measured over a period commensurate with the expected life of the grant.

Based on the calculation of the total fair value of the options granted, the share-based remuneration expense in respect of equity-settled schemes is an amount of £67,000 (2015: £193,000). There are no outstanding liabilities.

At 31 December 2016, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	**2016 No.**	2015 No.
2014	18/04/2014 – 17/04/2024	1.60	**1,260,000**	1,260,000

The weighted average remaining life was seven years and four months (2015: eight years and four months).

Notes to the Company financial statements continued

For the year ended 31 December 2016

57. Financial instruments

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Categories of financial instruments

31 December 2016	Financial instruments at fair value through profit and loss £000s	Loans and receivables £000s	Current financial liabilities at amortised cost £000s	Non-current financial liabilities at fair value through profit and loss £000s	Carrying amount £000s	Fair value £000s
Financial assets						
Investments	**228**	**–**	**–**	**–**	**228**	**228**
Trade receivables	**–**	**5,117**	**–**	**–**	**5,117**	**5,117**
Amounts receivable from Group companies	**–**	**3,963**	**–**	**–**	**3,963**	**3,963**
Other receivables	**–**	**54**	**–**	**–**	**54**	**54**
Accrued income	**–**	**1,366**	**–**	**–**	**1,366**	**1,366**
Cash and cash equivalents	**–**	**930**	**–**	**–**	**930**	**930**
	228	**11,430**	**–**	**–**	**11,658**	**11,658**
Financial liabilities						
Trade creditors	**–**	**–**	**1,754**	**–**	**1,754**	**1,754**
Amounts owed to related parties	**–**	**–**	**42**	**–**	**42**	**42**
Amounts owed to Group companies	**–**	**–**	**3,502**	**–**	**3,502**	**3,502**
Other payables	**–**	**–**	**69**	**–**	**69**	**69**
Accruals	**–**	**–**	**2,074**	**–**	**2,074**	**2,074**
Deferred consideration	**–**	**–**	**–**	**7,772**	**7,772**	**7,772**
	–	**–**	**7,441**	**7,772**	**15,213**	**15,213**

31 December 2015	Financial instruments at fair value through profit and loss £000s	Loans and receivables £000s	Current financial liabilities at amortised cost £000s	Carrying amount £000s	Fair value £000s
Financial assets					
Investments	144	–	–	144	144
Trade receivables	–	3,820	–	3,820	3,820
Amounts receivable from Group companies	–	665	–	665	665
Other receivables	–	34	–	34	34
Accrued income	–	582	–	582	582
Cash and cash equivalents	–	1,407	–	1,407	1,407
	144	6,508	–	6,652	6,652
Financial liabilities					
Trade creditors	–	–	1,498	1,498	1,498
Amounts owed to related parties	–	–	29	29	29
Amounts owed to Group companies	–	–	1,917	1,917	1,917
Other payables	–	–	90	90	90
Accruals	–	–	2,389	2,389	2,389
	–	–	5,923	5,923	5,923

Categories of financial instruments
The Company's financial assets held for managing liquidity risk, being loans and receivables, which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities within six months.

Financial risk management objectives
The Company's Finance function provides services to the business, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Foreign currency risk management
The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by natural hedging in currency accounts, and the functional currency is the Euro. The carrying amounts of the Company's financial assets and financial liabilities by currency at the reporting date are as follows:

Financial assets

	2016 £000s	2015 £000s
GBP	**2,504**	152
Euro	**5,997**	2,264
USD	**2,858**	4,009
Other	**299**	227
	11,658	6,652

Financial liabilities

	2016 £000s	2015 £000s
GBP	**8,586**	356
Euro	**6,295**	5,318
USD	**179**	197
Other	**153**	52
	15,213	5,923

Foreign currency sensitivity analysis
The Company is mainly exposed to the Euro currency and the US Dollar currency. However as the Euro is the functional currency their exposure is less sensitive.

The following table details the Company's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity and a negative number indicates a decrease in profit and other equity.

2016	**Strengthen +10% £000s**	**Weaken -10% £000s**
Euro	**27**	**(33)**
USD	**(243)**	**298**
Other	**(13)**	**16**
	(229)	**281**

2015	Strengthen +10% £000s	Weaken -10% £000s
Euro	277	(339)
USD	(346)	424
Other	(16)	19
	(85)	104

Notes to the Company financial statements continued

For the year ended 31 December 2016

57. Financial instruments continued

Interest rate risk management

The Company is exposed to the interest rate risks associated with its holdings of cash and cash equivalents and short term deposits.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which regularly monitors the Company's short, medium and long term funding, and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The impact on profit and other comprehensive income due to interest rate exposure is not considered significant, and no interest rate sensitivity has been performed.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company assesses the creditworthiness of customers in advance of entering into any contract. During the life of a contract, the customer's financial status is monitored as well as payment history. The Company does have some larger customer balances representing more than 15% of the trade receivables at a particular time, but these will be large profitable pharmaceutical companies with good credit ratings or smaller biotech companies with supportive shareholders and a history of successful fundraising, and this is not considered indicative of an increased credit risk. Credit information is supplied by independent rating agencies where appropriate and if available. Alternatively the Company uses other publicly available financial information and its own trading records to rate its major customers.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

There has been no history of bad debts as the majority of its sales are to multinational pharmaceutical companies and as a consequence the Directors do not consider that the Company has a credit risk.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity and interest risk tables

The Company has no significant long term financial liabilities.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of long term trade receivables and payables is estimated by discounting the future contractual cash flows at the current market interest rate for the underlying currency of the transaction.

Fair value measurements

The financial instruments measured subsequent to initial recognition at fair value comprise investments. The fair value hierarchy of these assets is Level 2. The valuation technique is market value, based on the most recent investment price. The Company did not have any other financial instruments that are measured subsequent to initial recognition at fair value. An analysis of the fair value hierarchy has therefore not been presented.

58. Financial commitments

At 31 December 2016 the Company was committed to making the following payments under non-cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2016 £000s	2015 £000s	**2016 £000s**	2015 £000s
Within one year	**35**	–	**4**	7
Between two and five years	**-**	–	**-**	5
	35	–	**4**	12

59. Pension costs

The Company makes contributions to defined contribution personal pension schemes of the employees. The pension cost represents contributions payable by the Company to the schemes and amounted to £43,000 (2015: £35,000). Contributions payable to the schemes at 31 December 2016 were £25,000 (2015: £nil).

Glossary

Adverse Reaction Information System ('ARISg')	a web-based adverse event software (developed by ARIS Global) that enables the collection, assessment and reporting of adverse event information to the global regulatory agencies
Approved Risk Evaluation and Mitigation Strategies ('REMS')	the FDA requires a REM strategy from manufacturers to ensure that the benefits of a drug outweigh its risks
Backlog	work contracted but yet to be completed
Clinical Research Organisation ('CRO')	a person or an organisation (commercial, academic or other) contracted by the Sponsor to perform one or more of a Sponsor's trial-related duties and functions
Food and Drug Administration ('FDA')	the United States regulatory authority charged with, among other responsibilities, granting new drug approvals
Haemostat	a drug or device that is used to stop bleeding from surgical or traumatic wounds
Medical information services	the marketing authorisation holder must establish a scientific service in charge of information about the products being sold
Orphan drug	a pharmaceutical product that has been developed to treat a rare medical condition, which itself is known as an orphan disease
Peptide	a molecule composed of amino acids
Periodic safety update reports ('PSURs')	a pharmacovigilance document intended to provide an evaluation of the risk-benefit balance of a medicinal product. It is submitted by marketing authorisation holders at defined time points during the post-authorisation phase
Pharmacovigilance ('PV')	science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other medicine-related problem
Qualified Person Pharmacovigilance ('QPPV')	as part of the pharmacovigilance system, the marketing authorisation holder shall have permanently and continuously at its disposal an appropriately qualified person responsible for pharmacovigilance in the European Union
Risk-Management Plan ('RMP')	a RMP includes information on a medicine's safety profile, how its risks will be prevented or minimised in patients, plans for studies to build knowledge about the safety and efficacy of the drug, risk factors for side effects and measuring the effectiveness of risk-minimisation measures
Sponsor	an individual, company, institution or organisation which takes responsibility for the initiation, management and/or financing of a clinical trial
Study Site Management ('SSM')	the Ergomed model of study site management which provides assistance to investigating physicians and site study co-ordinators with administrative and logistic aspects of the trial in order to maximise utilisation of resources
Study Physician Team ('SPT')	an Ergomed team engaged in feasibility, preparation and consultancy of those clinical studies that require medical consultancy support

Notes

Notes

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