ERGOMED

Annual Report & Accounts

2020

ERGOMED

Our vision

Global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety

Our purpose

Bringing expertise to deliver medicines our world can trust

Key reads

Investment case

Read about how Ergomed's investment case is positioned around highly complementary offerings in already established growth markets

See more details on **page 6**

Our business model

See how Ergomed's business model is delivering growth and creating value for stakeholders

See more details on **page 16**

Responsible business

From Environmental to Social to Governance – read how Ergomed keeps these matters at the heart of being a responsible business

See more details on **page 33**

Our strategic focus

see **page 20**

see **page 22**

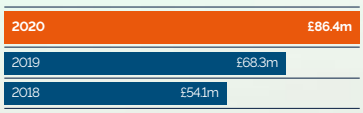
see **page 24**

The success of our business is grounded in our culture

The way we think, interact and service our stakeholders. Ergomed is shaped by culture which focuses on patients and a determination to deliver the benefits of new, and safe, medicines and therapies to them.

2020 highlights

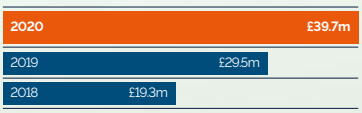
Financial highlights



Revenue

£86.4m

2019: £68.3m



Gross profit

£39.7m

2019: £29.5m

Adjusted EBITDA*

£19.4m

2019: £12.5m

* Adjusted EBITDA and adjusted earnings per share are 'Alternative Profit Measures' and are defined on pages 30 and 31.

Operational highlights

Significant US strategic acquisitions expand presence in both pharmacovigilance and clinical research services

Addition of:

175 professional staff

60 new clients

See more details on **pages 22 to 23**

Continued strong growth trend in challenging markets

Revenue growth:

26.5%

Adjusted EBITDA growth:

55.2%

See more details on **pages 26 to 29**

Strong revenue growth in strategically significant North American market

North American revenue growth:

82.4%

See more details on **pages 26 to 29**

COVID-19 – Demonstrated resilience and ability to contribute in COVID-19 crisis

Seamless migration of workforce to remote working – no redundancies or furloughed staff

Staff transitioned to remote working:

95%

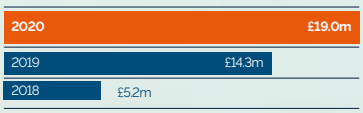
See more details on **pages 13 to 15**

Successful focus on business development and cross-selling opportunities

Order book growth:

55.5%

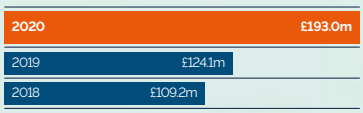
See more details on **pages 20 to 21**



Net cash

£19.0m

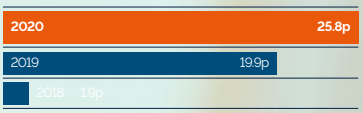
2019: £14.3m



Contracted order book

£193.0m

2019: £124.1m



Basic adjusted earnings per share*

25.8p

2019: 19.9p

At a glance

Employees
1,100+

Countries with active clinical trials
42

Countries supported by pharmacovigilance services
140

Pharmacovigilance patient cases processed p.a.
275,000+

Global service coverage

North America
World's largest pharmaceutical market.

High-growth market for pharmacovigilance ('PV') and Clinical Research Services ('CRO').

Ergomed has enhanced PV and CRO operational presence through the acquisition of Ashfield PV and MedSource in the year.

Ergomed North America revenue
£46.7m

UK & Europe
Second largest pharmaceutical market globally.

Founded in Europe, Ergomed has complete coverage of the PV and CRO markets through its strategically-placed offices in the UK, Croatia, the Czech Republic, Germany, the Netherlands, Poland and Serbia.

Ergomed provides a comprehensive network of PV and CRO specialists with in-depth knowledge of EU and country specific regulatory requirements.

Middle East & Africa
Ergomed offers service coverage supporting trials throughout the Middle East and Africa.

Ergomed provides access to patients across the Middle East and Africa.

Ergomed UK and EMEA revenue
£35.5m

Asia
Asian region has the fastest growing PV and CRO markets.

India and China are driving growth in the region as a result of large populations and increased focus on PV regulations.

Ergomed has an established CRO presence in India and is looking to expand.

PV offices have recently been opened in Japan to support growing client requirements in the region.

Ergomed Asia revenue
£4.2m

Regional revenue growth

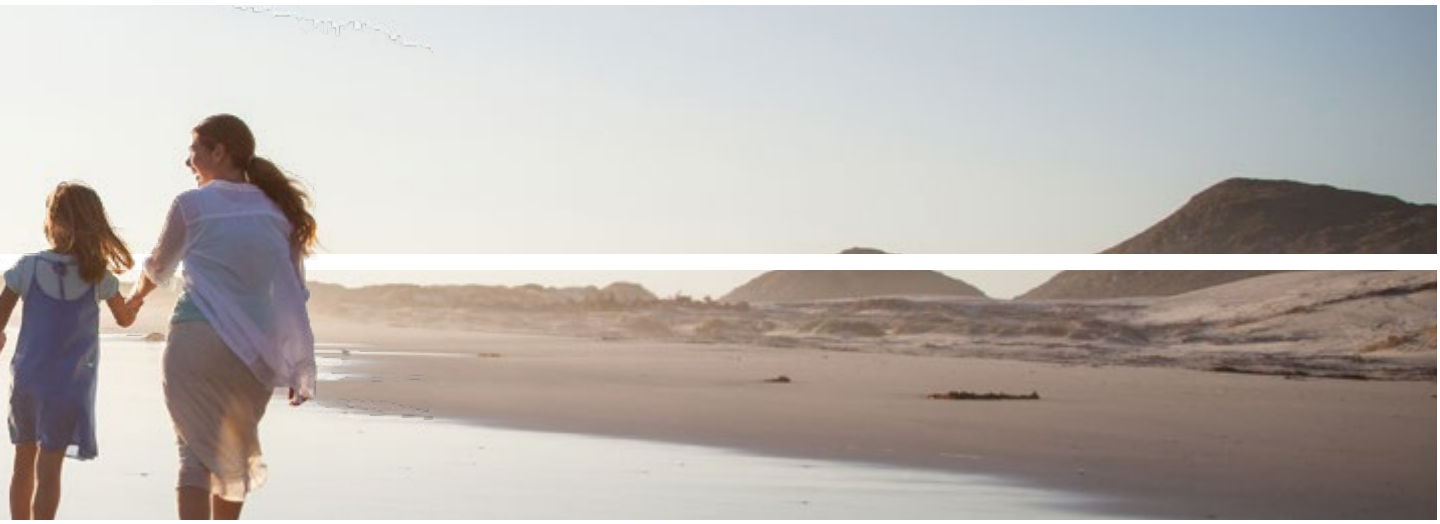
UK	14%
EU/EMEA	27%
N America	54%
Asia	5%

Total revenue up
26.6%

Service fee revenue up
32.2%

North America up
82.4%
from £25.6m to £46.7m

UK	19%
EU/EMEA	42%
N America	37%
Asia	2%



Areas of operation

Clinical Research Services ('CRO')
managing clinical trials

Clinical research is the process of developing new medical therapies, drugs and knowledge for safe and effective use in healthcare. CRO is the outsourced management of this research to specialist service providers who organise all aspects of a clinical trial, including the creation and management of the trial team, recruitment of medical experts, patient recruitment, regulatory affairs, medical writing, quality management and pharmacovigilance.

- Ergomed offers high-quality clinical research and trial management services across all trial phases (I to IV) through the Ergomed brand
- Ergomed specialises in managing oncology and rare disease trials
- Offices are located in the UK, US and throughout Europe
- Ergomed has innovative site-support services which focus on enhancing patient recruitment and engagement

CRO 2020 revenue

£31.3m

Pharmacovigilance ('PV')
monitoring drug safety

Pharmacovigilance is the science and activities relating to the detection, understanding and prevention of adverse effects or other drug-related problems throughout its lifecycle.

Pharmacovigilance has evolved to include other drug lifecycle services including medical information and Qualified Person Responsible for Pharmacovigilance ('QPPV') networks.

- PV services are offered to Ergomed's clients through the PrimeVigilance brand and include case processing, signal and risk management, pharmacoepidemiology, audits, training, advisory literature services, medical information and QPPV
- Offices are located in the UK, US and throughout Europe
- PrimeVigilance supports pharmaceutical, biotechnology and genetics companies in managing the global safety of their products, all the way from clinical trial to post-marketing
- Ergomed focuses on investing in intelligent automation to provide faster analysis and reporting of adverse medical events

PV 2020 revenue

£55.1m

Investment case

Complementary CRO and PV offerings in established growth markets

Attractive growth markets

The CRO market continues to see increasing investment in clinical trials by pharma-biotech companies and a shift to outsourcing across the industry. This growth is supplemented by the increasing prevalence of chronic disease trials and the growing demand for clinical trials in developing countries. The CRO market is currently around $42.3 billion and is expected to grow annually at a Compound Annual Growth Rate (CAGR) of 6.6% over the period to 2026. Ergomed specialises in the rare disease and oncology subsets of the CRO market which are expected to grow at a CAGR above 10% during the same period.

Driven by an increase in the global harmonisation of regulations, greater regulatory focus on drug safety and a strong outsourcing trend, particularly in Asia, the PV market is currently around $5.1 billion and is expected to grow annually at 15.8% (CAGR) over the period to 2026.

Ergomed revenue CAGR last 6 years

20%+

Well positioned

Strong momentum over 2019 and 2020 has resulted in a considerable order book which will underpin the anticipated market growth for the near-term. In addition, Ergomed's recent acquisition of MedSource and Ashfield Pharmacovigilance has greatly increased operational coverage in the North American CRO and PV markets; the biggest pharmaceutical markets globally.

Ergomed's CRO business specialises in rare disease and oncology. Oncology accounted for $15.6 billion of the CRO market in 2020 with rare disease making up an additional $5.6 billion. The continued rare disease and oncology market growth is expected to outstrip the wider CRO market at 10.8% and 9.2% CAGR respectively, over the period to 2026. Ergomed is highly exposed to these high-growth therapeutic areas with 88% of its new business wins in rare disease and oncology.

PrimeVigilance has strong brand recognition within the PV market and, aided by investment in intelligent automation, is expected to continue to surpass the wider PV market CAGR of 15.8%.

Ergomed order book 2020 year end

£193.0m

Complementary offerings

The CRO and PV operations are complementary, allowing Ergomed to assist clients in managing all their requirements from drug development through to post marketing drug safety monitoring. The complementary business streams, and combined CRO and PV marketing and business development functions, facilitate enhanced cross-selling opportunities and client retention.

Ergomed has experienced better resilience to the financial impact of COVID-19 compared to CRO peers as a result of its more diverse operations.

Pipeline cross-selling opportunities 2020 year end

£50.0m

Consolidation opportunity

With a high level of consolidation at the top end of the CRO market, led by the recent acquisition of PRA Health Sciences by ICON, and in the mid-tier CRO market, notably the acquisition of Synteract by Syneos Health, there is a shrinking number of mid-tier CRO providers, and even fewer PV specialists. Ergomed is one of the few mid-tier listed CRO providers globally and is well-positioned to consolidate in a fragmented industry.

Ergomed has successfully demonstrated its strong position through several strategic acquisitions in both CRO and PV since its IPO in 2014, most recently of Ashfield Pharmacovigilance and MedSource.

Acquisitions successfully integrated since IPO in 2014

8

Strong leadership

Ergomed has strong and established leadership across its board and management team led by Miroslav Reljanovic, founder and Executive Chairman of Erogmed plc and co-founder of PrimeVigilance.

The team has established a strong track record of delivering high, organic growth and successful acquisition integration.

Years of experience as a leading specialist CRO

20+ years

Market statistics

CRO market size 2020

$42.3bn[1]

Combined oncology and rare disease market size 2020

$21.2bn[1]

North America accounted for

51%

of the CRO market in 2020[1]

CRO oncology CAGR of

9.2%

over 6 years to 2026[1]

Rare disease CAGR of

10.8%

over the 6 years to 2026[1]

PV market size 2020

$5.1bn[1]

PV CAGR of

15.8%

over 6 years to 2026[1]

1 Grand View Research, Clinicaltrials.gov, GM Insights, Global Genes.

Our markets

Global trends and market drivers

The profile of the work performed across all stages of the drug development lifecycle has come under greater public interest as a result of the COVID-19 pandemic and the search for novel vaccines continues at full-steam. The Clinical Research Services (CRO) market is currently $42.3 billion and is expected to grow annually at a Compound Annual Growth Rate (CAGR) of 6.6% to 2026 while the rare disease and oncology subsets of the CRO market are expected to grow at a CAGR above 10% during the same period. The Pharmacovigilance (PV) market is currently $5.1 billion and is expected to grow annually at 15.8% (CAGR) to 2026.

CRO continues to see increasing global investment in clinical trials by pharma-biotech companies, partly as a result of COVID-19 and the drive to quickly and safely develop and trial innovative therapeutics and vaccines, but primarily as a result of the increasing number of drugs under development in key therapy areas such as oncology and rare disease.

The industry is also seeing a continued shift to outsourcing clinical research to specialist CRO providers to allow pharma-biotech companies to focus on core competencies, access greater levels of specialist expertise and ultimately lower development costs through shorter trial lengths.

In established PV markets, increasing consumption of drugs, personalised medicine regimes and rising patient awareness in adverse drug reactions and drug toxicity is driving continued market growth. In addition, regions such as India and China are experiencing above-market growth as a result of the accepted adoption of outsourced PV services and a push for regulation harmonisation with more established PV markets in North America and Europe.

Regional trends and market drivers

North America

North America is the largest pharmaceutical development market globally accounting for 51% of all CRO business in 2020. This dominance is expected to continue into the future with more than half of all clinical trials requiring a presence in the US. Phase III studies make up the biggest segment in the CRO market, of which rare disease and oncology have the largest shares.

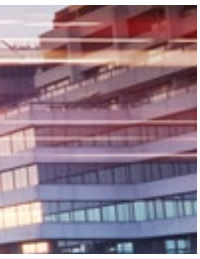
North America has the largest PV market share with around a third of all PV revenue generated in the region, primarily owing to the presence of key pharmaceutical providers there. Of the PV market, around 75% is made up of post-marketing surveillance.

Europe

Europe remains the second largest CRO and PV market and is at the forefront of driving safety through regulation. Like North America, the oncology segment dominates the clinical trials market and accounted for the largest global revenue share in 2020. The segment is also anticipated to experience a higher CAGR of 9.2% over the period to 2026.

Asia

The Asian CRO and PV markets remain smaller than North America and Europe but are emerging as the fastest growing of all three regions; driven by higher populations, increasing of outsourcing and regulatory harmonisation with North America and Europe.



Complementary CRO and PV capabilities with cross-selling opportunities

For more details see **pages 20 to 21**

Addressing growing markets through organic growth and acquisition

For more details see **pages 22 to 23**

Investing in people and technology

For more details see **pages 24 to 25**

Clinical Research Service Opportunities

ERGOMED

Ergomed is a leading specialist in managing oncology and rare disease clinical trials with over 20 years' experience. Ergomed offers a differentiated service through a unique site support model which is focused on patient advocacy and the continued development of compassionate use trials in these high-growth oncology and rare disease markets.

The addition of MS Clinical Services, LLC ('MedSource'), a US-based specialist oncology and rare disease clinical research organisation, has substantially grown Ergomed's operating base in North America, allowing it to better serve existing clients and access new clients in the biggest market. This expansion will supplement the organic growth facilitated by CRO and PV cross-selling opportunities and the historic acquisition of PSR Orphan Experts.

Pharmacovigilance Opportunities

PRIMEVIGILANCE

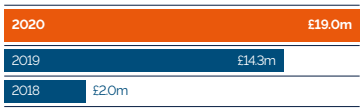
The addition and integration of Ashfield PV (later rebranded PrimeVigilance USA Inc.) has added a substantial operating base in the US to serve existing and new clients in the biggest market. This presence, along with targeted organic growth in key development areas such as Japan and India, and continued investment in automation and technology will allow PrimeVigilance to maximise growth in these markets.

The complementary PV and CRO businesses will also look for additional growth opportunities through cross-selling to existing customers. PrimeVigilance will look to add strategically beneficial and earnings-accretive acquisitions to build on the success of PharmInvent and Ashfield PV in recent years.

Executive Chairman's statement

Exceptional delivery in challenging times

During 2020 Ergomed made exceptional progress in delivering its strategy, despite the global challenge of the COVID-19 pandemic. We achieved strong organic growth and completed acquisitions in the key US market in both our Clinical Research Services (CRO) and Pharmacovigilance (PV) businesses.



Net cash

£19.0m

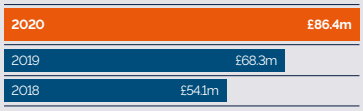
2019: £14.3m

Across the Group we transitioned smoothly to remote working with the business remaining fully operational whilst continuing to trade strongly and delivering a strong uplift in revenues in the second half of the year, particularly in the CRO business. We improved gross and net margins and continued to strengthen our balance sheet, with increased cash balances and financial resources, as well as a capital reduction approved unanimously by our shareholders. During an extraordinary and challenging year, the core strengths of our business and the hard work and dedication of all our colleagues have shone through, delivering exceptional progress towards our strategic vision of global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

Excellent financial performance

Following the positive results for the first half of the year reported in September 2020, Ergomed continued to deliver strong year on year top-line growth and financial performance across the business in the second half. For the year as a whole, Ergomed continued its excellent financial performance delivering substantial revenue growth of 26.5% with improved gross margins. Adjusted EBITDA increased by 55.2% to £19.4 million, substantially exceeding the market expectations set at the beginning of the year. After investing £12.0 million on acquisitions, funded fully out of cash, the Group continued to be debt-free at the year end with cash and equivalent balances of £19.0 million (2019: £14.3 million) and unutilised banking facilities of £30.0 million. We ended 2020 with our order book of future contracted revenue at £193.0 million, up 55.5% versus the prior year. This excellent performance in a year that was extremely challenging for companies across the world, demonstrates the robustness of Ergomed's business model and firmly positions the Group to realise its ambitious long-term growth plans.

Miroslav Reljanović
Executive Chairman



"Ergomed made exceptional progress in delivering its strategy in 2020, despite the challenges of the COVID-19 pandemic."

Revenue growth

26.6%

2019: 26.2%

Executing our strategy

The transition to a fully services-based business model announced in 2018 was completed on schedule in 2020, with the business now entirely focused on its core service businesses in the PV and CRO sectors. 2020 saw further validation of this strategic focus on services, evidenced by significantly improved financial and operational performance with revenue growth of 26.5% to £86.4 million and strong performances in both PV and CRO. This continued the trend of a compound annual revenue growth rate of over 20% since the initial public offering in 2014.

Building on these foundations, with the successful execution of our M&A strategy, rapid integration of acquisitions and alignment of commercial strategies in our CRO and PV businesses, as well as investment in business development, we are delivering substantial increases in cross-selling opportunities and a growing order book of contracted long-term future revenues.

In 2020, we completed two highly strategic acquisitions in the key US market for pharmaceutical services. In January, we acquired Ashfield Pharmacovigilance, a long-established and highly respected provider of pharmacovigilance services in the US. This was rapidly and successfully integrated, providing cross-selling and growth opportunities within the significantly expanded PV client base, as evidenced by the Group's US revenue growth of 82.4% in 2020. In December, we acquired MS Clinical Services, LLC. and its subsidiaries ('MedSource'), a specialist provider of oncology and rare disease CRO services, which is expected to provide further growth and development potential within the key CRO sector in the USA and globally.

The Board continues to actively consider further acquisitions that will complement and strengthen the existing CRO and PV service offerings and give access to new customers and geographies.

We are also continuing to invest in infrastructure, technology and digital transformation, with the development of applications to achieve significant automation over the coming years. In our PV business this includes the development of applications for robotic process automation and the digitisation of simple adverse event reports, leading to the deployment of machine learning for full case processing. In the CRO business, we plan to play a significant role in the global trend, accelerated by COVID-19, towards digital transformation of clinical trials, including eConsent, ePRO and wearable technology for remote and home-based patient monitoring as well as virtual and telemedicine as standard of care, risk-based monitoring and remote data verification. These investments are expected to build on Ergomed's leadership position with service offerings to our international client base, as well as providing further potential for profitability improvement.

Strong leadership and employment growth

During the year, Ergomed continued to strengthen its executive leadership with key appointments in Europe and in the US where we are expanding rapidly both organically and through M&A. Our acquisitions of Ashfield Pharmacovigilance (now PrimeVigilance USA) and MedSource have included the addition of key new senior team members. Despite the COVID-19 pandemic, employment throughout the Group grew from 850 employees to around 1,150 over the course of 2020.

Executive Chairman's statement continued

We are delighted to welcome our new colleagues to the Group. These additions to the Ergomed global team reflect the growing strength and ambition of our business, add to our high-quality professional experience and strength in depth and bolster Ergomed's growth potential.

COVID-19

The COVID-19 virus outbreak was a dominant factor for global businesses during 2020. Ergomed's response to the pandemic continues to demonstrate the robustness and resilience of our services business model which, together with the hard work and dedication of all our colleagues, has been highlighted during this challenging year.

Health and safety

Throughout the pandemic, our priority has remained the health and safety of our employees and the maintenance of our service to all the patients and medical staff involved in our clinical studies and pharmacovigilance services.

We took stringent hygiene measures across all our sites and cancelled unnecessary travel. Our established business continuity plans enabled the Group to transition to home working and we continued to provide clinical study and pharmacovigilance monitoring services in support of all our patients and medical partners. We saw a temporary reduction in our ability to provide on-site monitoring services in our CRO business particularly in H1, but elsewhere there was no impact on our service levels or productivity metrics, and the quality and scale of the care provided to our patients and the healthcare profession continued at normal levels.

Business continuity

Ergomed's services in both clinical research and pharmacovigilance are provided under long-term contracts in order to meet monitoring needs essential for medical research as well as legally mandated pharmacovigilance requirements. We have not seen a material COVID-19 impact on our business or our performance metrics, nor major delays or cancellations to studies or contracts. The slowdown in monitoring experienced in the CRO business in the second quarter of 2020 was replaced by a return to growth in the second half of the year, with revenue higher than in the first half of the year and in the corresponding period in 2019, as remote monitoring was implemented combined with a limited return to near normal levels of onsite monitoring in H2. In addition, our development activities continued in the second half of 2020 providing a strong sales performance and a significant uplift in our order book at the end of the year.

Risk mitigation

Ergomed maintained a robust financial position throughout the year, with strong cash generation and substantial cash balances. We continue to monitor closely the rapidly evolving situation and see no significant immediate risks to the Group's revenues or operations, however, plans for financial risk mitigation are in place if necessary. The Group has a strong balance sheet and an unutilised £30 million credit facility and is continuing to prove resilient in the face of the risks posed by COVID-19.

Our contribution to the global fight against COVID-19

Ergomed was proud to make an ongoing contribution to the global effort to overcome the challenges created by the spread of the COVID-19 virus. We continued to provide our clinical trial and monitoring services for our existing and new clients and patients to the highest professional standards.

At the same time, we provided our clinical research as well as pharmacovigilance services for new projects designed to combat the virus. A number of COVID-19 related studies and contracts are continuing, and our business development pipeline includes significant further opportunities.

Conclusion

Ergomed's success in 2020 reflects the resilient business model and robust position of the business as well as the hard work and dedication of all our colleagues in a time of exceptional challenge. I would like to thank everyone at Ergomed for their contribution during the year, and our investors for their continued support.

Miroslav Reljanović
Executive Chairman
22 March 2021

Responding to COVID-19

Demonstrating resilience and the ability to contribute to a global health crisis

Our priorities and key mitigating actions

Keeping our people safe

In a short period, our workforce was working remotely with the best possible technology. Our essential workers continued to support clients and patients. Our employees showed resilience in adversity; we did not have any redundancies or furlough any staff. We provided equipment and training to enable our staff to move to a flexible work arrangement and help address their family needs in these challenging times.

Maintaining patient safety

Our priority is always patient safety. Where regulations allowed, clinical trial management and patient monitoring activities were moved on to Ergomed's remote and centralised clinical trial management systems and we worked carefully with each study sponsor to monitor patient safety. All PV staff and operations were seamlessly moved to remote working with no impact on patient safety monitoring.

Maintaining client service

As well as working with study sponsors to enable remote monitoring and maintain patient safety, we also ensured that we had regular communication with sponsors and study-specific COVID-19 risk management plans established. In the majority of cases Ergomed was able to continue to progress trials and meet key milestones.

Contributing to COVID-19 research

We were pleased to be selected by our clients to help contribute towards efforts to overcome the pandemic. After initially being involved in the successful design and implementation of the Siltuximab study (see COVID-19 case study – page 14) we were engaged by further partners to help with CRO and PV activities. We were keen to support and be involved with any efforts to overcome COVID-19.

Resilience of our business model

We have seen that Ergomed's business model has been resilient to the impact of COVID-19, with PV revenues growing and CRO revenues remaining flat.

Restrictions on movements meant that access to patients for CRO monitoring visits were heavily impacted with leading listed CROs reporting restricted site access in 50 to 80% of trials at the pandemic peak. We estimate that up to 42% of Ergomed's CRO operating activities have been impacted to some degree by COVID-19 during 2020.

Ergomed's resilience is partly due to the mitigating actions detailed above, but is also a result of Ergomed's business model:

- **Complementary CRO and PV businesses** – where patient access and recruitment in CRO was negatively impacted, the regulatory, compliance nature of the PV business meant that it remained consistent.
- **Focus on rare disease and oncology** – due to the critical nature of these trials, these were among those areas least affected.
- **Technology** – use of remote and centralised clinical trial management and monitoring activities enabled continued patient recruitment and monitoring. Patient profile software provided a holistic view of patients in an interactive, real-time environment allowing the progression of early phase studies. Existing IT systems were already configured for full-company remote working.
- **Long term client contracts** – certainty around revenue and cash flow streams.
- **Combined CRO and PV marketing and business development functions** – able to quickly focus our sales efforts on supporting the industry's efforts to find COVID-19 treatments and vaccines.

Responding to COVID-19 continued

Solving the challenges faced by CRO

COVID-19 impact on business	Our approach
Regulatory restrictions & halts • COVID-19 related studies are prioritised by regulatory bodies causing delays in all other indications	**Regulatory restrictions and bespoke regulatory intelligence tool** ensures agile approach to comply with many regulatory changes throughout COVID-19 pandemic
Management of centres & logistics • Hospitals were closed down • Shipment of logistical equipment was hindered • All hospitals prioritised COVID-19 patient management	**Unique site management model** ensured continuous communication with the sites and provided much needed support during the evolving situation in hospitals **Study physician support** to Investigators aided in patient identification and supported in study related procedures, resulting in constant recruitment on new studies and meeting milestone expectations
Significant drop in monitoring services • Travel and hospital restrictions did not allow for site visits • Up to 40% of CRO revenue derives from monitoring	**Hybrid model** (combination of contractors and employees) ensures agile cost control. Ergomed leveraged this model to reduce contractor utilisation and therefore maintain margins throughout

COVID-19 Case study

Ergomed continues to work with partners on COVID-19 related clinical studies

One such partner was EUSA Pharma ('EUSA') and the study of Siltuximab, an interleukin ('IL')-6 targeted monoclonal antibody, in the treatment of patients with COVID-19 who have developed serious respiratory complications.

The study was sponsored by the Papa Giovanni XXIII Hospital in Bergamo and started in March 2020, at the peak of the initial outbreak in northern Italy. Ergomed provided clinical research services for the study and was integral to the rapid design and implementation of the study from a clinical and operational perspective.

Ergomed was proud to be able to use its expertise and agility to quickly develop protocols and patient consent forms, translate documents and expedite all required information to receive Compassionate Use Program ('CUP') approval by 11 March 2020. Further work resulted in the study receiving full approval on 18 March 2020.

Our colleagues

For us, it is a privilege to lead our employees around the world who work every day to earn our customers' trust and help them succeed. We've long recognised the importance of prioritising our employees' physical and emotional well-being, and that of their families. During the COVID-19 crisis, our focus throughout has been the Group's employees' safety and well-being. Ergomed was able to rapidly adapt to the new norms worldwide; in a short period, our workforce was working remotely with the best possible technology.

Our essential workers kept supporting clients and patients. Our employees showed resilience in adversity; we did not have any redundancies or furloughs. We provided a flexible work arrangement for our employees to address their family needs in these challenging times and we are increasing our mental health offerings to help staff cope with this health crisis's ongoing changing conditions.

Ergomed's COVID-19 taskforce meets bi-weekly to manage business continuity and to keep the staff informed.

COVID-19 timeline

2020

Mid March 2020

- Ergomed announces provision of clinical research services for the Siltuximab Clinical Study.

End of March 2020

Ergomed implements a range of employee safety measures and successfully transitions to a fully remote working operation across all countries.

End of March 2020

Ergomed provides drug safety services to assess the effect of a rheumatoid arthritis treatment on patients with severe COVID-19 infection.

April 2020

Ergomed announces provision of clinical research services for the Namilumab Clinical Study.

June 2020

Due to UK government COVID-19 measures, Ergomed's AGM is held as a closed meeting.

July 2020

Ergomed releases trading update which is materially ahead of market expectations despite COVID-19 challenges.

September 2020

Ergomed's interim results demonstrate the business's robustness.

November 2020

Ergomed completes a Capital Reduction using remote conferencing for court hearings.

December 2020

Due to continued travel restrictions, Ergomed completes the due diligence and acquisition of MedSource in the US remotely.

2021

Our business model

We have a differentiated, sustainable and flexible business model. It's the platform for our growth strategy and generates value for our key stakeholder groups.

We leverage our resources, relationships and competitive advantage...

... to deliver our services and supporting activities...

Global coverage

Ergomed has a comprehensive network of PV and CRO experts in locations throughout Europe and has significantly expanded its North American operations.

Specialist knowledge and expertise

Ergomed's management and staff are highly qualified and knowledgeable in their specialist fields of expertise.

Long-term client relationships

Ergomed prides itself on building long-term and trusted client relationships through all phases of clinical development, and post-approval pharmacovigilance.

Technology

Ergomed continues to invest in automation and digital transformation to provide a more valuable service to clients across the CRO and PV businesses.

Recognised brands

The Ergomed group includes PSR Orphan Experts and MedSource, both of which have been amalgamated under the Ergomed Clinical Research brand, and PrimeVigilance. Ergomed and PrimeVigilance are highly visible within the mid-tier CRO and PV markets.

What we do

Ergomed's complementary full services offering, with its 20-year track record in specialist clinical research and strength in pharmacovigilance, provides significant benefits to clients across the pharmaceutical and biotechnology industries.

CRO services

- High-quality contract research and clinical trial management across all phases (I to IV)
- Innovative site-support services
- Plan, manage, monitor and report on the most complex clinical trials
- Specialism in rare disease and oncology trials

PV services

- Essential – case processing, reporting and statutory filing, internal audits
- Intermediate – signal management, risk evaluation and management, qualified person oversight, external audits/inspections
- Premium – pharmacoepidemiology, risk mitigation protocols, referral procedures, strategic consultancy

Underpinned by

Strategic acquisitions

We have completed eight acquisitions since IPO in mid-2014, including two in 2020 in the US, demonstrating our ability to successfully identify and integrate businesses.

Complementary capabilities

Ergomed's comprehensive range of services in both the PV and CRO sectors are complementary and allow it to support pharmaceutical and biotechnology companies through all phases of clinical development, post-approval pharmacovigilance and medical information services.

Experienced leadership

See **pages 48 to 49**

Governance

See **pages 50 to 53**

Patient advocacy

See **page 43**

... and create value for our stakeholders

Clients

Partnering with Ergomed gives clients global access to specialist CRO and PV services across all product lifecycle phases. Ergomed's specialist knowledge and staff expertise, investment in technology and patient advocacy deliver a value-enhancing and efficient service to clients.

Colleagues

Through a positive work environment which promotes diversity and inclusion, we allow our colleagues to meet their potential and thrive in their chosen profession.

Suppliers

Ergomed believes in building long term supplier partnerships through shared values of knowledge, expertise and transparency. These partnerships, combined with financial stability, allow sustainable growth for both Ergomed and its suppliers.

Patients and communities

Having been founded by a physician, Ergomed has a long history of putting patients and their families at the centre of the work it does. Through a focus on patient advocacy, Ergomed is increasing patient and community engagement and improving the discovery, development, and evaluation of new effective medicines.

Investors

Organic growth, underpinned by highly qualified management and staff, strategic acquisitions in growth markets and investments in technology are delivering sustainable shareholder value.

See more on our stakeholder engagement on **pages 34 to 37**

Our strategy

Our strategy is to build a profitable high-growth business targeting global leadership in specialised pharmaceutical services

Strategic objectives

- Outpace CRO and PV market growth by leveraging brand strengths
- One-stop shop for all our customers' clinical trial outsourcing and pharmacovigilance requirements
- Continue to realise pharmacovigilance and clinical research synergies and cross-selling opportunities

- Augment organic growth with strategic and selective acquisitions
- Integrate recent acquisitions to consolidate US coverage and growth potential
- Strengthen geographical footprint through expansion to developing regions

- Increase investment in people, attracting the best talent worldwide, and foster personal growth within our business
- Invest in technology and digital transformation to enhance client and patient service

Miroslav Reljanović
Executive Chairman

"Ergomed's success in 2020 reflects the resilient business model and robust position of the business as well as the hard work and dedication of all our colleagues."

2020 performance

Revenue CAGR last 6 years
20%+

Adjusted EBITDA growth in 2020
55%

2021 focus

- Realise pharmacovigilance and clinical research synergies and cross selling opportunities available as a result of recent acquisitions
- Differentiate service through a focus on quality led by expert professionals
- Build geographical presence in new and developing regions such as Japan and India

Ashfield acquired order book
$9.8m

MedSource acquired order book
$63.5m

- Integrate MedSource acquisition and establish a strong US CRO presence alongside the PrimeVigilance USA brand (formerly Ashfield Pharmacovigilance)
- Carefully review and consider acquisition opportunities which are complementary and accretive

Number of staff recruited or added during 2020
295

Number of cases processed
275,000+

- Continue to realise growth through the recruitment and training of our people
- Provide a world class service through investment in automation technology to enhance client and patient service

Strategy in action

Geographical expansion and integration

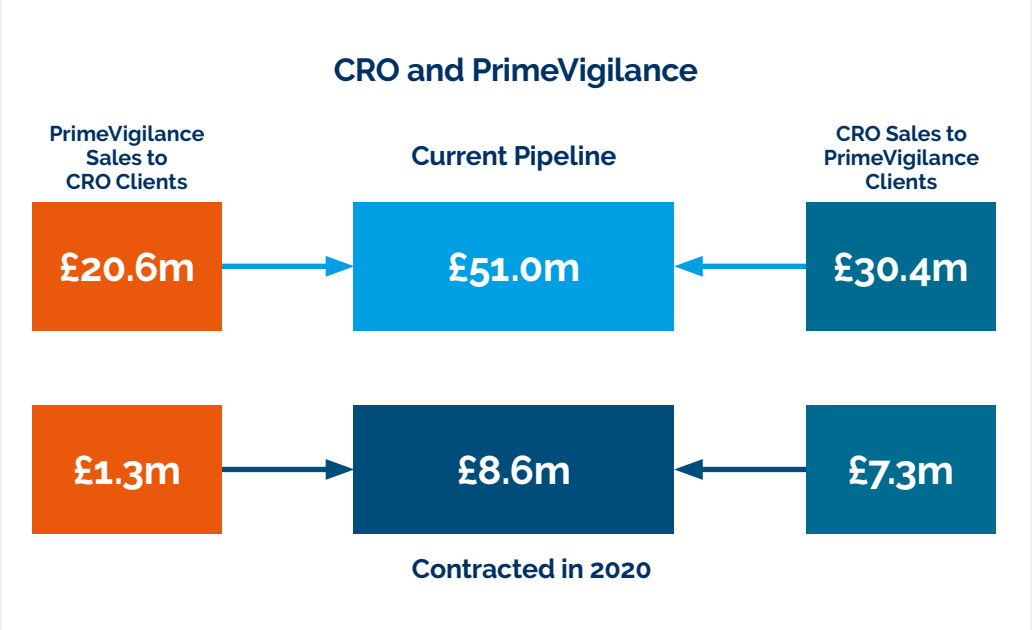
With revenue CAGR of over 20% since the initial public offering in 2014, Ergomed has established a strong track record of growth across both its CRO and PV businesses. This growth has been driven organically through establishing trusted customer relationships, a differentiated service specialising in oncology and rare disease, our market-leading pharmacovigilance service and expertise, and our highly experienced and professional staff.

During 2020, Ergomed's North American business grew 48% organically and this was supplemented by the acquisition of Ashfield PV in January 2020, resulting in the overall North American revenue growing 82% to £46.7 million. Future revenue growth is expected to continue in this key market as a result of Ergomed's expanded presence and the integration of MedSource, which was acquired in December 2020.

Ergomed is committed to sustaining future growth through the realisation of synergies, its investment in people and technology and cross-selling opportunities arising from its established CRO and PV activities. This will continue to be supported and supplemented through further strategically aligned acquisitions, complementing and strengthening the existing CRO and PV service offerings and giving access to new customers and geographies.

Cross-selling opportunities

By offering CRO and PV services Ergomed is able to assist clients in managing clinical development from 'first patient', through to regulatory approval and post-marketing studies. The complementary business streams and combined CRO and PV marketing and business development functions have facilitated enhanced cross-selling opportunities and client retention. In 2020, total cross-selling awards were £8.6 million, with over £50.0 million of further opportunities in the business development pipeline at the end of the year.



Strategy in action continued

BUILD

Successful acquisition of PrimeVigilance USA and MedSource

In addition to the strong organic growth across the CRO and PV sectors, Ergomed is looking to supplement growth through selective acquisitions to allow more rapid expansion in key high growth markets and developing regions.

During 2020 Ergomed was pleased to announce two further acquisitions, Ashfield Pharmacovigilance Inc. ('Ashfield') in January 2020 and MS Clinical Services, LLC ('MedSource') in December 2020. Both Ashfield and MedSource are based in the US and offer Ergomed increased PV and CRO access and operational coverage in the strategically important North America market.

Both acquisitions were fully funded out of operational cash-flows allowing the group to maintain 100% of its £30 million credit facility with its bankers.

PRIMEVIGILANCE

Acquisition of Ashfield

Ashfield is a US pharmacovigilance services provider which Ergomed acquired on 13 January 2020 for $10 million from UDG Healthcare. Upon acquisition Ashfield became part of Ergomed's PrimeVigilance brand and changed its name to PrimeVigilance USA Inc. ('PV USA Inc.').

The acquisition and successful integration of PV USA Inc. during 2020 have significantly bolstered PrimeVigilance's operational presence in North America allowing it to more effectively service its customers and fully access the largest geographical PV market. The combination of PrimeVigilance and PV USA Inc. has resulted in significant economies of scale realised through complementary staff expertise and leveraging existing technology platforms.

At acquisition

- Revenue $11.6m[1]
- Adj. EBITDA $0.9m[1]
- Order book $9.8m
- 40 new clients
- 67 US-based staff

1 Year ended 30 September 2019

MEDSOURCE

Acquisition of MedSource

MedSource is a specialist US-based clinical research organisation which was acquired by Ergomed on 11 December 2020 for an initial consideration of $16.2 million in cash and $1.8 million in equity with the potential for further consideration of up to $7.0 million based on MedSource's results for the 2021 year.

As part of the ongoing integration of this recent acquisition, in April 2021 MedSource was rebranded and now forms part of Ergomed Clinical Research.

The acquisition of MedSource aligns with Ergomed's strategy to grow its existing profitable services business both organically and through acquisition and advances a number of important objectives for Ergomed, including:

Complementary specialisms
MedSource is highly complementary to Ergomed's existing capabilities having participated in over 200 oncology and rare disease clinical trials over the past 20 years.

Geographical growth
MedSource's significant North America operations will further accelerate Ergomed's growth in this market, with additional offices in Houston, Raleigh and Boston in the US.

Significantly increases Ergomed's order book
MedSource joins Ergomed with an existing order book of $63.5 million as at 31 December 2020 providing high forward-visibility of contracted future revenue.

At acquisition

- Revenue $19.3m[2]
- Adj. EBITDA $0.9m[2]
- Order book $63.5m
- Over 20 new clients
- 110 US based staff

2 Year ended to 31 December 2020

Strategy in action continued

Investment in people, recruitment and training

Ergomed recognises that the investment it makes in people is at the forefront of delivering its vision. Over 40% of our workforce has a PhD, MD, or advanced degree qualification and we recognise that continued training and personal development is important to staff development, retention and delivering excellent client service.

During the year Ergomed designed and delivered six key training programmes to operational staff focusing on leadership, management, technical knowledge and soft skills. These were attended by 319 attendees who completed almost 800 hours of training. All staff were also required to participate in data protection and information privacy training.

In addition to this, Ergomed's team of experts ran eight webinars during 2020 covering a range of significant subjects across the CRO and PV sectors. These free webinars were open to external participants, as well as staff, and were attended by over 1,750 participants.

As Ergomed grows, it continues to recruit and retain the best talent. During 2020 Ergomed welcomed 177 new employees through the acquisition of Ashfield and MedSource but also recruited an additional 120 staff and promoted over 250 staff.

Investment in technology

Ergomed is continuing to invest in technology and digital transformation to enhance client and patient service. Investment in automation technology will provide a world class pharmacovigilance service through allowing faster analysis and reporting of adverse medical events. This will deliver organic growth more efficiently, with the automation of manual, repetitive processes freeing up valuable hours for highly trained pharmacovigilance professionals to focus on value-creation and problem solving that only humans can address.

PrimeVigilance announced a strategic collaboration with Automation Anywhere, a global leader in Robotic Process Automation ('RPA'), and DataRobot, the leader in enterprise artificial intelligence ('AI'), in May 2020. A proof of concept has been completed, and PrimeVigilance is now in the process of implementing a cloud-based software solution to automate specific pharmacovigilance processes.

In the CRO business, we plan to play a significant role in the global trend, accelerated by COVID-19, towards digital transformation of clinical trials. This includes electronic consenting and patient records, wearable and home-based technologies for remote monitoring, virtual and telemedicine as standard of care, and risk-based monitoring and remote data verification. These investments are expected to build on Ergomed's leadership position with service offerings to our international client base, as well as providing further potential for profitability improvement.

PV digital transformation

- Development of applications for automated Adverse Event processing
- First phase focused on RPA to digitise simple Adverse Event reports
- Machine learning to be deployed during next phase, for more complex reports, as precursor to full case processing
- Plan to achieve significant automation within three years
- Drawing on previous experience with digital transformation in banking and insurance

Operational review

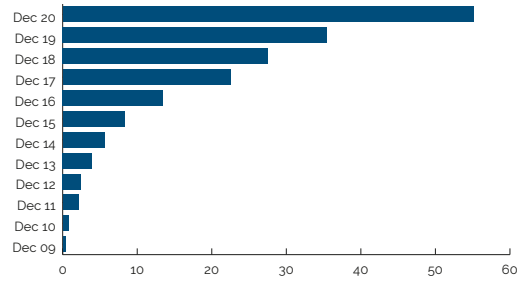
Pharmacovigilance ('PV')

PRIMEVIGILANCE

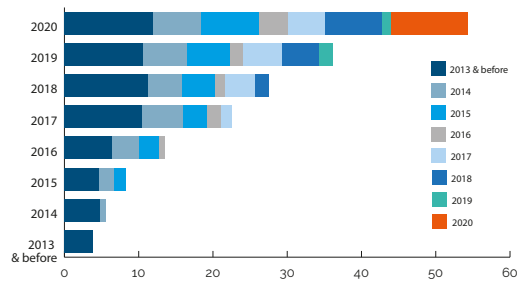
In 2020 there was a strong operational and financial performance from both of the Group's businesses, Pharmacovigilance (PV) and Clinical Research Services (CRO). We continued to execute our strategy of delivering world-class PV and CRO services to our customers, whilst fostering business development and cross-selling opportunities between these two highly complementary businesses.

Despite the challenges of the COVID-19 pandemic, Ergomed demonstrated resilience and maintained its momentum in 2020. The Group has begun 2021 from a position of strength, with a robust financial platform and a proven growth strategy, ensuring that we are well positioned to achieve the longer-term strategic priorities of the business.

Consistent growth
PV revenue (£m)



Exceptional client retention
PV revenue by customer cohort (£m)



Regulatory context

The increasing global requirement for pharmacovigilance services coupled with a perpetual drive to improve drug safety through regulation continue to facilitate the transition towards specialist outsourced PV providers and general market growth.

In Europe, the implementation of Good Pharmacovigilance Practice (GPvP) in 2012 and subsequent mandatory compliance has led to an increased demand for outsourced PV services and been a consistent driver for Ergomed's growth. In the US, the existing stringent PV regulatory regime continues to be regularly strengthened on an ongoing basis. Similarly, PV regulation continues to be rolled out in the Middle East, China and South East Asia, providing further growth opportunities for Ergomed's PV business. Ergomed intends to continue to leverage existing partnerships in these regions to facilitate growth and meet client requirements.

The latest regulation to affect Europe is Brexit, as a result of which the UK will no longer fall under the EU GPvP jurisdiction. This is expected to add regulatory complexity and drive further demand for specialist outsourced PV services.

Financial performance

The addition of PV USA and the strong organic growth of the PV business saw revenues increase by £19.7 million from £35.4 million in 2019 to £55.1 million in 2020 (55.6% increase) of which £9.3 million was due to the addition of PV USA. Margins continued to be strong for the PV business increasing from 51.5% in 2019 to 52.0% in 2020.

Sales awards and order book

PV new business in 2020 was primarily driven by North America which accounted for 90% of repeat business and 72% of new business. The contracted order book grew from £54.6 million in 2019 to £79.8 million at the end of 2020, an increase of 46.2%.

PV revenue
£55.1m
2019: £35.4m

Contracted PV order book
£79.8m
2019: £54.6m

Management and staff

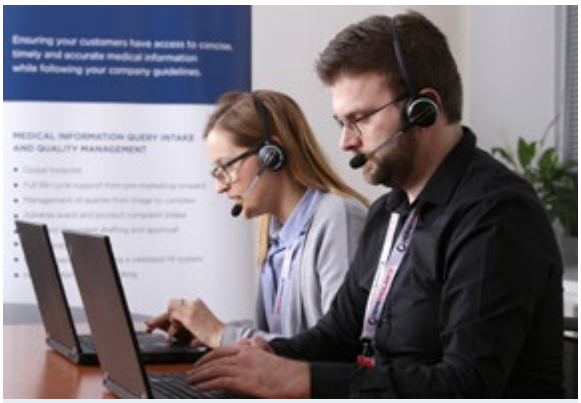
In addition to the acquisition of Ashfield, the business continued to invest in its employees to support its geographical expansion, with over 250 employees being promoted during the year. PrimeVigilance employs around 50 physicians, over 300 pharmacists and other life sciences professionals and over 20 in-house EU Qualified Persons for Pharmacovigilance ('QPPVs') covering more than 60 countries. This constitutes one of the largest qualified teams of PV specialist professionals in any independent pharmaceutical services business globally and it continues to grow. The breadth and depth of staff and professionals supporting PrimeVigilance is reflected in the quality of services provided. Testament to this is PrimeVigilance's high customer renewal and retention figures and the fact that PrimeVigilance participated in over 70 regulatory inspections with no critical findings relating to its activities.

Technology investment

Investment in technology is at the core of the PrimeVigilance quality first approach. During the year the business, in partnership with DataRobot and Automation Anywhere, commenced the development of a cloud-based solution to automate certain PV processes, allowing faster analysis and reporting of adverse medical events.

The technology is expected to bring new levels of speed and intelligence to a key activity of the business, freeing up valuable hours for highly trained pharmacovigilance professionals to focus on value creation and problem solving that only humans can address, and helping to deliver a higher quality service more efficiently. The PV business is also consolidating its safety databases into a single cloud-based platform, which will drive further efficiencies.

Constantly evolving regulations, geographic expansion, investment in technology and people, combined with the strength of the PrimeVigilance brand, mean that the PV business is well placed to continue delivering its growth strategy into 2021 and beyond.



Acquisition of Ashfield Pharmacovigilance

In January 2020 PrimeVigilance, Ergomed's pharmacovigilance business, welcomed the addition of Ashfield Pharmacovigilance (Ashfield PV), an established PV provider in North America, into the Group. Ashfield PV was immediately rebranded as PrimeVigilance USA Inc. (PV USA) and, through its rapid integration into the Group, significantly expanded Ergomed's PV offering in North America.

The acquisition immediately saw the addition of around 70 highly qualified and experienced staff, 40 new clients and around $12 million of annual revenue from this strategically important market. Since then, the operational and administrative functions of PV USA have been fully integrated into the wider Group and we have already seen the benefits of the acquisition through increased economies of scale and cross-selling opportunities.

The hard work and dedication of all the Ashfield and PrimeVigilance staff was key to making this business combination as successful as it has been to date.

Operational review continued

Clinical Research Services ('CRO')

ERGOMED

Ergomed delivers high-quality clinical research services through a comprehensive offering of clinical trial research support services covering all phases of medical development via a global network of research experts and patients.

The CRO market has experienced significant expansion with high annual growth in oncology and rare disease research expected to continue over the coming years. This specific growth in Ergomed's core focus areas is underpinned by broader market trends including increased investment in drug development by pharma-biotech companies, a shift towards clinical trial outsourcing and strong growth in the number of trials in markets such as Asia.

COVID-19

COVID-19 caused significant disruption to the global CRO market during 2020. Restrictions on movement meant that access to patients for physical monitoring visits was limited, with some leading listed CROs reporting restricted site access in 50% to 80% of trials at the pandemic peak.

Despite these disruptions, Ergomed's CRO business demonstrated robustness and resilience during the pandemic. While the pandemic peak did impact some of our clinical studies, clinical trials in rare disease and oncology, in which Ergomed specialises, are focused on critical unmet needs and were therefore among the therapeutic areas least disrupted by COVID-19. Restrictions on movement and patient access accelerated the trend towards remote monitoring, an area which Ergomed was already pioneering. During the pandemic, Ergomed successfully implemented remote and risk-based monitoring techniques, allowing clinical trial activities to continue even when physical access to sites was not possible.

For early phase studies where frequent and timely monitoring of safety and tolerability is required, Ergomed implemented patient profile software that provides a holistic view of each patient in an interactive and real time environment. In addition, study physicians supported trial investigators in patient identification and procedures resulting in consistent patient recruitment and milestone achievement.

Financial performance

Overall the CRO business saw total revenues flat at £31.3 million year on year (2019: £31.2 million after adjusting for exceptional revenues from change orders of £1.6 million in 2019). This included an increase in service fee revenue of £1.0 million to £23.7 million, offset by a decline of £0.9 million in zero-margin pass-through revenue to £7.6 million. There was also an increase in third party full-margin service fee revenue (excluding co-development) from £18.3 million to £21.5 million, an increase of 17.5%, with almost all co-development projects having now concluded. As a result of these positive trends, the service fee gross margin in the CRO business grew by 3.7ppts from 42.6% to 46.3%, highlighting the underlying strength of the CRO business and resilience to the pandemic. It is also notable that in H2 2020, the CRO business resumed growth with service fee revenues increasing by 13.5% compared to the first half of the year.

Acquisition of MS Clinical Services LLC. and its subsidiaries ('MedSource')

In December 2020, Ergomed was pleased to announce the acquisition of MedSource, a US-based CRO business with over 20 years' experience in delivering specialist oncology and rare disease clinical trial services. MedSource further strengthens Ergomed's position as a high-quality oncology and rare disease CRO provider in the strategically important North American market. With the acquisition of MedSource, the Group welcomed the addition of 110 highly qualified staff, primarily based in the US, and 20 new clients. The work of integrating the business has already started as the Group looks to expand its offering in North America and build upon the success in 2020 which saw 65% of Ergomed's CRO repeat business wins in this region.

CRO revenue
£31.3m
2019: £32.8m

Contracted CRO order book
£113.2m
2019: £69.5m

Sales awards and order book

The CRO contract order book grew from £69.5 million in 2019 to £113.2 million in 2020. The combined total order book gives the Group excellent visibility on the rollout of revenue during 2021 and confidence in delivering its strategy of growth.

Rare disease and oncology focus

Ergomed's CRO business works across all therapeutic areas, as a differentiated provider of clinical trial services with a particular strength in patient recruitment in oncology and rare disease trials. Oncology trials are generally very complex, although this varies with the type of cancer, and studies are often confronted by challenges including low patient enrolment, changing regulatory requirements, increased research costs, and trial protocols with increased study-related procedures. This explains in part why oncology trials are the biggest recipients of funding and makes the case for outsourcing to CROs who are better positioned to address these challenges. Ergomed's expertise and focus on oncology supports its CRO growth strategy and is evidenced by the fact that 88% (by value) of new business wins in 2020 related to oncology and rare disease, where similarly specialist expertise is also required.

Patient and clinician focus

Ergomed's focus on rare and orphan drug development is one of its core strengths. Drug development for rare and orphan diseases is challenging for many reasons, including complex biology, limited knowledge of the history and progression of the disease and the inherently small patient population available for clinical trials, who are usually geographically dispersed. Ergomed's focus on physician support teams helps ensure efficient patient recruitment, patient retention and clinical trial management of complex studies. Through the PSR Orphan Expert brand and the recent addition of MedSource, Ergomed distinguishes itself from peers in the market.

With the addition of MedSource and the continuing focus on patient needs, the CRO business is well placed to deliver on its growth strategy in 2021. There is an increasing need to draw on patient knowledge and experience to improve the discovery, development and evaluation of new effective medicines.

In addition, greater patient engagement optimises clinical study design, outcome measures and endpoint development. Ergomed maintains a Patient Organisation Advisory Board, comprising of representatives of patient groups in the field of rare diseases and has a dedicated Patient Engagement Officer.

Business development and commercial integration

A strong business development performance in 2020 resulted in sales increasing by 41.9% to £117.8 million (2019: £83.0 million). This included significant levels of new awards due to effective cross-selling between the CRO and PV businesses, bolstered by the addition of Ashfield PV in the USA (now PrimeVigilance USA). In 2020 total cross-selling awards were £8.6 million, with over £50 million of further opportunities in the business development pipeline at the end of the year. Key to new contract wins in both CRO and PV services was Ergomed's broader geographic footprint arising from organic expansion into the USA and Asia, as well as its ability to offer increased services and broader geographic coverage to the newly acquired PrimeVigilance USA client base. As a result, the order book increased to £193.0 million at the year end, up 55.5% over the course of 2020.

Outlook

Ergomed made exceptional progress in delivering its strategy in 2020, despite the challenges of the COVID-19 pandemic. The resilience and robustness of our global services business was demonstrated by our continued strong organic growth whilst completing key strategic acquisitions in the US in both our pharmacovigilance and CRO businesses. We have started 2021 in a strong position focused on our vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

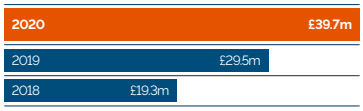
For and on behalf of the Board of Directors

Miroslav Reljanović
Executive Chairman
22 March 2021

Financial review

Ergomed's financial performance was strong in 2020 with market expectations upgraded on a number of occasions. With the transition to a fully services-based business model now largely complete, the Group's complementary CRO and PV divisions continued to trade strongly despite the impact of the pandemic.

Gross and net margins continued to improve throughout the year. This was in part due to effective cost control both at the cost of sales and general and administration levels, coupled with the successful integration of recent acquisitions and continuing investment in technology. Effective management of working capital and the new £30.0 million credit facility established in March 2020, which remains undrawn, also contributed to the overall strong financial position of the Group. The balance sheet has been further strengthened by the elimination of exposure to previous co-development investments. The capital reduction, approved unanimously by the Group's shareholders in October 2020, together with significantly increased profitability in the past two years, have increased the Group's consolidated retained earnings by over £50 million.



Gross profit

£39.7m

2019: £29.5m

KPIs and APMs

Key Performance Indicators (KPIs)

The table below summarises the KPIs that management uses to measure the financial performance of the Group.

£ millions (unless otherwise stated)	2020	2019
Total revenue	**86.4**	68.3
CRO *(Note 1)*	**31.3**	31.2
PV	**55.1**	35.4
Gross profit	**39.7**	29.5
Gross margin	**45.9%**	43.3%
EBITDA	**18.4**	9.2
Adjusted EBITDA	**19.4**	12.5
Basic adjusted earnings per share	**25.8p**	19.9p
Cash generated from operations	**19.0**	11.7
Cash and cash equivalents	**19.0**	14.3
Order book	**193.0**	124.1

Note 1: CRO Revenue in 2019 is stated after adjustment for exceptional revenues of £1.6m.

Alternative performance measures ('APMs')

In measuring and reporting financial information, management reviews Alternative Performance Measures (APMs), such as EBITDA, adjusted EBITDA and basic adjusted earnings per share, which are not defined measures under financial reporting standards. Management believes that these measures, when considered in conjunction with defined financial reporting measures, provide management and stakeholders with a broader understanding of the performance of the business.

Richard Barfield
Chief Financial Officer

"Ergomed is well placed to trade strongly into new opportunities for organic growth and expansion through M&A activity."

Adjusted EBITDA*

£19.4m

2019: £12.5m

Operating profit is the financial reporting measure under IFRS most comparable to EBITDA and adjusted EBITDA. The Directors make certain adjustments to EBITDA to derive adjusted EBITDA, which they consider more reflective of the Group's underlying trading performance, enabling comparisons to be made with prior periods. Certain items, such as share-based payments and change in fair value of contingent consideration for acquisitions are non-cash items and reflect adjustments to expected future consideration payments.

Operating profit is reconciled to EBITDA and adjusted EBITDA as follows:

	2020 £000's	2019 £000's
Operating profit	**13,534**	5,517
Adjusted for:		
Depreciation and amortisation charges within 'Other selling, general & administration expenses'	**3,511**	3,041
Amortisation of acquired fair valued intangible assets	**1,332**	671
EBITDA	**18,377**	9,229
Adjusted for:		
Share-based payment charge	**742**	870
Acquisition-related contingent compensation	**–**	87
Change in the fair value of contingent consideration for acquisitions	**–**	(512)
RDEC income (2017)	**(527)**	–
Grants in recognition of employment creation in Serbia	**(307)**	–
Acquisition costs	**853**	393
Pay in lieu and non-compete compensation	**232**	–
Exceptional items	**–**	2,427
Adjusted EBITDA	**19,370**	12,494

Acquisition-related contingent compensation relates to the cash component of deferred consideration which is payable contingent on the continued employment of the vendors. These costs, together with acquisition costs, pay in lieu and non-compete compensation and exceptional items, are cash costs but are not considered as normal recurring trading items and therefore are not included in adjusted EBITDA. RDEC income in relation to 2017 and grants received are not considered as normal recurring income items and therefore are not included in adjusted EBITDA.

Adjusted basic earnings per share is calculated on a similar basis to basic earnings per share but uses a profit measure which, like adjusted EBITDA, is adjusted for non-recurring trading items (see note 15 of the financial statements).

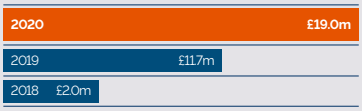
Management has previously used order book, (referred to in prior years as contracted order backlog) as an APM. Order book is the contracted value of customer revenue relating to in-progress performance obligations which are expected to be recognised in the future. The use of order book by management is no longer considered to be an APM as, from 1 January 2018, it is now a defined financial measure under IFRS 15 and is therefore included in KPIs.

Financial review continued

Basic adjusted earnings per share

25.8p

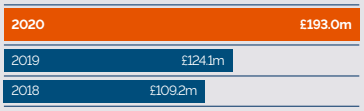
2019: 19.9p



Cash generated from operations

£19.0m

2019: £11.7m



Contracted order book

£193.0m

2019: £124.1m

Growth

Ergomed's CRO and PV businesses both continued to show positive revenue performance through to year end, resulting in a strong order book to start 2021.

Revenues for 2020 totalled £86.4 million, an increase of 26.5% over the prior year (2019: £68.3 million). CRO revenues were flat at £31.3 million (2019: £31.2 million after adjusting for exceptional revenues of £1.6 million), with the wider CRO sector experiencing challenges in the wake of the pandemic. PV revenues increased 55.6% from £35.4 million to £55.1 million including £9.3 million due to the addition of PV USA.

The 26.5% revenue growth overall was accompanied by a 34.6% increase in gross profit from £29.5 million in 2019 to £39.7 million in 2020, with gross margin increasing from 43.3% in 2019 to 45.9% in 2020 as a result of effective cost controls at the cost of sales level.

The Group also concluded most of its co-development projects, in line with the strategy to focus on the services-based model in both PV and CRO. As a result, the Group has reduced its overall R&D expenditure from £0.5 million in 2019 to £0.2 million in 2020. Having recognised realised impairment charges and write-offs totalling £2.4 million as exceptional costs related to this strategic focus in 2019, there were no exceptional charges in 2020. Ongoing costs required to exercise prudent stewardship over the co-development assets are not expected to be material.

In 2020 the significant revenue growth, profitability focus and effective cost management resulted in an adjusted EBITDA of £19.4 million, an increase of 55.2% over the prior year (2019: £12.5 million).

Financial strength

The growth in revenue and profitability achieved during 2020 led to strong cash generation at an operating level. Cash generated from operations was £19.0 million, an increase of £7.3 million over the prior year (2019: £11.7 million). The cash generated represented 99.0% of adjusted EBITDA and demonstrated the strong cash conversion capabilities of the business.

The Group continues to strengthen its balance sheet, with cash and cash equivalents increasing by £4.7 million to £19.0 million at the year end (2019: £14.3 million). This was after net cash outflows on the acquisitions of Ashfield Pharmacovigilance in January 2020 of £7.6 million and MedSource in December 2020 of £4.4 million. In March 2020 as a precautionary measure taken during the initial phase of the COVID-19 pandemic, £15.0 million cash was drawn down on the Group's £30.0 million credit facility established in March 2020 with the Group's banking partner, HSBC UK Bank plc. This cash was held in the bank and remained unutilised until it was repaid in full in August 2020.

In October 2020, a capital reduction was unanimously approved by shareholders, whereby the amounts of £27.6 million standing to the credit of the share premium account and £11.1 million standing to the credit of the merger reserve were cancelled and the balances were transferred to the retained earnings account. As a result of this and the generation of distributable reserves, the consolidated retained earnings account of the Group stood at £45.4 million at the end of 2020.

Ergomed plc has a strong balance sheet with net assets as of 31 December 2020 of £52.9 million up 43.8% on prior year (2019: £36.8 million) which includes cash and cash equivalents of £19.0 million (2019: £14.3 million) within total assets of £92.3 million (2019: £57.0 million). Consolidated retained earnings of the Group at the year end were £45.4 million, an increase of £50.9 million over the retained earnings deficit of £5.5 million reported in 2019.

Outlook

A strong financial foundation is now in place to continue to support the Group on a steady course beyond the COVID-19 pandemic. Ergomed is well placed to trade strongly into new opportunities for organic growth and expansion through M&A activity.

Richard Barfield
Chief Financial Officer
22 March 2021

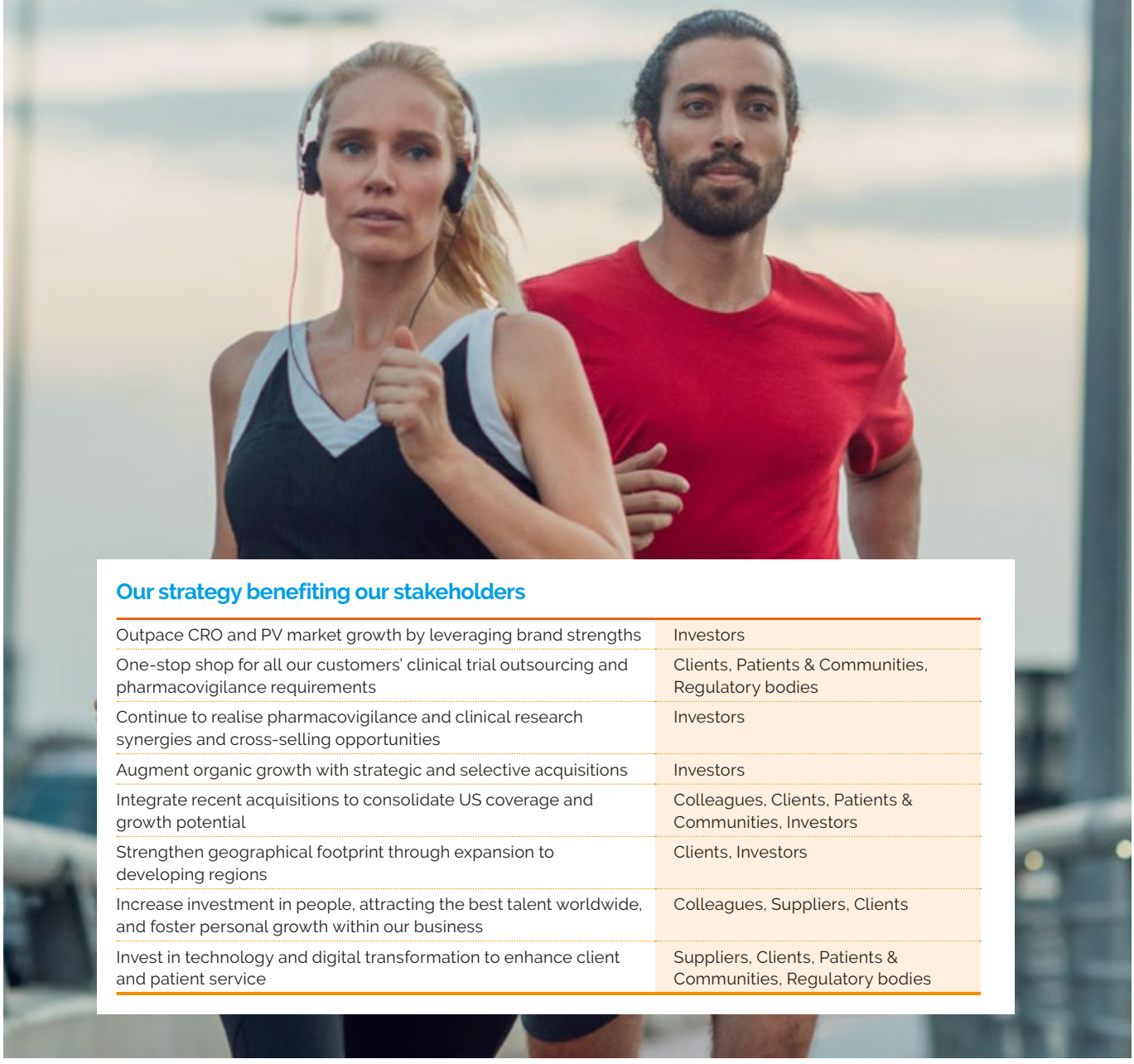
Responsible business

Environmental, Social and Governance ('ESG') matters are at the centre of Ergomed's strategy

Our approach to ESG

Ergomed has planned, managed, monitored and reported over 600 Phase I-IV clinical trials with a range of technologies that include small molecule drugs, monoclonal antibodies and other targeted agents as well as cancer vaccines, immunotherapy, radioactive agents, photodynamic therapies, and more recently, COVID-19 vaccines. As part of the accurate and timely monitoring of drug safety, Ergomed globally processed over 275,000 patient cases per annum.

We recognise that Ergomed has a key role in improving patient health and well-being through supporting the safe development and monitoring of medicines. To ensure the long-term fulfilment of this role, Ergomed must always strive to improve its governance rigour and keep social and environmental matters at the heart of any decisions made.



Our strategy benefiting our stakeholders

Outpace CRO and PV market growth by leveraging brand strengths	Investors
One-stop shop for all our customers' clinical trial outsourcing and pharmacovigilance requirements	Clients, Patients & Communities, Regulatory bodies
Continue to realise pharmacovigilance and clinical research synergies and cross-selling opportunities	Investors
Augment organic growth with strategic and selective acquisitions	Investors
Integrate recent acquisitions to consolidate US coverage and growth potential	Colleagues, Clients, Patients & Communities, Investors
Strengthen geographical footprint through expansion to developing regions	Clients, Investors
Increase investment in people, attracting the best talent worldwide, and foster personal growth within our business	Colleagues, Suppliers, Clients
Invest in technology and digital transformation to enhance client and patient service	Suppliers, Clients, Patients & Communities, Regulatory bodies

Responsible business continued

Stakeholder engagement

We believe that, to maximise value and secure our long-term success, we must listen to and engage with our key stakeholders.

Our main stakeholders	Their material issues	How we engage
Clients	• Regulatory compliance • Professional expertise and service offering • Open and fair business agreements	Ergomed has a regulatory group with experienced leadership who engage with regulatory bodies in all the relevant countries as well as aligned support from our quality assurance group to ensure compliance. Our team is built up of the experienced relevant industry experts to support our core services of clinical trials and pharmacovigilance services. We have a specialised contracts and legal team focused on meeting regulatory and industry standards. We use LinkedIn, Facebook and Twitter to encourage dialogue with all stakeholders, including clients. We post on topics such as company news, exhibitions we are attending, webinars we are involved in, company and employee achievements and corporate social responsibility activities.
Colleagues	• Opportunities for development, progression and to make a difference • Diversity and inclusion • Positive work environment and flexible working patterns	We encourage effective, professional, respectful and open communication at all levels both written and oral, in our offices globally. This is done both formally, through performance reviews and 360 feedback cycles, and informally through discussion forums and town hall meetings.
Suppliers	• Long-term partnerships • Open and fair business agreements • Financial stability	We have stable relationships with suppliers for core service provisions that are based on shared values and financial stability. We regularly engage with suppliers and ensure that we pay our suppliers to agreed terms.
Regulatory and government bodies	• Compliance • Openness and transparency • Proactive engagement with new regulations	We work in a strictly controlled regulatory environment and our specialist teams, systems and processes are designed to meet these requirements. We work directly with the relevant authorities to ensure all relevant information is shared in a timely manner. Our team maintains an ongoing database as well as specialist information departments collating up to date regulatory information.

Our main stakeholders	Their material issues	How we engage
Patients and Communities	• Safety • Security and privacy of data • Engagement and compassion	Our staff, systems and processes are focused on ensuring patient safety as our number one priority. Our legal and operations team are regularly implementing processes and continually monitoring our compliance with data privacy. We are particularly focused on patient engagement in our clinical trials and appoint a Patient Engagement Officer. Our individual offices support a variety of local charities, with a focus on those related to healthcare.
Investors	• Financial performance • Alignment of long-term goals • Regulatory compliance and good governance	We regularly communicate with our shareholders through a variety of channels: public announcements and press releases using the London Stock Exchange's Regulatory Information News Service ('RNS'), analyst briefings, face-to-face meetings with significant institutional shareholders, presentations at investor conferences and press interviews. We also continually update our website (www.ergomedplc.com). This is the primary source of information about the Group, giving an overview of activities and detailing all recent announcements, significant developments, presentations, webinars and press interviews and our Annual Reports. We seek feedback from investors through direct interaction between the Executive Chairman and Chief Financial Officer at meetings following our interim and final results, and certain other ad hoc meetings that take place during the year. There is also regular dialogue with shareholders via the Company's nominated adviser and corporate broker, Numis Securities. Rolf Soderstrom, as Senior Independent Director, provides an alternative route of access for communication with the Company by its shareholders. We encourage all our shareholders to attend our Annual General Meeting, which provides a forum and time for shareholders to meet the Board and ask questions. Unfortunately, due to the COVID-19 pandemic, we were unable to hold a face-to-face Annual General Meeting during 2020. In addition, the Company seeks to stay abreast of shareholder expectations and reactions through its dedicated investor email address: ir@ergomedplc.com.

Responsible business continued

Section 172

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, directors are required to have regard to the matters set out in sections 172(1)(a) to (f) of the Companies Act 2006 (amongst other relevant matters).

A. The likely consequences of any decision in the long-term

Ergomed's strategy is focused on achieving success for the Group and its stakeholders in the long-term. In taking individual decisions which progress Ergomed's strategic aims, Ergomed's Directors consider the likely long-term impact of the decision, in the context of the principal risks facing the business.

During 2020, Ergomed's Board approved the acquisitions of PrimeVigilance USA Inc ('PV USA Inc.') and MS Clinical Services LLC and its subsidiaries ("MedSource") respectively. Board discussion during the negotiation stages of these acquisitions focused not only on the immediate synergies and benefits to clients and employees which the acquisitions would provide, but also on planning for the long-term, successful integration of the acquired businesses. The Board believes that the acquisitions open up the strategically-important US market for Ergomed, in both our PV and CRO businesses, and advance Ergomed's long-term vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

Another key focus of Board attention during 2020 was to ensure that the Group maintains a robust platform from which to develop long-term growth, both organically and inorganically. As a result, and as explained under our 'Invest' strategic summary on page 24, investment will be directed towards people recruitment and training (which are central to Ergomed's business as a professional services provider), and automation technology. The Board considers and discusses management updates on both human resources and technology at every scheduled Board meeting, and a detailed Board strategy session dedicated to the automation of PV processes took place during 2020.

B. The interests of the company's employees

Ergomed's Board and management teams have been dedicated to ensuring employee health and safety during the COVID-19 pandemic, and health and safety reports were presented at each scheduled Board meeting in 2020. While many actions and decisions on employee health and safety were taken at executive management level, the Board provided management with a sounding board for these decisions. As the pandemic has progressed, the Board has been pleased to support Ergomed's focus on employee mental health, with planned initiatives including enhanced employee assistance programmes for all employees.

The Board's decision to invest in automation technology has the interests of Ergomed's PV employees at its core. With the automation of repetitive manual processes, our highly qualified PV professionals will be able to dedicate more of their expertise to providing value-added client services. We expect this to enhance their professional development, problem-solving skills, job satisfaction and, in turn, retention.

C. The need to foster the company's business relationships with suppliers, customers and others

The Board receives regular reports on the status of key client relationships and any issues are discussed with executive management.

During 2020, the Board has continued to support the development of a combined CRO and PV marketing and business development function within the Group. One of the key client benefits of this combined function has been the ability to cross-sell the Group's professional services between our CRO and PV clients and support them with a 'one-stop shop' provision. The Group's expansion in the US has enhanced this cross-selling ability even further. During 2020, the Board requested regular updates on cross-selling opportunities from management, and a summary of the current pipeline for cross-selling, which is based on the format of our regular Board report, is set out on page 21.

In this section 172 statement we have set out how Ergomed's Directors considered these matters in their decision making during 2020. Please also refer to 'Our strategy benefiting our stakeholders' on page 33 for a summary of how Ergomed's strategy benefits its employees, suppliers, customers and community.

D. The impact of the company's operations on the community and the environment

In this 'Responsible business' section of our Strategic Report, we are pleased to share the ways in which Environmental, Social and Governance matters are at the centre of Ergomed's strategy in a more focused way than in our previous Annual Reports. We have also, for the first time, incorporated Streamlined Energy and Carbon Reporting ("SECR") in the Strategic Report (pages 38 to 40). Ergomed's culture is centred around our patient community, and during 2020 Ergomed's Directors have overseen the adaptation of our operational processes so that we can continue to support our patients despite the challenges of COVID-19. This is particularly relevant to Ergomed's CRO business, which has traditionally relied upon face-to-face patient monitoring visits. Further information about how Ergomed's CRO business has solved the challenges presented by COVID-19 can be found on page 14.

The Board is proud to support Ergomed's purpose of bringing expertise to deliver medicines our world can trust, and, as part of the global healthcare community, Ergomed has been part of the frontline efforts to find medical solutions to the COVID-19 crisis. Please refer to our COVID-19 case study on page 14 for further information.

E. The desirability of the company maintaining a reputation for high standards of business conduct

It is the Board's belief that Ergomed can only fulfil its strategic goals by maintaining the very highest standards of business conduct. These high standards are already embedded within Ergomed's professional culture as a provider of specialist services to the pharmaceutical industry. Ergomed's operations are carried out in accordance with standard operating procedures regulated by the Group's quality management professionals, with client audits taking place on an ongoing basis.

The Group's corporate governance and risk management processes, which are overseen by the Board, and reviewed on a regular basis, are set out in more detail in the Strategic report on pages 44 to 47 and the Governance report on pages 50 to 63. During 2020, the Board, acting via the Audit & Risk Committee, instigated a review of Ergomed's existing Anti-Bribery and Whistleblowing Policies to ensure they remain fit for purpose as the Group's geographic footprint expands, particularly in the US.

F. The need to act fairly as between members of the company

The Board receives regular updates on investor relations, including details of investor meetings, press interviews and investor events. The ways in which Ergomed communicates with its members, to ensure that their views can be taken into account in Board decision-making, are set out on pages 34 to 35 (Stakeholder Engagement).

During 2020, the Board has made additional efforts to communicate with Ergomed's retail investor community, and our Executive Chairman and CFO have each provided interviews to publications with a retail investor focus. A selection of these interviews can be found on the Group's website at www.ergomedplc.com.

We were pleased to report that Ergomed's capital reduction, which became effective in November 2020, received 100% approval from shareholders.

Responsible business continued

Environment

We take our environmental responsibility seriously and consistently try to ensure optimal use of our resources. By setting goals to reduce environmental impacts and accelerate our contributions to a resource-efficient, low-carbon, and circular economy, we build long-term resilience for our business, partners, and customers.

Energy efficiency action

Taken (in 2020)

Due to the impact of COVID-19, Ergomed made no direct energy-efficient actions in 2020. However, the impact of COVID-19 did drive the following energy efficiencies:

- A reduction in travel (both business and commuting), and
- Reduced energy requirements in Ergomed's office spaces as a result of a move to remote working.

Planned (for 2021)

In 2021, Ergomed is planning the following to enhance energy-efficiency within the company:

- As a result of remote working – reduce office floorspace where possible,
- Promote remote working for all staff where practical,
- Begin considerations into promoting the use of electric or hybrid vehicles (for overseas leased vehicles),
- Focus on encouraging low carbon alternative modes of transport (eg rail travel) to reduce business travel in employee vehicles, which would lead to a reduction in fuel consumption.

Intensity ratio (by revenue)

1.13

Intensity ratio (by employees)

0.60

Methodology

Ergomed is responsible for the internal management controls governing the data-collection process and any estimations or extrapolations. It is responsible for the data aggregation, greenhouse gas ('GHG') calculations and the emissions statements. Emissions are calculated according to the Greenhouse Gas Protocol Corporate Greenhouse Gas Accounting and Reporting Standard.

Scope and subject matter

The report includes sources of environmental impacts under the operational control of Ergomed plc and includes the two active UK subsidiary companies in 2020:
- Haemostatix Ltd.
- PrimeVigilance Ltd.

GHG sources included in the process:

Scope 1:

- Natural gas, and diesel for electricity-generation.

Scope 2:

- Purchased electricity (location-based method and market-based method for 2020).

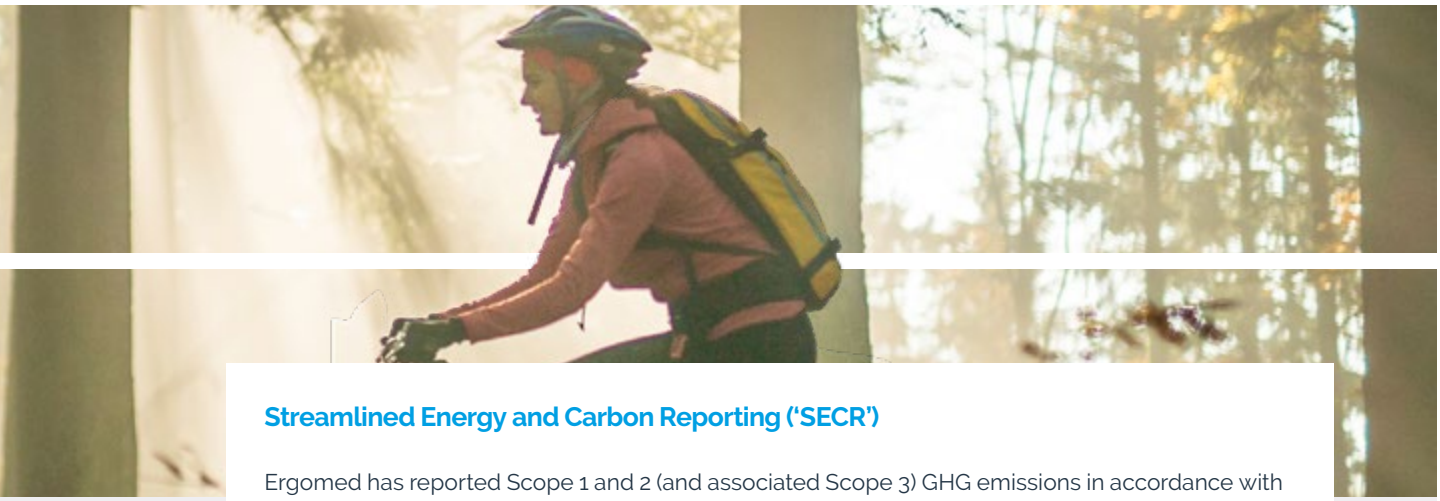
Scope 3:

- Business travel in employee-owned or hired vehicles.

Types of GHG included, as applicable:

- Carbon dioxide ('CO_2'), Nitrous oxide ('N_2O'), Methane ('CH_4'), Hydrofluorocarbons ('HFCs'), Perfluorocarbons ('PFCs'), Sulfur hexafluoride ('SF_6'), and Nitrogen trifluoride ('NF_3').

The figures are calculated using DEFRA conversion factors, expressed as tonnes of carbon dioxide equivalent ('tCO_2e').



Streamlined Energy and Carbon Reporting ('SECR')

Ergomed has reported Scope 1 and 2 (and associated Scope 3) GHG emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting (SECR). This includes emissions for the first mandatory reporting year – the 12 months started 1 January 2020 and ending 31 December 2020.

Company SECR 2020 mandatory reporting (in tCO_2e), as follows:

SECR	UK 2020
Energy consumption used: (kWh)	
Electricity	164,521
Gas	222
Transport fuel	–
Other energy sources	67,442
TOTAL	232,185
Emissions (tCO_2e)	
Scope 1	
Emissions from combustion of gas	0.04
Emissions from combustion of fuel for transport purposes	–
Scope 2	
Emissions from purchased electricity - location-based*	38.36
Emissions from purchased electricity - market-based**	47.60
Scope 1 & 2	
Total Scope 1 & 2 emissions (location-based method)	38.40
Total Scope 1 & 2 emissions (market-based method)	47.65
Scope 3	
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	16.72
Emissions from upstream transport and distribution losses and excavation and transport of fuels - location-based	13.36
Emissions from upstream transport and distribution losses and excavation and transport of fuels - market-based	15.76
Total location-based tCO_2e	68.48
Total market-based tCO_2e	80.13
Intensity ratios:	
Revenue £m (UK companies only)	60.39
Intensity ratio: tCO_2e from Scope 1, 2 & 3 (fuel for business travel only) / £m (location-based)	1.13
Number of full time employees within financial year (UK FTE)	115
Intensity ratio: tCO_2e from Scope 1, 2 & 3 (fuel for business travel only) / FTE (location-based)	0.60
Methodology	GHG Protocol Corporate Accounting and Reporting Standard
Certification and External Verification	Calculated and verified as accurate by Green Element Limited and Compare Your Footprint Limited, UK.

* Location-based electricity (Scope 2) emissions use the average grid fuel mix in the region or country where the electricity was purchased and consumed. For SECR, location-based is mandatory.

** Market-based electricity (Scope 2) emissions use the actual fuel mix consumed by Ergomed plc.

Responsible business continued

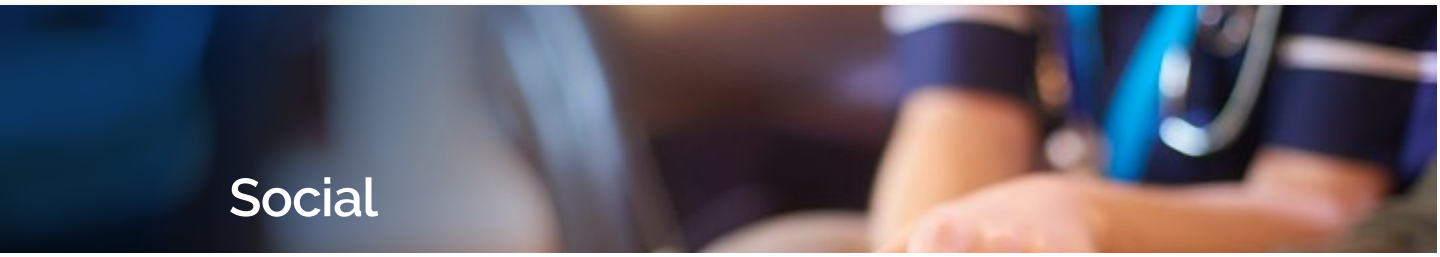
Environment continued

Optional additional Streamlined Energy and Carbon Reporting ('SECR')

Although optional, emissions for the 2019 reporting year – from 1 January 2019 to 31 December 2019 – have been included to produce year on year comparisons. This has been presented as an additional table below.

	UK 2019 (optional)	UK 2020	Year-on-Year Change (%)
Energy consumption used: (kWh)			
Energy usage – electricity and gas	213,558	164,743	-22.86%
Transport fuel	–	–	–
Other energy sources	83,377	67,442	-19.11%
TOTAL	296,935	232,185	-21.81%
Emissions (tCO_2e)			
Scope 1 & 2			
Total Scope 1 & 2 emissions (location-based method*)	54.58	38.40	-29.65%
Scope 3			
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	21.36	16.72	-21.72%
Emissions from upstream transport and distribution losses and excavation and transport of fuels - location-based	18.35	13.36	-27.15%
Total location-based tCO_2e	94.28	68.48	-27.36%
Intensity Ratios:			
Revenue £m (UK companies only)	52.32	60.39	15.43%
Intensity ratio: tCO_2e from Scope 1, 2 & 3 (fuel for business travel only) / £m (location-based)	1.80	1.13	-37.08%
Number of full time employees within financial year (UK FTE)	90	115	27.78%
Intensity ratio: tCO_2e from Scope 1, 2 & 3 (fuel for business travel only) / FTE (location-based)	1.05	0.60	-43.15%
Methodology	GHG Protocol Corporate Accounting and Reporting Standard		
Certification and external verification	Calculated and verified as accurate by Green Element Limited and Compare Your Footprint Limited, UK.		

* Location-based electricity (Scope 2) emissions use the average grid fuel mix in the region or country where the electricity was purchased and consumed.



Social

Women	58%
Men	42%

Workforce with Ph.D., MD, or advanced degrees

40%

Employees attending internal training sessions

319

Colleagues

At its core, Ergomed's strength lies in its talented people. Ergomed currently employs over 1,100 employees and contractors across 21 offices worldwide. We have significantly grown the number of people employed by the business over the past few years and this growth is a product of organic and inorganic activities. In 2020 we successfully acquired Ashfield and MedSource, strengthening our offerings in the region and adding over 175 new people. Our internal team of human resources ('HR') and talent acquisition partners are continually working to ensure everyone is successfully onboarded into the business and we maintain a healthy pipeline of recruitment to allow us to continue to quickly engage high-quality talent and maintain our growth potential.

We strive to make our workplace more diverse and inclusive to enable us to better serve our customers worldwide. We pride ourselves on having a balanced workforce, with 58% women and 42% men in management roles. Our professional staff portfolio is exceptional, with over 40% of our workforce with PhD, MD, or advanced degrees.

COVID-19 and our colleagues

For us, it is a privilege to lead our employees around the world who work every day to earn our customers' trust and help them succeed. We've long recognised the importance of prioritising our employees' physical and emotional well-being and that of their families. During the COVID-19 crisis, our focus throughout has been the Group's employees' safety and well-being. Ergomed rapidly adapted to the new norms worldwide; in a short period, our workforce was working remotely with the best possible technology. Our essential workers kept supporting our clients and projects.

Our employees showed resilience in adversity; and we did not have any redundancies or furloughs or receive any government grants or loans in respect of redundancies or furloughs. We provided a flexible work arrangement for our employees to address their family needs in these challenging times. We are increasing our mental health offerings to help staff cope with this health crisis's ongoing changing conditions. Ergomed's COVID-19 taskforce meets bi-weekly to manage business continuity and to keep the staff informed.

Responsible business continued

Social continued

Diversity, inclusion and collaboration are fundamental to who we are, how we build the best teams, and how we drive success. A diverse workplace creates a vibrant culture where everyone is welcomed, respected, valued, and heard. Diversity and inclusion are paramount to success, but our key ingredient is a great sense of belonging. Our staff know they are part of a fantastic group, working with extraordinary partners, to improve the health and well-being of patients. We provide our employees with a culture that embraces and values innovation, accountability, respect, adaptability, resilience, and perseverance. We strive to ensure that our open, collaborative culture empowers staff to be their best selves and do their best work.

Employees' expectations of their experiences at work are evolving and they want an overall employee experience that fits more seamlessly into their lives. At Ergomed, we are continually looking at ways to listen to the staff, adapt, and offer an employee experience where employees are reminded of moments that matter. We understand that a positive employee experience improves attraction, retention, engagement, and productivity. We engage with our staff; we listen, identify priority areas, and collaborate with the teams to implement solutions and are proud to have high participation rates in our surveys. A great employee experience is when employee needs and organisational strategy meet.

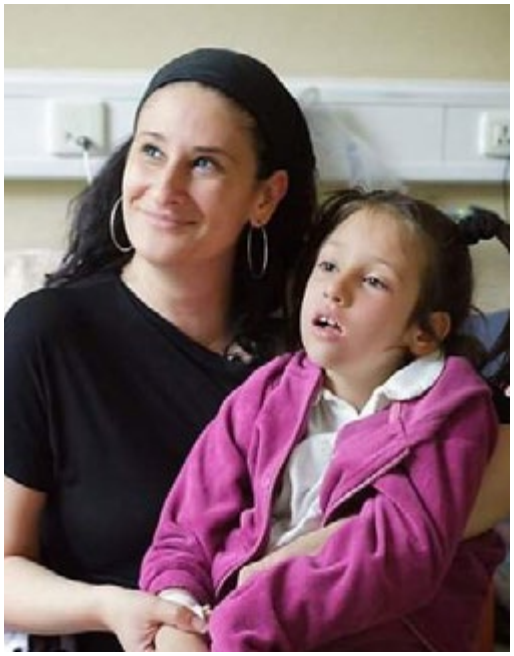
We firmly believe in investing in continuous education and development of our talent to achieve our strategic goals and have recently created a dedicated Learning and Development function. This group is leading Ergomed's digital transformation by creating a social learning environment where employees can share their expertise and experience, and learn peer-to-peer. We delivered six leadership, management, technical knowledge and soft skills training programmes during 2020 which were attended by 319 employees, racking up almost 800 hours of training.

Colleagues case study

We were delighted to have Bojana Mirosavljevic, Ergomed's Patient Engagement Officer feature in the Autumn 2020 edition of Rare Revolution magazine, a key publication in the rare disease world. The article focused on Bojana's inspiring story about her heart-breaking personal experience with a rare disease.

Bojana founded Zivoy-Life, an association for children with rare diseases in Serbia, was founder and chief editor of the first and only journal published about rare diseases in the Balkan region, and in 2017, established the first rare disease database in the Balkans. She is also known for spearheading the creation of new legislation in Serbia, named 'Zoya's Law' after her late daughter, concerning the prevention and diagnosis of genetic and rare diseases.

Bojana ensures that the patient's perspective is always considered during a clinical trial and we are delighted that her role at Ergomed helps enable her to continue the fight by supporting a truly patient-centric approach to clinical trials and research.



Patients and Communities

There is an increasing need to draw on patient knowledge and experience to improve discovery, development, and evaluation of new effective medicines. Greater patient engagement offers many benefits for all parties, including the identification and understanding of unmet needs, research priorities, optimisation of clinical study design and outcome measures and end-point development.

Having been founded by a physician, Ergomed has a long history of putting patients and their families at the centre of the clinical research and improving medicine research and development by incorporating patient needs and priorities. Patient advocacy through engagement is a key priority and a pillar of the strategy of the business and is led by a dedicated Patient Engagement Officer.

Ergomed believes that the progress and well-being of patients and the local community should go hand-in-hand with the growth of the Group. It supports this through activities such as the Patient Organisation Advisory Board, graduate placements through local universities, helping relevant local charities and social initiatives, voluntarily presenting and teaching at clinical research and PV conferences and symposia, engaging with relevant professional societies, and other forums. In addition to this, the Group is proud to support employee-led initiatives wherever possible.

Ergomed launched a Patient Organisation Advisory Board to advise on the merits of differentiated trial processes and technologies on patients, engagement strategies, emerging treatment and patient population issues and trends.

Ergomed also provides webinars and educational lectures covering a range of significant subjects across the clinical research and PV sectors.

Our team of experts ran eight free webinars during 2020 which were attended by over 1,750 participants. Of note were the following:

- The Rare Disease team presented a patient-focused webinar: 'Patient Experience – What is it Like to Participate in a Clinical Trial?' After exploring the landscape of drug development in the first webinar, further webinars will focus on what it means to participate in a clinical trial, emphasising the patient's perspective. We believe it is paramount that patients and their families understand what is involved and are aware of their rights and obligations if they choose to participate in a clinical trial.
- The Medical Writing group was pleased to be involved with organising and running the first-ever online European Medical Writers Association ('EMWA') conference in November 2020, which was attended by over 350 medical writers from across the globe.
- As the UK moved towards Brexit transition we prepared and delivered a well-received webinar entitled: 'Brexit, Impact on clinical trials being run in the UK', demonstrating our preparation and competence in providing uninterrupted services. Our XEVMPD and EudraVigilance registration teams helped to successfully prepare our clients for a smooth transition post-Brexit and have issued a FAQ to support sponsors and colleagues to assess the impact and facilitate fully-compliant safety reporting in the future.

Over the next year Ergomed will be introducing a series of forums whereby clients and patients talk about their experience with Ergomed. These forums will focus on how clinical trials have changed their life, and how it has given the patient hope. These sessions are expected to be extremely powerful and help all employees engage more fully in their work by understanding the impact it has on people's lives.

Risk management

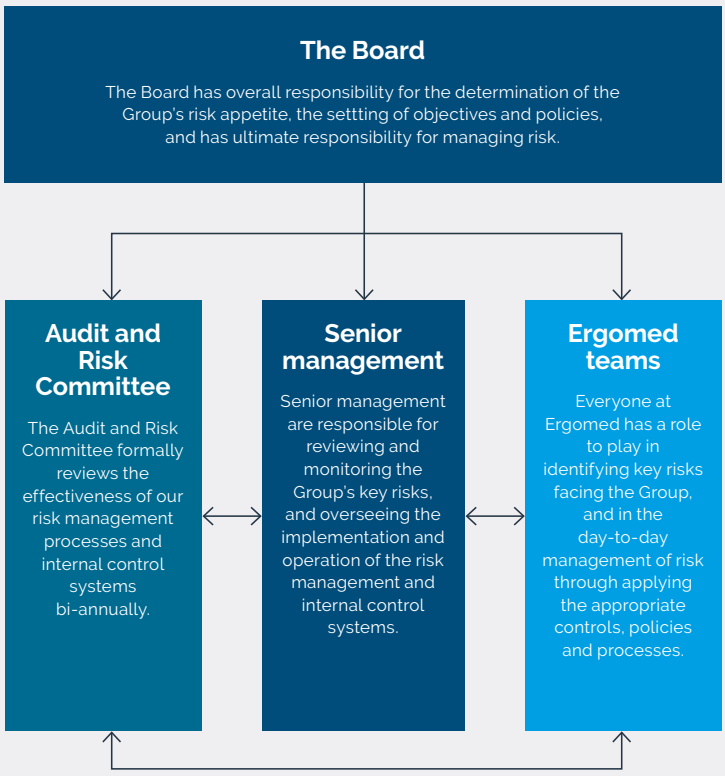
Internal control and risk management

The Group identifies principal risks within the business and documents the existing mitigations to those risks. Where the level of risk after existing mitigating actions is still deemed inappropriate, further actions will be designed and implemented to reduce the risks to an acceptable level. Internal controls are key procedures designed and implemented to mitigate and manage the overall level of risk.

Risk management framework

The Group's risk management framework provides the structure by which the principal risks are managed and reported to the Board. The Board believe this risk management framework currently provides adequate structure to ensure that the business can assess the impact of key risks, has appropriate procedures in place to identify emerging and new risks, and can effectively report these risks to the Board.

Given the nature and size of the Group's operations and the rapid expansion through acquisition and organic growth, the Board will keep the risk management framework under review.



Internal control systems

Control procedures and environment

The control procedures and environment are designed to reduce risk to a level where the time spent on compliance procedures is not disproportionate to the impact, financial or otherwise, of the risk materialising.

ID and evaluation of risks

A detailed register of financial risks is reviewed and updated regularly. Significant risks for other administration and operational departments are maintained and reviewed every 6 months. A more detailed and structured process for regular risk documentation and review is being rolled out for the other administration and operational departments.

Financial information

Financial information and reporting is overseen by the Chief Financial Officer ('CFO'). The CFO reports the financial results to the senior management team and Board at least monthly. The financial information is subject to a high level of scrutiny both internally and externally.

Principal risks and uncertainties

The Board has identified the following principal risks and uncertainties that have the potential to impact the execution of Ergomed's strategy and short-term results, along with mitigating actions.

A comprehensive review of the impact of COVID-19 and Ergomed's response are set out on pages 13 to 15 – Responding to COVID-19.

Trend direction: ↑ Increased risk ↔ No change ↓ Decreased risk + New risk

Risks	Movement	Responses to mitigate the risks
Competition Ergomed's competitors and potential competitors include companies which may have greater resources. The ability of Ergomed to win new or repeat business from existing customers is a key driver of the Group's business plan and strategy and directly impacts its future financial stability. This relies upon the business development function continuing to deliver new, profitable contracts, through the contracted order book.	↔	Simplified strategy to focus on CRO and PV service sectors and foster cross-development opportunities. Chief Commercial Officer ('CCO') leading the combined CRO and PV marketing and business development teams. Drive to provide high-quality services at competitive rates, drawing upon our differentiators in the marketplace.
Cancellation or delay of clinical trials or projects by customers including as a result of COVID-19 Customers may cancel or delay proposed clinical trials or PV projects without notice or at short notice. This may be exacerbated by the COVID-19 pandemic and the direct impact it has had on access to patients and the operational and financial stability of many businesses within the sector. The cancellation or delay of a clinical trial from COVID-19 or otherwise may result in Ergomed having underutilised staff resource and reduced profitability.	↑	The COVID-19 pandemic has affected all parts of society. Ergomed has managed the primary risks to its workforce and patient access through remote working and patient monitoring. Rare disease and oncology trials have been less impacted by the pandemic as continued treatment is critical to patient care. Ergomed's concentration in these sectors has resulted in a lower impact on operations. The terms of Ergomed's contracts seek to mitigate the impact of cancellation or delay by structuring standard study close-down procedures with the customer. PV contracts contain provisions for transition of services.
COVID-19 pandemic, natural disaster or terrorism The occurrence of a local, national or worldwide event such as a pandemic, natural disaster or act of terrorism resulting in significant and prolonged disruption to operations including staff welfare, operational site access, IT systems and infrastructure, commercial contract performance and senior leadership and Board ability to effectively communicate and direct the business. During 2020 and into 2021 the Group's staff and operations have been impacted by the COVID-19 pandemic – further details are set out on pages 13 to 15 – Responding to COVID-19. In addition, our offices in Croatia were directly impacted by two earthquakes and the resulting aftershocks. No staff were injured, and the offices only suffered minor damage.	+	Details on Ergomed's response to COVID-19 are set out on pages 13 to 15. Key mitigating actions taken were: • Formation of a COVID-19 task force, made up of a cross-section of management, to review and advise the Board and senior management, • Protect staff health through temporary office closures and moving to remote working. • No staff were furloughed or made redundant, no grants or loans received in relation to redundancies or furloughs, • Monitored existing IT systems to ensure limited downtime, • Remote clinical trial monitoring and PV case processing, • Temporary draw down of £15 million debt facility as a precaution, • Scenario planning in case of worsening business consequences, • Partially reopened offices where permitted and increase site hygiene vigilance, • Stopped all but essential business travel. The Group's business continuity plans apply if access to office sites is restricted due to pandemic, natural disaster, or terrorism. In addition, after our offices in Croatia were affected by earthquakes, all local colleagues were contacted to check their, and immediate families', well-being.

Principal risks and uncertainties continued

Trend direction: ↑ Increased risk ↔ No change ↓ Decreased risk + New risk

Risks	Movement	Responses to mitigate the risks
Dependency on pharmaceutical industry Ergomed's current revenue results from expenditure by pharmaceutical and biotech businesses on research and development and regulatory compliance. Ergomed's business could be negatively impacted 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; and/or • consolidate through the vertical integration of their businesses and choose not to engage Ergomed.	↓	Increases in the global number and complexity of trials, along with higher levels of regulation and compliance, have resulted in more services being outsourced to specialist providers as the pharmaceutical industry focuses on core expertise and cost savings. In addition to this, Ergomed actively engages with its customers to protect its existing relationships, including through competitive pricing of its services, seeks to increase the diversification of its customer base through: • Customer sectors – pharmaceutical, biotech and generics customers; • Customer geography – USA and European; and • Product development stage – pre-product approval clinical trials, post-approval trials and PV services.
Legislation and regulation of the pharmaceutical and biotechnology industries An element of Ergomed's competitive advantage stems from its ability to navigate the regulated medicinal products' approval processes and PV regulations which are expensive and complex. 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 the Group's competitive advantage.	↔	The regulatory environment continues to develop and become more complex. Although there are signs of the global harmonisation of regulations, particularly in high-growth regions such as Asia, regulatory bodies remain separate and compliance must be upheld in each region of operation. Ergomed is a strong advocate of rigorous Good Clinical Practice ('GCP') guidelines and PV regulation. Our management team includes professionals who are experts in their respective fields and, through industry associations, remain active promoters of regulatory education.
Quality and third party oversight ('TPO') Failure to maintain adequate quality, governance and oversight of internal and third party operations, and failure of third parties to meet their contractual, regulatory, confidentiality or other obligations, could lead to contractual breaches and/or regulatory non-compliance resulting in the loss of clients. This could adversely affect the Group's growth and profitability strategy. More generally, Ergomed operates in an environment which is subject to detailed and complex regulation.	↔	Ergomed maintains a highly professional Quality Assurance team and self-audit programme which checks on all aspects of compliance on a structured basis. In addition, Ergomed's processes are regularly subject to both client and external compliance audits.
Access to capital The Group's ability to pursue its growth strategy and meet shareholder expectations may be dependent on its ability to raise capital through debt or equity.	↓	In line with Ergomed's growth strategy, during the year the Group was cash-generative and has built up a cash and equivalents balance of £19.0 million at the year end. In addition, the Group secured a debt facility of £30 million in March 2020 which, if required, and subject to its terms, could be used to fund future growth through acquisitions or organic means. The facility is available until March 2024.

Risks	Movement	Responses to mitigate the risks
United Kingdom's withdrawal from the European Union ('Brexit') The process of the United Kingdom's ('UK') departure from the European Union ('EU') and the terms of the UK's future relationship with the EU have been clarified. The Group's parent company and its place of listing are in the UK and its business in the EU is subject to EU regulation. Existing regulations or regulatory bodies may change or new regulations or bodies introduced. Other new barriers to trade may be implemented that may lead to disruption to the Group's business processes and make it less convenient for the Group's customers to contract with its UK entities. Depending on the future regulatory arrangements between the EU and the UK, it may become more difficult for the Group's clients to transfer clinical trial and other personal data to the Group for processing in the UK under the General Data Protection Regulation ('GDPR') than it is at present. It may become more difficult for the Group to recruit EU employees into UK entities after Brexit. Many of the Group's contracts with EU customers are governed by English law and subject to the agreed jurisdiction of the English courts, and it may become more complex to enforce such contracts, should court enforcement be required.	↓	The Group's business is international and it has a strong presence and established trading subsidiaries both in and outside the UK. 86% of Group revenue for the 2020 financial year was derived from markets outside the UK and approximately 90% of the Group's employees are employed outside the UK at the date of this report, including employees engaged in client work, and those providing internal support services. Through detailed preparation work and the thorough review of UK, EU and international regulatory processes relating to its business operations, appropriate steps were taken to ensure business continuity and a smooth transition upon withdrawal. Well-established procedures were and remain available under the General Data Protection Regulation ('GDPR') to permit the transfer of personal data outside the EU which, although requiring certain additional administrative steps, allow continued transfers of data to be made to the Group in the UK in compliance with GDPR requirements. Ergomed appointed an EU GDPR representative and all entities and affiliates have signed the Intercompany Personal Data Processing Agreement which safeguards the transfer of data between different Ergomed Group entities (worldwide). If the UK is granted an adequacy decision by the European Commission, international transfers of personal data to/from the UK will not be affected by Brexit.
Retention of senior and key employees The Group's ability to effectively operate and deliver its strategy is dependent upon the retention of senior and key employees. Loss of these employees can significantly disrupt customer relationships and regulatory compliance. The Group has experienced high turnover of Executive and Non-Executive Board members, however this is now stabilising with a significantly strengthened Board and senior management team.	↓	With the support of senior management and HR, the Remuneration Committee continues to develop its strategy for identifying, retaining and motivating key and senior employees. This is done through a mix of short and longer-term financial and non-financial incentives to ensure that employees are motivated in line with shareholder interests, including the use of long-term incentive plan ('LTIP') awards for senior management with three-year vesting periods designed to improve retention.
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. The percentage of the Group's total revenue generated by the top five clients in the year ended 31 December 2020 was 21% (2019: 21%). The loss of any client which represents a significant proportion of Ergomed's revenue could have a negative impact on operating results and cash flows.	↓	A significant part of the business development team's focus is the generation of leads and requests for proposals from new clients to diversify the Company's customer base. The Company's organic growth combined with acquisitions is diversifying the client base.
Information security ('IS') and data privacy The failure to collect, secure, use and destroy personal information in accordance with applicable data privacy laws, including as a result of unauthorised information disclosure, could result in consequences which damage the Group's ability to effectively provide its contracted services, namely: regulatory bans, breach of customer contract, reputational damage, financial penalties and liability for damages.	↓	Ergomed has robust internal policies and procedures to ensure the protection of personal data and to ensure compliance with data privacy laws and protection from unauthorised access. All employees undergo regular training and procedures are tested to ensure that the safeguards in place are appropriate and robust. The physical and virtual security of information includes controls over: access, availability, transfer and input as well as the separation of data processing for different purposes. The Group aims to apply industry best practices as part of our data privacy and IS policies, processes and technologies and invest in strategies that are commensurate with the changing nature of the security threat landscape. This includes appropriate levels of insurance including cyber-risk.

Board of Directors

Miroslav Reljanović
Executive Chairman

Richard Barfield
Chief Financial Officer

	Miroslav Reljanović	Richard Barfield
Experience	Miroslav has held several senior physician appointments in clinical trials as a consultant neurologist and served as a consultant to major international pharmaceutical companies. He introduced the novel Study Site Coordination model as an intrinsic part of the conduct of clinical studies. In 1997 he founded Ergomed and in 2008 he cofounded PrimeVigilance. Miro led Ergomed through a successful IPO on the London Stock Exchange AIM in July 2014 and since then has led the Group through the subsequent completion of eight acquisitions and a secondary offering.	Richard joined Ergomed in June 2019 and has more than 25 years' experience at Chief Financial Officer level in the healthcare, technology and business services sectors in US multinational companies as well as in UK-listed and private equity-backed businesses. His expertise includes turnarounds, fundraisings, acquisitions and disposals, and he has extensive international experience.
Qualifications	Miroslav is a medical doctor and a board-certified neurologist.	Richard is a Chartered Accountant Fellow and holds a bachelor's degree in modern languages.
Previous appointments	Miro was previously a physician in a large WHO Collaborating Centre in Zagreb. He has also previously served as a Director of Asarina Pharma AB (listed on the Nasdaq First North Exchange) and Modus Therapeutics Holding AB.	Richard has proven experience within the clinical research services sector, having most recently been Chief Financial Officer at Chiltern International Ltd from July 2013 to March 2018, which was a leading global mid-tier private CRO. Richard has also held roles as Chief Executive Officer, Chairman, and Audit Committee Chairman at various UK-listed companies as well as serving as a Board member of an NHS Foundation Trust.
Committee membership	N	

Committee key

A Audit & Risk
N Nomination
R Remuneration
Chair

Rolf Soderstrom
Senior Independent Director

Rolf has over 30 years' experience in finance and a track record of accelerating the profitable growth of companies and delivering shareholder returns. Rolf has extensive strategic, operational and international experience including M&A, fundraisings and disposals. Rolf is currently External Independent Director at Sosei Group Corporation, an international biopharmaceutical group which is listed on the Tokyo stock exchange, and a Non-Executive Director at BioPharma Credit plc, a closed ended investment company listed on the main market of the London Stock Exchange.

Rolf is a Chartered Accountant and holds a bachelor's degree in history from University College London.

From 2008 to 2018 Rolf was CFO of BTG plc and helped drive the successful transformation of the company into a fully-integrated global manufacturing and sales organisation focused on specialist healthcare. Before BTG Rolf was Divisional Finance Director at Cobham Plc from 2004 to 2007 where he was responsible for a portfolio of companies in Europe and the United States and prior to that he was Director of Corporate Finance at Cable & Wireless Plc. He qualified as a chartered accountant at PricewaterhouseCoopers where he worked initially in audit and then in the corporate finance function.

A R N

Ian Johnson
Non-Executive Director

Ian has spent his business career in life science businesses and was the founder and CEO of Biotrace International PLC, which was a listed company until its sale to 3M in December 2006. In addition to his Non-Executive role with Ergomed plc, Ian is also currently Executive Chairman of Circassia Pharmaceuticals PLC and Non-Executive Chairman of Redcentric PLC.

Ian studied at Cardiff University obtaining a BSc and MSc in Microbiology. He is a chartered biologist, and a member of the Institute of Biology and the Institute of Directors.

Most recently Ian was Executive Chairman of Bioquell PLC, which was acquired by Ecolab Inc. in January 2019. Prior to this Ian was Non-Executive Chairman of Quantum Pharma PLC, Cyprotex PLC and Celsis Group Ltd. He has also served on the Boards of various other public and private companies including AIM listed companies, Evans Analytical Group, MyCelx Technologies Corporation and AOI Medical Inc.

A

Michael Spiteri
Independent Non-Executive Director

Michael has held a number of senior leadership positions in the consulting and financial services industries over a 25-year period. He specialises in helping organisations implement technology that transforms their business and operating models and is currently Global COO for Digital, Data and Development in HSBC's Retail Banking and Wealth Management business. Michael brings his extensive experience in technological innovation to help the Board develop Ergomed's business across digital, automation and machine learning.

Michael has a degree in Mechanical Engineering.

Michael was previously a partner at PwC and held senior leadership positions at Accenture and IBM. He was involved in the early stages of telematics and the development of automation technology and business models in insurance and telecoms.

R A N

Corporate governance at a glance

Board and committee meetings

Name	Notes	Number of meetings: Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings		4	4	3	1
Executive Directors					
Miroslav Reljanović		4/4	–	–	1/1
Richard Barfield		4/4	–	–	–
Lewis Cameron	Appointed 20 January 2020, resigned 21 September 2020	3/3	–	–	–
Non-Executive Directors					
Rolf Soderstrom		4/4	4/4	3/3	1/1
Ian Johnson		4/4	4/4	–	–
Michael Spiteri		4/4	4/4	3/3	1/1
James Esinhart	Resigned 14 May 2020	1/1	–	1/1	–

	Primary responsibilities
Executive Chairman	Lead and manage the Board and wider business, ensuring the Board's effectiveness and delivery of the Group's strategy through the senior management team.
Chief Financial Officer	Manage the Group's finance activities, support the Executive Chairman in delivering the Group's strategy and manage investor relations.
Senior Independent Director	In addition to usual Non-Executive Director duties, to support the Executive Chairman, act as an intermediary for other Directors and lead the Non-Executive Directors in the oversight of the Executive Chairman's performance.
Non-Executive Director	Oversee the development and delivery of the Group's strategy, performance of senior leadership and the adequacy of governance policies and processes.

Governance focus areas

Key areas of governance focus in the year, and since the year end:

- Review and focus the Group's strategy on the CRO and PV service business sectors;
- Oversee and monitor the adoption of key financial standards;
- Committed to the acquisition and integration of PrimeVigilance USA and MedSource;
- Approved the sourcing and securing of £30 million debt financing facility;
- Ongoing review of Risk, Compliance and Corporate Governance processes;
- Initiated project to implement share options administration system;
- Review of key corporate policies; including local HR policies, anti-bribery and whistleblowing policies;
- Review and oversight of the Capital Reduction process; and
- Implementing formal, regular Board effectiveness evaluations.

Executive Chairman's governance statement

Miroslav Reljanović
Executive Chairman

"Maintaining the highest standards of corporate governance, striving at all times for effective and open communication, transparency and integrity."

Introduction

The Board is committed to maintaining the highest standards of corporate governance, striving at all times for effective and open communication, transparency and integrity. The Board continuously and diligently works to manage Ergomed in an efficient and entrepreneurial manner for the benefit of shareholders over the longer term.

As a public company with shares listed on the Alternative Investment Market ('AIM') of the London Stock Exchange, Ergomed has adopted the 2018 Quoted Companies Alliance's Corporate Governance Code ('QCA Code'). In my capacity as Executive Chairman, I have assumed responsibility for, and I am committed to, ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied.

The corporate governance arrangements that the Board has adopted are designed to ensure not only that the Company delivers long-term value to its shareholders, but also that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Board recognises that its decisions regarding strategy and risk, and the way they are communicated, will affect the corporate culture of the Group as a whole, the engagement of employees and, inevitably, the performance of the Group. Each Director therefore places great importance on demonstrating ethical behaviours, both during the decision-making process, and in the implementation and communication of strategic decisions.

In this Corporate Governance Report we aim to explain how the Board discharges its governance responsibilities.

The Board of Directors

The Board is responsible for taking all major strategic decisions and addressing any significant operational matters. In addition, the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place. A schedule of matters reserved for the Board has been adopted and is regularly reviewed.

Meetings

The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. Directors are expected to attend all meetings of the Board and the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. In the event that Directors are unable to attend a meeting, their comments on the matters to be considered at the meeting are discussed in advance with the Chairman so that their contribution can be included in the wider Board discussion.

The Presidents of the Group's CRO and PV businesses, the Chief Commercial Officer and other key management personnel are invited to attend Board and Committee meetings as appropriate.

Ergomed's General Counsel and Company Secretary attend all Board meetings and assist Directors with any legal or administrative issues arising.

Scheduled Board meetings take place four times a year, and it is usual for all Directors to attend. Scheduled Board meetings are ordinarily face-to-face but have largely taken place by video conference in 2020, due to the COVID-19 pandemic. In addition, the Board has telephone/video conferences or communicates via email on material matters that may arise throughout the year. The Board also meets for a strategy meeting at least once a year.

Executive Chairman's governance statement continued

Board meetings typically take half a day with one day of preparation time per meeting. Non-Executive Directors are required to spend a minimum of 12 days per year, and such additional time as is necessary, on Company business (including attendance at Board meetings), and Executive Directors are full-time employees. The table on page 50 shows the number of scheduled Board and Board Committee meetings held during the year to 31 December 2020 and the attendance of individual Directors at those meetings. There were further ad hoc meetings held when required.

To enable the Board to discharge its duties, the Directors receive appropriate and timely information, including monthly management reports. A formal agenda and briefing papers are distributed to the Directors in advance of each Board meeting. The Directors have access to the advice and services of the General Counsel and Company Secretary (who are responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with) and to the Chief Financial Officer. 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 sets direction for the Company through a formal schedule of matters reserved for its decision, which is regularly reviewed.

Composition and independence

The Board is drawn from an international background, representing the international nature of the Group, and many clients' businesses. The Board recognises that diversity is an important factor in ensuring stakeholder representation and promoting long-term shareholder value and supports an improved gender and cultural balance as an important goal, whilst acknowledging that the current composition of the Board does not reflect this.

The Board currently consists of two Executive Directors and three Non-Executive Directors. Biographical information for each Director and their contribution to the business is set out on pages 48 to 49. The Board considers Rolf Soderstrom and Michael Spiteri to be independent.

Appointment, removal and re-election

Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') following their initial appointment, and at each AGM one-third of the Directors shall retire by rotation and put themselves forward for re-election. All Directors must retire by rotation and put themselves forward for re-election at least once every three years.

Lewis Cameron was appointed to the Board as Chief Operating Officer ("COO") on 20 January 2020. Mr Cameron resigned from his position as COO on 21 September 2020 for personal reasons related to the COVID-19 pandemic.

On 14 May 2020 James Esinhart confirmed that he would not be standing for re-election at the forthcoming AGM and would step down from the Board as a Non-Executive Director with immediate effect.

The Board would like to thank Lewis and James for their service and wish them well in their future endeavours.

Induction and development

Individual Directors attend ad hoc training, seminars and conferences relevant to their specific skills and roles within the Board. Executive Directors regularly attend industry seminars and conferences in furtherance of their experience, skills and industry awareness, and in order to consolidate relations with our stakeholders. New Directors attend induction training to familiarise themselves with their duties and responsibilities as Directors of an AIM listed company.

Communication with investors

The Board attaches great importance to communication with both institutional and private shareholders.

Regular communication is maintained with our shareholders primarily through:

- our Annual General Meeting;
- our investors' dedicated email address: ir@ergomedplc.com;
- our website – www.ergomedplc.com;
- meetings and conversations between the Executive Chairman, Chief Financial Officer and shareholders, both on an ad hoc basis, and following publication of the interim and final results;
- Company announcements via RNS; and
- investor conferences and webinars.

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 give feedback regularly throughout the year. With private shareholders this is not always practical and the Board uses the Company's Annual General Meeting as its main opportunity to meet with them. A presentation on the activities of the Group is given at each AGM, and following the presentation there is an opportunity for shareholders to ask questions of Directors on a formal and informal basis, and to discuss the development of the business.

The COVID-19 pandemic resulted in some disruption to the usual methods of investor communication, namely the Group's ability to hold an 'in-person' meetings. The AGM held on 10 June 2020 and General Meeting in relation to the capital reduction held on 19 October 2020 were both held as closed meetings. The Group successfully utilised virtual presentations for the 2019 year end preliminary results and 2020 interim results, which were received well.

Our Group website (www.ergomedplc.com) sets out details of the Group and its activities, regulatory announcements and company press releases, Annual Reports, half-year reports, notices of general meetings and information required by the AIM Rules for companies and the QCA Code. The 'Investors' section of the Group website includes a dedicated 'Corporate Governance' section, where our annual Corporate Governance Statements can be found.

The Group also utilises social and corporate media platforms such as LinkedIn, Facebook and Twitter to communicate with our stakeholders, including clients and employees, on topics such as Company news, exhibitions we are attending, webinars we are presenting at, company and employee achievements and corporate social responsibility activities.

Board Committees

The Board delegates certain items of business to its Committees. At the year-end, these were the Audit and Risk, Nomination and Remuneration Committees. Each Committee operates under clear terms of reference.

Audit and Risk Committee

The Audit and Risk Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on, reviewing reports from the Company's auditors relating to the Company's accounting and internal controls and monitoring the primary risks and uncertainties and the potential impact they have on the Group executing its strategy.

The Audit and Risk Committee is also responsible for ensuring that the Company is complying with the AIM rules and for reviewing and monitoring the Company's risk, compliance and corporate governance practices.

The Audit Committee is composed of three Non-Executive Directors, the majority of whom are independent, and is chaired by Rolf Soderstrom. Michael Spiteri and Ian Johnson are the other members of the Committee.

The Audit and Risk Committee's report for the 2020 financial year is set out on pages 56 to 59.

Nomination Committee

The Nomination Committee identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Miroslav Reljanović is the Chair of the Nomination Committee. Michael Spiteri and Rolf Soderstrom are the other members of the Committee.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and determines their terms and conditions of service, including their remuneration and the grant of options, to ensure they are aligned to the execution of Group strategy, and effective risk management, for the medium to long term. The Committee does so within its formal terms of reference and having due regard to the interests of shareholders.

Michael Spiteri was Chair of the Remuneration Committee during the year and the other member of the committee was Rolf Soderstrom. James Esinhart was a member until his resignation as a Director in May 2020.

The Remuneration Committee's report for the 2020 financial year is set out on pages 60 to 63.

Capital reduction

In light of the Group's operational and financial progress, in October 2020 the Board sought shareholder approval for a capital reduction, whereby the balance on the Company's share premium account and other reserves would be used to eliminate the deficit on the retained earnings reserve ('Capital Reduction').

On 19 October 2020 the Company received 100% support from shareholders at the General Meeting to approve the Capital Reduction. The Capital Reduction became effective on 17 November 2020 following Court approval and the filing of documentation with the Registrar of Companies.

The Capital Reduction has provided the Board with the flexibility to distribute future profits to its shareholders, should it be considered appropriate to do so. No decision has been made by the Board on how the distributable reserves created by the Capital Reduction will be utilised and any such utilisation will always be subject to the financial position and prospects of the Company at the relevant time.

The Board would like to thank shareholders for their support in completing this process.

AGM

The Board values each AGM as an opportunity to communicate with private and institutional investors and welcomes their participation. At the time of writing, it is not expected that in-person voting and attendance will be possible at Ergomed's 2021 AGM, due to ongoing COVID-19 restrictions. The Board is keen to ensure that it can engage with shareholders at the 2021 AGM, despite the challenges of COVID-19, and arrangements for shareholder participation at the AGM will be announced via RNS and on the Company's website at www.ergomedplc.com.

QCA Corporate Governance Code

The Company has adopted the Quoted Companies Alliance Corporate Governance Code (2018 edition) (the "QCA Code"). The QCA Code sets out ten main corporate governance principles and requires the Company to apply these principles and publish certain related disclosures, which are summarised in the table below.

	QCA Governance Principles	Explanation
1	**Establish a strategy and business model which promote long-term value for shareholders**	The Board is committed to delivering long-term value for Ergomed's shareholders. During 2020, Ergomed continued to implement its strategy to become a global leader in PV and specialist clinical trials. Please see 'Strategic Report' on pages 2 to 47 for further details.
2	**Seek to understand and meet shareholder needs and expectations**	Ergomed is committed to effective communication with all Ergomed's shareholders, both institutional and private. Details of how we communicate with our investors are set out on pages 52 to 53 ('Communication with investors'). Please see 'Stakeholder engagement' (pages 34 to 35) for details of how the Group identifies shareholder needs and engages with them.
3	**Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Please see 'Stakeholder engagement' (pages 34 to 35) for details of how the Group takes wider stakeholder needs into consideration and engages with them. The Group has adopted policies to encourage an open and transparent corporate culture, including policies addressing anti-slavery, anti-bribery and whistleblowing, and a Supplier Code of Conduct. Please see 'Audit Committee report' (pages 56 to 59) for details of how these policies have been updated during 2020. Please see 'Responsible business' (pages 33 to 43) for details of how the Group addresses key social responsibilities such as its impact on the environment and commitment to the wellbeing of patients and colleagues.
4	**Embed effective risk management, considering both opportunities and threats, throughout the organisation**	Please see 'Risk Management' (page 44) for details of the Group's risk management framework and processes and how these have been enhanced during 2020. Please see 'Principal risks and uncertainties' (pages 45 to 47) for details of the main risks and uncertainties which the Board considers to be associated with the Group's activities.
5	**Maintain the Board as a well-functioning, balanced team led by the Chair**	The Board is chaired by Miroslav Reljanović as Executive Chairman. Dr Reljanović founded Ergomed in 1997 and cofounded PrimeVigilance in 2008. He was CEO of the Company until June 2018, when he became Executive Vice-Chairman, becoming Executive Chairman in January 2019 and has thorough knowledge and experience of the Group and the market in which it operates. The Board is also composed of the CFO, Richard Barfield, a Senior Independent Director, Rolf Soderstrom, and two Non-Executive Directors, Ian Johnson and Michael Spiteri, who bring significant Boardroom experience in both executive and non-executive roles. The Board will continue to appoint additional independent Non-Executive Directors where possible. The Board recognises that best practice in corporate governance is to ensure a clear division of responsibilities between the roles of Chair and CEO and continues to monitor investor feedback with regard to this on an ongoing basis. The Board considers Rolf Soderstrom and Michael Spiteri to be independent. The biographies of all current serving Directors can be found on pages 48 to 49.

	QCA Governance Principles	Explanation
6	**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	The Directors collectively bring a broad range of business experience and skills to the Board, resulting in a wide variety of perspectives being represented in Board discussions. Please see 'Board of Directors' (pages 48 to 49) for a summary of the experience, skills and capabilities of Ergomed's Directors.
7	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	During 2020 the Board carried out a formal internal evaluation of its performance, and will implement the recommendations arising from this evaluation during 2021. It is the intention that this evaluation process will be repeated annually, and the need for external evaluation will be kept under review. The Board also considers the tenure of Board members and considers succession planning on an annual basis.
8	**Promote a corporate culture that is based on ethical values and behaviours**	Each Director places great importance on demonstrating ethical behaviours, both during the decision-making process, and in the implementation and communication of strategic decisions. Senior managers are also encouraged to lead by example in the promotion of ethical values and behaviours. Please see 'Responsible Business' (pages 33 to 43) for details of our corporate culture. Ergomed has been international from its very beginning and has always appreciated and accommodated different cultural experiences and values. Directors and employees of the Group are accustomed to collaborating in the interests of our business, whilst providing space for cultural differences. The Board promotes the involvement of local managers throughout the Group to integrate our core values with local cultural sensitivities. Our corporate culture is also based around our need to adhere to quality standards on our clients' behalf, and this focus on quality standards underlies our business processes. As a Group, we are subject to numerous external client and regulatory audits as well as internal audits of our operations and vendors. During 2020 we initiated the implementation of revised human resource and corporate policies which promote best practice behaviours and align policies throughout the Group.
9	**Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	Further details on our governance structure and the role of our Board Committees are set out on pages 48 to 49 ('Board of Directors') and 53 ('Board Committees') and in the 'Investors' section of our website at www.ergomedplc.com. The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. A scheduled meeting calendar is arranged as far in advance as possible, and ad hoc meetings are held in person or by telephone when it is necessary for the Board to discuss specific matters outside of scheduled meetings.
10	**Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	Ergomed engages with its shareholders and other relevant stakeholders in a variety of ways, to ensure they understood how the business is governed and how it is performing Please see 'Stakeholder engagement' (pages 34 to 35) and 'Communication with Investors' (pages 52 to 53) for details of how we engage with our shareholders.

Audit and Risk Committee report

Rolf Soderstrom
Chair of the Audit and Risk Committee

"The Audit and Risk Committee provides robust oversight of financial and risk matters."

Activities during the year

- Reviewed the annual and half-year financial reports and related statements
- Discussed the key findings of the external auditors on the interim and annual financial statements
- Considered significant accounting judgments, in particular:
  - IFRS 15 – Revenue from contracts with customers
  - Carrying value of goodwill, intangible assets and codevelopment contracts
  - Review of support of the going concern assumption
- Continued review and monitoring of risk, internal controls, compliance and corporate governance processes
- Approved the development and implementation of a formal Treasury policy and foreign exchange risk management and control process
- Approved the scope of the external audit plan and audit fees
- Reviewed the objectivity and independence of the external auditor, KPMG, if and when providing non-audit services
- Recommended the implementation of a Disclosure Committee to monitor processes around price-sensitive and inside information
- Adopted a formal policy on supply of non-audit services by the external auditor

The Audit Committee's role is to assist the Board in its oversight of the financial stewardship of the Group.

Membership of the Audit and Risk Committee comprises all of the Non-Executive Directors of the Company, with myself as Chair, and Ian Johnson and Michael Spiteri as the other members.

Michael Spiteri and I are considered by the Board to be independent. During 2020, Ian Johnson was not considered to be independent, but, given the size of the Ergomed Board, with its limited number of Non-Executive Directors, and the relevant experience and insight which Ian Johnson brings to Committee proceedings, it was considered that Ian Johnson's inclusion as a Committee member would enhance the robust oversight of financial and risk matters provided by the Committee.

Details of the qualifications of the Committee members are set out on page 49.

At the invitation of the Committee, the external auditor, Executive Chairman and Chief Financial Officer may attend meetings along with other senior management as appropriate.

Details of the attendance of Committee members at Committee meetings are set out on page 50.

The Audit and Risk Committee has four scheduled meetings each year and may meet at other times during the year, as required. During the 2020 financial year there were four meetings of the Committee. Meetings are conducted in accordance with an annual agenda, which sets out the agenda items to be covered at each scheduled meeting, and which takes into account the recommendations of the QCA Audit Committee Guide.

Internal control and risk management

The Board acknowledges its responsibility for safeguarding 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.

The Board, through the Audit and Risk Committee, reviews the effectiveness of the systems of internal control and management continues 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 to provide professional services to the pharmaceutical industry. Identification and evaluation of risk is a continuous process, running in parallel with the significant organic and inorganic growth of the Group. As a Group, we assess risk on an ongoing basis, and specifically, when assessing contracts, projects or directions;

The Audit and Risk Committee's main responsibilities include:

- To satisfy itself as to the integrity of the financial statements and other formal announcements relating to the Group's financial performance, ensuring compliance with applicable accounting standards, regulations and rules;
- To review and approve any changes to accounting policies and significant reporting matters, estimates and judgements they contain;
- To monitor and review the effectiveness of the Group's internal financial controls and risk management policies and systems and to monitor and review the going concern status of the Group. A summary of the principle risks and mitigations are set out on pages 45 to 47;
- To regularly consider the need for the requirement of an internal audit function;
- To consider the Group's anti-bribery and whistleblowing procedures to ensure that employees can raise concerns, in confidence, about possible wrongdoing or malpractice;
- To satisfy itself of the independence and effectiveness of the external auditor, and to make recommendations to the Board in relation to the appointment and remuneration of the external auditor, and policy relating to their non-audit services; and
- To ensure that the audit services contract is put out to tender at least once every 10 years. The Company's current auditor, KPMG, were first appointed at the Company's AGM held on 12 June 2018.

Audit and Risk Committee report continued

- **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 reforecasts 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 and any financial information transmitted to shareholders are reviewed by the Audit and Risk Committee prior to approval by the Board; and
- **Monitoring** – the Board monitors the activities of the Group through the provision of reports from various areas of the business and contained in the Board papers, and those prepared for its committees. The Board has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Group's operations or undertakings. In addition, the Directors have direct access to the advice and services of the General Counsel and Company Secretary.

The Audit and Risk Committee instigated a review of the Group's risk, internal controls and corporate governance processes during 2019 and, as a result, implemented a new treasury policy during 2020. The policy has been designed to address key financial risks through clearly defined roles, responsibilities and controls around the core treasury activities, namely; group banking arrangements, cash/liquidity management, foreign exchange and hedging, interest rate risk and debt facility compliance.

The Committee continues to review the Group's risk, internal controls and corporate governance processes on an ongoing basis.

Attendees

Rolf Soderstrom – Chair	4/4
Ian Johnson	4/4
Michael Spiteri	4/4

The Executive Chairman and Chief Financial Officer attend meetings at the invitation of the Chair.

Audit and Risk Committee meetings in the year

4

Meeting attendance

100%

Financial reporting

During the year the Committee reviewed and recommended the Board approve the financial statements for the year ended 31 December 2019 and interim results for the six months ended June 2020, in addition to reviewing other formal announcements relating to the Group's financial performance.

The Committee has reviewed the appropriateness of accounting policies as well as significant reporting matters, estimates and judgements contained within the financial results. During 2020, the Committee believe the significant reporting matters, estimates and judgements to be in respect of revenue recognition and the impact of COVID-19 on the going concern assumption, financial assets and bad debts. Further details of these are provided in note 1 of the financial statements.

The significant growth of the Group, both organically and through acquisitions, mean that the accounting policies, significant reporting matters, estimates and judgements are constantly evolving and are regularly reviewed for appropriateness by the Committee.

Internal audit requirement

The Group has not had an internal audit function to date and the committee regularly considers the need for one. Given the Group's size and level of complexity, the Committee does not consider it either necessary or practical at present for the Group to have its own internal audit function. However, given the historic growth of the Group both organically and through acquisitions, and future plans for further growth, this requirement will be kept under regular review.

External Auditors

The Group's current external independent auditor, KPMG, were first appointed at the Ergomed plc AGM held on 12 June 2018. KPMG have safeguards in place to protect the independence and objectivity of the services they provide and, in accordance with International Standards on Auditing (UK), formally confirmed its independence as auditor of the Group. To ensure the continued independence of KPMG, the Group has adopted a policy which does not permit the external auditor to provide non-audit services unless approved by the Committee. No such non-audit services were approved or performed during 2020. The Committee undertakes an annual assessment of the effectiveness of the external auditors and concluded that KPMG has met the requirements of the Board, and that the Board continued to be satisfied with KPMG's performance and effectiveness.

Regulation and governance compliance

After considering advice from legal counsel, and in light of the growth of the Group in the key US market, the Committee recommended a review of the Group's anti-bribery and whistleblowing policies, and the revised policies will be rolled out during 2021.

For the first time this year, the Group is within the scope of the SECR sustainability regulation and has included the report within the 'Responsible business' section of this report on pages 38 to 40.

The committee continues to monitor new regulatory and governance standards and, if implementation is not mandatory, consider the appropriateness of voluntary adoption.

2021 outlook

As the Group grows in line with its strategy, the committee will continue to oversee the further development of the control and risk environments to ensure that financial risks are managed to an acceptable level for this increasingly complex business.

Rolf Soderstrom
Chair of the Audit and Risk Committee
22 March 2021

Remuneration Committee report

Michael Spiteri
Chair of the Remuneration Committee

"The Group's remuneration policy is designed to incentivise the achievement of the Group's strategy and the delivery of sustainable long-term performance by the Group."

Activities during the year

During the year the Committee's key activities included:

- Considering and agreeing the annual salary increase and bonus award
- Reviewing the composition and targets for the LTIP
- Agreeing the award of LTIP options
- Considering and approving remuneration packages for Directors and senior managers
- Initiating a project to implement a share options administration system.

Attendees

Michael Spiteri – Chair	3/3
Rolf Soderstrom	3/3
James Esinhart	1/1

The Executive Chairman and Chief Financial Officer attend meetings at the invitation of the Chair.

Remuneration Committee meetings in the year
3

Meeting attendance
100%

The Remuneration Committee's role is to ensure remuneration arrangements for the Group's Executive Directors and employees are aligned to the execution of Group strategy, and effective risk management, for the medium to long term.

The members of the Remuneration Committee are myself (Chair) and Rolf Soderstrom. James Esinhart was a member of the Committee until his resignation as a director in May 2020. The CFO, Executive Chairman and General Counsel may be invited to attend Committee meetings as appropriate.

Details of the qualifications of the Committee members are set out on page 49.

Details of the attendance of Committee members at Committee meetings are set out on page 50.

The Remuneration Committee meets at least twice a year, and may meet at other times during the year, as required. During the 2020 financial year there were three meetings of the Remuneration Committee. No Director is involved in any decisions relating to his own remuneration.

The Remuneration Committee report has been split into the following three sections:

- a summary of the work completed in the year;
- the remuneration policy overview which sets out the Group's approach to Directors' remuneration; and
- the annual report on remuneration.

COVID-19

The COVID-19 pandemic has presented challenges on many fronts, not least the impact it has had on the Group's staff. That said, I am pleased to report that no staff were made redundant or furloughed as a result of COVID-19 during the year.

In addition, the Group received no government grant or loans to compensate for redundancies or furloughs of any sort.

Remuneration policy overview

The Remuneration Committee has established a policy which enables the Group to retain and motivate 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. The aim of the remuneration policy is to encourage, retain 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 as 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; and
- total compensation between average and upper quartile.

During 2021, the Committee plans to evaluate and benchmark the overall remuneration packages of Executive Directors against industry and market peers.

The Remuneration Committee's primary responsibilities are:

- Reviewing the ongoing appropriateness and effectiveness of the remuneration policy
- Determining and recommending to the Board the remuneration package of Executive Directors including the Executive Chairman
- Recommending to the Board and monitoring the level and structure of remuneration for senior management
- Approving the design of, and determining targets for, any performance-related pay schemes and approving the total annual payments made under such schemes
- Reviewing the design of all share incentive plans and determining each year whether awards will be made
- Reviewing payments made on termination

Base salary

Base salaries are generally reviewed annually and are effective from the beginning of March or April, depending on the Group company. The Remuneration Committee seeks to assess the market competitiveness of pay primarily in terms of total remuneration, with less emphasis on base salary, based on a number of factors, including market rates and benchmarking to peers, as well as the individual Director's experience, responsibilities and performance.

During the year the Committee approved a Group-wide inflationary pay increase of up to 4% based on individual performance. This increase was initially scheduled for April but was postponed due to uncertainties around COVID-19. Once the impact of COVID-19 on the Group had become clearer, the full pay increase was implemented in July and August and backdated to April.

Remuneration Committee report continued

Performance-related annual bonus

Annual bonuses are awarded against achieving both corporate and individual performance targets. Typically, the majority of the bonus will be based on a balanced scorecard reflecting delivery against key commercial, technical, operational and financial deliverables. The Committee will therefore vary the specific measures and targets each year where required to ensure that they reflect the key financial and strategic priorities for the Group in a given year.

The Committee reviewed individual and Company achievements against targets for the year and determined that the bonuses to be awarded are 75% of base salary for the Executive Chairman and 50% of base salary for the Chief Financial Officer.

Due to the initial uncertainties around the impact of COVID-19 on the Group in March and April 2020, the payment of the 2019 annual performance-related bonuses was postponed until the impact on cash flow had become clear. 2019 staff-related performance bonuses were paid in July and August 2020 once the uncertainties around COVID-19 had become clear, except those of the Executive Chairman and Chief Financial Officer which were permanently relinquished by those Directors in light of the pandemic.

Pension and other benefits

The Group pays an employer pension contribution of 10% of base salary to personal pension schemes established by the Executive Directors. Its pension provision for employees varies in accordance with local law and practice. It does not operate any defined benefit pension schemes.

Each jurisdiction gives access to benefits which are appropriate to secure and retain the best talent available in the market. Typically, these could include life assurance and private medical insurance.

Payment for loss of office

Award payments for loss of office of an Executive Director are made if the terms of the applicable service contract were upheld and, the payment takes into account specific circumstances surrounding the termination, including but not limited to performance, service and health.

Share options

The Company issues share options to Executive Directors and senior employees to reward performance, to encourage retention and to align medium and long-term objectives with those of shareholders, being Total Shareholder Return ('TSR') after three years.

The Group has one active share option arrangement, the Ergomed plc LTIP. There are historic share option arrangements with outstanding share options which are no longer used. These are the Unapproved Executive Share Option Scheme 2007 and the Stahel Option Agreement. In addition, certain Executive Directors and employees hold options over shares held by Miroslav Reljanović.

Options issued under the LTIP vest based on performance (TSR) or time-based conditions. During the year the Committee approved the awards of LTIP share options to eligible employees and Directors which are further detailed in note 30 of the financial statements, and for Directors, in the 'Directors' interest in share options' table of this report.

Executive Director service agreements

All Executive Directors have service agreements that terminate on six months' notice.

Non-Executive Directors

The Non-Executive Directors are each paid fees of £50,000 annually and fees are designed to attract and retain individuals who have the expertise, responsibility and the time commitment to be able to contribute to an effective Board and deliver long-term sustainable shareholder value. The Chair of the Remuneration Committee, Audit and Risk Committee and the Senior Independent Director receive additional fees of £10,000 each annually in recognition of their additional responsibility and time commitment. The Group reimburses Non-Executive Directors for reasonable expenses incurred such as travel and hotel accommodation.

The Non-Executive Directors do not participate in the Group's pension, bonus or option schemes.

All Non-Executive Directors have letters of engagement that terminate on three months' notice.

Michael Spiteri
Chair of the Remuneration Committee
22 March 2021

Annual report on remuneration – AUDITED

The Directors received the following remuneration during the year:

£	Salary/fee	Benefits	Annual bonus	Pension	Other compensation[1]	**Total 2020**	Total 2019
Executive							
Miroslav Reljanović	314,112	12,701	–	27,082	–	**353,895**	214,156
Richard Barfield	265,865	2,810	–	21,550	–	**290,225**	148,584
Lewis Cameron Appointed 20 January 2020, resigned 21 September 2020	129,419	7,811	26,780	–	232,478	**396,488**	–
Non-Executive							
James Esinhart resigned 14 May 2020	19,399	–	–	–	–	**19,399**	37,712
Michael Spiteri	60,000	–	–	–	–	**60,000**	52,884
Rolf Soderstrom	68,077	–	–	–	–	**68,077**	25,448
Ian Johnson	50,000	–	–	–	–	**50,000**	18,397

1. Other compensation consists of a payment of £119,643 in lieu of notice and £112,835 for non-compete provisions (a requirement under Spanish law).

Where relevant, amounts are prorated based on the respective Director appointment and termination dates.

See note 35 for all related party transactions with Directors 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. These are disclosed in note 30 of the financial statements.

Amounts payable to the highest paid Director:

	2020 £000s	2019 £000s
Aggregate emoluments	**388**	177
Company contributions to defined contribution pension schemes	**–**	1
Benefits	**8**	2
Compensation for loss of office	**–**	212
	396	392

Directors' interest in share options – AUDITED

No Directors exercised share options during the year.

	At 1 January 2020 Number	Granted Number	Exercised Number	Lapsed/ Surrendered Number	At 31 December 2020 Number	Exercise price £	Exercise period
Richard Barfield							
Ergomed plc LTIP	**600,000**	–	–	–	600,000	£0.01	Jun-22 – Jun-29
Non-dilutive share options	**400,000**	–	–	–	400,000	£0.01	Jun-22 – Jun-29
	1,000,000	–	–	–	1,000,000		

Directors' interest in shares

At 31 December 2020, the Directors had the following beneficial interests in the Company's shares:

Directors' interests	Number of shares	Percentage of total issued share capital
Miroslav Reljanović	10,879,297	22.3%
Richard Barfield	100,000	0.21%
Rolf Soderstrom[2]	10,000	0.02%
Ian Johnson	10,000	0.02%

2. Includes beneficial interests in the Company's shares held by Rolf Soderstrom's spouse.

Directors' report

The Directors present their report and financial statements for the Company and Group for the year ended 31 December 2020.

Principal activities

Ergomed provides specialist services to the pharmaceutical and biotechnology industries spanning all phases of clinical development, post-approval pharmacovigilance and medical information.

Business review, key performance indicators and future developments

The Group's results are set out in the consolidated income statement on page 71 and are explained in the Financial Review on pages 30 to 32. A detailed review of the business, its results and future direction is included in the Operational Review on pages 26 to 29.

Streamlined Energy and Carbon Reporting ('SECR')

The Directors have reported their energy and greenhouse gas emissions in line with the UK Government mandate SECR within the Strategic Report, since this is of strategic importance to the Group, and is fully explored within that report on pages 38 to 40.

Research and development

The expenditure on Research and Development included in the income statement in the year has reduced from £545,000 in 2019 to £152,000 in 2020. This is primarily driven by the reduction in co-development activities undertaken by the Group, in particular, the wind down of co-development costs in relation to Haemostatix. The Group continues to invest in software development which has given rise to the addition of £542,000 (2019: £604,000) which has been capitalised as an intangible asset.

Financial instruments

At the year end the Group did not have any complex financial instruments. The financial instruments it does have primarily comprise cash and liquid resources and other various short-term assets and liabilities, such as trade receivables and trade payables which are used to manage the Group's operations. Details of the Group's financial instruments can be found in note 31.

Results and dividends

The consolidated results of the Group for the year are set out in the consolidated income statement on page 71. The Directors do not recommend the payment of a dividend (2019: £nil).

Directors

The Directors of the Company who served during the year and to the date of this report, unless stated, are as follows:

- **Miroslav Reljanović** (Executive Chairman)
- **Richard Barfield** (Chief Financial Officer)
- **Lewis Cameron** (Chief Operating Officer) – appointed 20 January 2020 and resigned 22 September 2020
- **James Esinhart** (Non-Executive Director) – resigned 10 June 2020
- **Ian Johnson** (Non-Executive Director)
- **Rolf Soderstrom** (Non-Executive Director)
- **Michael Spiteri** (Non-Executive Director)

The Company maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. Biographical details of the Directors are set out on pages 48 to 49. The interests of Directors in the shares and share options of the Company are set out in the Remuneration Committee Report on page 63.

Substantial shareholders

The Company has been notified of the following holdings of 3% or more of the 48,746,109 issued ordinary shares of £0.01 each of the Company as at 28 February 2021:

Investor	Number of £0.01 shares	Percentage
Miroslav Reljanović	**10,879,297**	22.32%
Aberdeen Standard Investments	**5,001,405**	10.26%
BlackRock	**4,788,984**	9.82%
J.P. Morgan Asset Management	**4,101,451**	8.41%
Jupiter Asset Management	**2,648,105**	5.43%
Slater Investments	**2,390,141**	4.90%
Octopus Investments	**1,697,444**	3.48%

Corporate governance

The Directors recognise the importance of good corporate governance. The principles of how we have applied the updated 2018 Quoted Companies Alliance Corporate Governance Code (the '2018 QCA Code') and other corporate governance guidelines are set out in the Corporate Governance section of this report, and on the Company's website (www.ergomedplc.com).

Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Charitable and political contributions

The Group made charitable donations in the year of £11,000 (2019: £14,000). The Group made no political donations and incurred no political expenditure during the year (2018: £nil).

By order of the Board

Richard Barfield
Chief Financial Officer
22 March 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, Directors' Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. They have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent 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;
- for the Group Financial Statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the Parent Company Financial Statements, state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend either to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK that governs the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors' Responsibility Statement was approved by the Board on 22 March 2021.

Richard Barfield
Chief Financial Officer

Independent auditor's report
to the members of Ergomed plc

Opinion

We have audited the financial statements of Ergomed plc ("the Company") and its consolidated undertakings ('the Group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in the preparation of the Group financial statements is UK Law and international accounting standards in conformity with the requirements of the Companies Act 2006, and, as regards the Company financial statements, UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework* issued by the UK's Financial Reporting Council; and
- the Group and Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group and Parent Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to a listed entity, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting, we considered the inherent risks to the Group and the Company's business model, including the impact of Covid-19, and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period.

We assessed the assumptions used against our knowledge of the entity and the sector in which it operates as well as historic trends. We also compared past budgets to actual results to assess the directors' track record of budgeting accurately.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities. We also assessed the completeness of the going concern disclosure.

Key observations arising with respect to our evaluation included that assumptions used by management were within the reasonable range and revenue growth rates used in management's evaluation were reasonable and supportable.

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Parent Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors, the audit and risk committee, other management and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of directors, the audit and risk committee, regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Inspecting the Group's regulatory and legal correspondence.
- Reading Board, audit and risk committee and remuneration committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team. This included communication from the group to Czech component audit team of relevant laws and regulations and any fraud risks identified at the Group level and request to Czech component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, environmental law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We identified a fraud risk in relation to the Group's Clinical research organisation contracts and if it has not been appropriately recognised in line with the percentage completed, as required by IFRS 15 *Revenue from contracts with customers*.

Further detail in respect of Clinical research organisation contracts is set out in the key audit matter disclosures in this report. In response to the fraud risks, we also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation.
- Evaluating the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias.
- Assessing the disclosures in the financial statements.

As the Group is regulated, our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Group operates and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report continued
to the members of Ergomed plc

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

In arriving at our audit opinion above, the key audit matter, was as follows (unchanged from 2019):

Revenue recognition: Clinical research organisation ("CRO"): £31.3 million (2019 – £32.8 million)
Refer to Note 1 on page 80 (accounting policy) and Note 2 Revenue on pages 82 to 84 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
There is a risk that revenue from Clinical research organisation contracts has not been appropriately recognised in line with the percentage completed, as required by IFRS 15 Revenue from contracts with customers. Clinical research contracts represent one performance obligation and revenue is recognised over time based on the percentage of actual costs incurred divided by the total costs to complete the contract. Revenue recognition requires considerable management estimation and judgement in determining the estimated total costs to complete. The method used in measuring the progress of the contract over time is the input approach in a cost by cost basis in calculating the percentage of completion. The significant assumptions used in the calculation of estimated costs to complete include; (i) estimated labour cost to complete and (ii) pass through costs to complete.	Our audit procedures included, amongst others, testing the design and implementation of management's key controls over revenue recognition including those controls over the estimation of the remaining costs to complete the study. For a sample of contracts, we performed tests of detail over the revenue amount recognised. We recalculated the revenue amounts, agreed the transaction price to the signed contracts, validated the reasonableness of significant assumptions used by reference to the terms of the applicable contracts and change orders, reconciled the actual costs incurred to the general ledger and agreed the estimated costs to completion to the underlying data such as the contracts and the Company's standard rates. We inquired of project managers, independent of the revenue team, on the status of the project, any ongoing concerns, and the expected remaining duration of the project. We found that the revenue recognition policies are in accordance with IFRS 15 and were appropriately applied. We did not identify any material misstatements or disclosure omissions as a result of our procedures performed.

Company key audit matter
The Revenue recognition: Clinical research organisation group key audit matter described above also applies to the audit of the Company financial statements.

Our application of materiality and an overview of the scope of our audit

Materiality – Group financial statements
The materiality for the Group financial statements as a whole was set at £0.6 million (2019: £0.66 million). This was calculated using a benchmark of Group profit before tax (of which it represents 5 per cent) (2019: 1% of Group total revenue). The benchmark used has changed to profit before tax from total revenue (2019) due to the upward trend in profitability of the Group. We consider profit before tax to be the most appropriate benchmark as it continues to grow year on year, the acquisitive nature of the entity and it is a key consideration for the users of the financial statements.

In applying our judgement in determining the most appropriate benchmark, the factors, which had the most significant impact were:
- the elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses)
- the items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue and net assets/equity)
- the nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates, and
- the entity's ownership structure and the way it is financed.

In applying our judgement in determining the percentage to be applied to the benchmark, the following qualitative factors, which had the most significant impact, increasing our assessment of materiality were:
- the Group is listed,
- there is an undrawn down Debt facility available, with no drawn down debt arrangements at year end, and
- the entity operates in a stable business environment and has a viable sustainable business.

We applied Group materiality to assist us determine the overall audit strategy.

We set Group performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of group materiality (2019: 75%).

In applying our judgement in determining performance materiality, the following factors were considered to have the most significant impact, increasing our assessment of performance materiality:
- the low number and value of misstatements detected in the prior year financial statement audit; and
- the stability in the senior management and key financial reporting personnel over the last two years.

We applied Group performance materiality to assist us determine what risks were significant risks for the Group and determine the audit procedures to be performed.

Materiality – Company financial statements

For the Company financial statements, materiality was set at £0.36 million (2019: £0.4 million). This was calculated using a benchmark of Company profit before tax (of which it represents 5 per cent) (2019: 1% of Company total revenue) however, the Company materiality was limited to component materiality being 60% of Group materiality. The benchmark used has changed to profit before tax from total revenue (2019) due to the upward trend in profitability of the Company. We consider profit before tax to be the most appropriate benchmark as it continues to grow year on year, the acquisitive nature of the entity and it is a key consideration for the users of the financial statements.

In applying our judgement in determining the most appropriate benchmark, the factors, which had the most significant impact were:
- the elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses)
- the items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue and net assets/equity)
- the nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates, and
- the entity's ownership structure and the way it is financed.

In applying our judgement in determining the percentage to be applied to the benchmark, the same qualitative factors were considered as outlined above for the Group.

We applied Company materiality to assist us determine the overall audit strategy.

We set the Company performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. The Company performance materiality was set at 75% of Company materiality (2019: 75%).
In applying our judgement when determining performance materiality, the same factors were considered as outlines above for the Group.

We used Company performance materiality to assist us determine what risks were significant risks for the Company and determine the audit procedures to be performed.

We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.031 million (2019: £0.033 million), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our audit scope on the UK, USA, Croatian, and Czech trading entities. As such Ergomed plc, PrimeVigilance Limited, PrimeVigilance USA Inc, PSR Group BV, and PrimeVigilance s.r.o. were subject to a full audit. The eight additional components for which specified procedures were performed were chosen in order to provide sufficient coverage over the Group's key financial statement lines. These components were selected for being the next most significant to the Group, in terms of financial performance, risk and geographical location.

We have engaged KPMG Czech Republic as component auditors for the year ended 31 December 2020 to report on PrimeVigilance s.r.o. We, as Group auditor, instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the materiality for components which ranged from £0.031 million to £0.36 million, having regard to the mix of size and risk profile of the Group across the components.

The locations subject to total audit procedures represent the principal business units and account for 99% of the Group's revenue for the year ended 31 December 2020 (2019: 99%). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Independent auditor's report continued
to the members of Ergomed plc

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

Other information
The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the executive chairman's statement, strategic report, directors' report, risk and compliance committee report, audit committee report and remuneration committee report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006
Based solely on our work on the other information undertaken during the course of the audit:
- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 65, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
Our 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.

John Corrigan (Senior Statutory Auditor)
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place,
St. Stephen's Green,
Dublin 2,
Ireland.
22 March 2021

Consolidated income statement
For the year ended 31 December 2020

	Notes	2020 £000s	2019 £000s
Revenue	2, 3	**86,391**	68,255
Cost of sales		**(38,686)**	(29,790)
Reimbursable expenses		**(8,055)**	(8,940)
Gross profit	3	**39,650**	29,525
Selling, general and administration expenses		**(27,518)**	(23,514)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses		**(24,591)**	(19,578)
Amortisation of acquired fair valued intangible assets	4	**(1,332)**	(671)
Share-based payment charge	30	**(742)**	(870)
Acquisition-related contingent compensation	6	**–**	(87)
Change in the fair value of contingent consideration for acquisitions	31	**–**	512
Acquisition costs	7	**(853)**	(393)
Exceptional items	8	**–**	(2,427)
Research and development expenses		**(152)**	(545)
Net impairment losses on trade receivables and contract assets		**(285)**	–
Other operating income	9	**1,839**	51
Operating profit		**13,534**	5,517
Finance income	10	**8**	28
Change in fair value of equity investments	22	**(511)**	(286)
Finance costs	11	**(403)**	(273)
Profit before taxation	4	**12,628**	4,986
Taxation	14	**(2,946)**	583
Profit for the year		**9,682**	5,569

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

The notes on pages 78 to 118 form an integral part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	Notes	2020 £000s	2019 £000s
Profit for the year		**9,682**	5,569
Items that may be classified subsequently to profit or loss: Exchange differences on translation of foreign operations		**(59)**	(208)
Other comprehensive loss for the year net of tax		**(59)**	(208)
Total comprehensive profit for the year		**9,623**	5,361

		2020 pence	2019 pence
Earnings Per Share (EPS)	15		
Basic		**20.0**	12.0
Diluted		**19.2**	11.5

Unaudited		2020 £000's	2019 £000's
Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA)	16	**19,370**	12,494

		2020 pence	2019 pence
Adjusted Earnings Per Share (Adjusted EPS)	15		
Basic		**25.8**	19.9
Diluted		**24.7**	19.1

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company.

The notes on pages 78 to 118 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2020

	Notes	2020 £000s	2019 £000s
Non-current assets			
Goodwill	17	**24,605**	13,380
Other intangible assets	18	**9,618**	2,755
Property, plant and equipment	19	**1,742**	1,110
Right-of-use assets	20	**4,715**	5,171
Equity investments	22	**–**	–
Deferred tax asset	14	**4,898**	2,616
		45,578	25,032
Current assets			
Trade and other receivables	23	**22,224**	14,359
Accrued revenue	2	**5,553**	3,382
Cash and cash equivalents	24	**18,994**	14,259
		46,771	32,000
Total assets		**92,349**	57,032
Current liabilities			
Lease liabilities	20	**(1,978)**	(1,718)
Trade and other payables	26	**(15,702)**	(10,373)
Deferred consideration	27	**(328)**	–
Deferred revenue	2	**(13,829)**	(2,957)
Current tax liability		**(1,775)**	(813)
		(33,612)	(15,861)
Net current assets		**13,159**	16,139
Non-current liabilities			
Lease liabilities	20	**(3,128)**	(3,716)
Provisions	25	**(317)**	(341)
Deferred tax liability	14	**(2,426)**	(294)
		(5,871)	(4,351)
Total liabilities		**(39,483)**	(20,212)
Net assets		**52,866**	36,820
Equity			
Share capital	28	**489**	473
Share premium account	29	**3**	25,790
Merger reserve	29	**1,349**	11,088
Share-based payment reserve		**5,042**	4,300
Translation reserve	29	**615**	674
Retained earnings		**45,368**	(5,505)
Total equity		**52,866**	36,820

The notes on pages 78 to 118 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 22 March 2021.

Richard Barfield
Chief Financial Officer

Company Registration No. 04081094

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Notes	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share–based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2019		452	24,384	11,088	3,430	882	(11,873)	28,363
Profit for the year		–	–	–	–	–	5,569	5,569
Other comprehensive income for the year		–	–	–	–	(208)	–	(208)
Total comprehensive income		–	–	–	–	(208)	5,569	5,361
Transactions with shareholders								
Shares issued during the year for cash	28	21	1,406	–	–	–	–	1,427
Share-based payment charge for the year	30	–	–	–	870	–	–	870
Deferred tax credit taken directly to equity	14	–	–	–	–	–	799	799
Total transactions with shareholders		21	1,406	–	870	–	799	3,096
Balance at 31 December 2019		**473**	**25,790**	**11,088**	**4,300**	**674**	**(5,505)**	**36,820**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**9,682**	**9,682**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(59)**	**–**	**(59)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(59)**	**9,682**	**9,623**
Transactions with shareholders								
Shares issued during the year for cash	28	**14**	**1,855**	**–**	**–**	**–**	**–**	**1,869**
Share-based payment charge for the year	30	**–**	**–**	**–**	**742**	**–**	**–**	**742**
Deferred tax credit taken directly to equity	14	**–**	**–**	**–**	**–**	**–**	**2,461**	**2,461**
Shares issued for non-cash consideration	28	**2**	**–**	**1,349**	**–**	**–**	**–**	**1,351**
Transactions with shareholders – capital reduction								
Capitalisation of Merger reserve to B Ordinary Shares	28	**11,088**	**–**	**(11,088)**	**–**	**–**	**–**	**–**
Cancellation of B Ordinary Shares	28	**(11,088)**	**–**	**–**	**–**	**–**	**11,088**	**–**
Cancellation of Share Premium	28	**–**	**(27,642)**	**–**	**–**	**–**	**27,642**	**–**
Total transactions with shareholders		**16**	**(25,787)**	**(9,739)**	**742**	**–**	**41,191**	**6,423**
Balance at 31 December 2020		**489**	**3**	**1,349**	**5,042**	**615**	**45,368**	**52,866**

The notes on pages 78 to 118 form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2020

	Notes	2020 £000s	2019 £000s
Cash flows from operating activities			
Profit before taxation		**12,628**	4,986
Adjustment for:			
Amortisation and depreciation	4	**4,843**	3,712
Impairment of goodwill, intangibles, equity investments and other assets	8	**–**	2,427
Loss on disposal of fixed assets	4	**16**	25
Share-based payment charge	30	**742**	870
Change in the fair value of equity investments	22	**511**	286
Change in the fair value of contingent consideration for acquisition	31	**–**	(512)
RDEC income	9	**(1,188)**	–
Finance income	10	**(8)**	(28)
Finance costs	11	**403**	273
Operating cash inflow before changes in working capital and provisions		**17,947**	12,039
(Increase)/decrease in trade, other receivables and accrued revenue		**(6,137)**	1,878
Increase/(decrease) in trade, other payables and deferred revenue		**7,182**	(2,380)
(Decrease)/increase in provisions	25	**(18)**	126
Cash generated from operations		**18,974**	11,663
Taxation (paid)/received		**(926)**	124
Net cash inflow from operating activities		**18,048**	11,787
Investing activities			
Interest received		**8**	7
Acquisition of intangible assets	18	**(542)**	(604)
Acquisition of property, plant and equipment	19	**(432)**	(392)
Receipts from sale of property, plant and equipment		**46**	8
Equity investments received in exchange for services provided	22	**–**	(1,904)
Receipts from the sale of equity investments	22	**175**	1,099
Acquisition of subsidiaries, net of cash acquired	32, 33	**(12,031)**	(115)
Acquisition related earn-out paid		**–**	(930)
Net cash outflow from investing activities		**(12,776)**	(2,831)
Financing activities			
Issue of new shares	28	**1,869**	1,427
Finance costs paid		**(157)**	–
Proceeds from borrowings	24	**15,000**	–
Repayment of borrowings	24	**(15,000)**	–
Payment of lease liabilities		**(2,189)**	(1,677)
Net cash outflow from financing activities		**(477)**	(250)
Net change in cash and cash equivalents		**4,795**	8,706
Effect of foreign currency on cash balances		**(60)**	364
Cash and cash equivalents at start of year		**14,259**	5,189
Cash and cash equivalents at end of year	24	**18,994**	14,259

The notes on pages 78 to 118 form an integral part of these financial statements.

Company balance sheet
As at 31 December 2020

	Note	2020 £000s	2019 £000s
Non-current assets			
Intangible assets	18	**639**	882
Property, plant and equipment	19	**113**	43
Right-of-use assets	20	**26**	113
Investments in subsidiaries	22	**23,728**	22,592
Equity investments	22	**–**	–
Deferred tax asset	14	**4,846**	2,613
		29,352	26,243
Current assets			
Trade and other receivables	23	**24,453**	4,204
Accrued revenue		**3,853**	3,061
Cash and cash equivalents	24	**6,151**	4,374
		34,457	11,639
Total assets		**63,809**	37,882
Current liabilities			
Lease liabilities	20	**(27)**	(93)
Trade and other payables	26	**(14,462)**	(20,529)
Deferred revenue		**(5,215)**	(2,484)
		(19,704)	(23,106)
Net current assets/(liabilities)		**14,753**	(11,467)
Non-current liabilities			
Lease liabilities	20	**–**	(24)
Deferred tax liability	14	**(100)**	–
Total liabilities		**(19,804)**	(23,130)
Net assets		**44,005**	14,752
Equity			
Share capital	28	**489**	473
Share premium account	29	**3**	25,790
Merger reserve	29	**1,349**	11,088
Share-based payment reserve	30	**5,042**	4,300
Translation reserve	29	**4,270**	3,447
Retained earnings		**32,852**	(30,346)
Total equity		**44,005**	14,752

The notes on pages 78 to 118 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 22 March 2021.

Richard Barfield
Chief Financial Officer

Company Registration No. 04081094

Company statement of changes in equity
For the year ended 31 December 2020

	Notes	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share–based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2019		452	24,384	11,088	3,430	4,166	(27,884)	15,636
Loss for the year		–	–	–	–	–	(3,261)	(3,261)
Other comprehensive income for the year		–	–	–	–	(719)	–	(719)
Total comprehensive loss		–	–	–	–	(719)	(3,261)	(3,980)
Transactions with shareholders								
Shares issued during the year for cash	28	21	1,406	–	–	–	–	1,427
Share-based payment charge for the year	30	–	–	–	870	–	–	870
Deferred tax credit taken directly to equity	14	–	–	–	–	–	799	799
Total transactions with shareholders		21	1,406	–	870	–	799	3,096
Balance at 31 December 2019		**473**	**25,790**	**11,088**	**4,300**	**3,447**	**(30,346)**	**14,752**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**22,007**	**22,007**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**823**	**–**	**823**
Total comprehensive loss		**–**	**–**	**–**	**–**	**823**	**22,007**	**22,830**
Transactions with shareholders								
Shares issued during the year for cash	28	**14**	**1,855**	**–**	**–**	**–**	**–**	**1,869**
Share-based payment charge for the year	30	**–**	**–**	**–**	**742**	**–**	**–**	**742**
Deferred tax credit taken directly to equity	14	**–**	**–**	**–**	**–**	**–**	**2,461**	**2,461**
Shares issued for non-cash consideration	28	**2**	**–**	**1,349**	**–**	**–**	**–**	**1,351**
Transactions with shareholders – capital reduction								
Capitalisation of Merger reserve to B Ordinary Shares	28	**11,088**	**–**	**(11,088)**	**–**	**–**	**–**	**–**
Cancellation of B Ordinary Shares	28	**(11,088)**	**–**	**–**	**–**	**–**	**11,088**	**–**
Cancellation of Share Premium	28	**–**	**(27,642)**	**–**	**–**	**–**	**27,642**	**–**
Total transactions with shareholders		**16**	**(25,787)**	**(9,739)**	**742**	**–**	**41,191**	**6,423**
Balance at 31 December 2020		**489**	**3**	**1,349**	**5,042**	**4,270**	**32,852**	**44,005**

The notes on pages 78 to 118 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2020

1. Accounting policies used in the preparation of the financial statements

Ergomed plc (the 'Company') is incorporated and domiciled in the United Kingdom and is listed on the London Stock Exchange Alternative Investment Market ('AIM') (LSE:ERGO). The Company's shares are also traded through the Xetra exchange in Germany (WKN: A117XM). Its registered address is 1 Occam Court, Surrey Research Park, Guildford, Surrey, GU2 7HJ, UK.

Ergomed plc and its wholly owned subsidiaries (together the 'Group') 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, India, Serbia, the Netherlands, the Czech Republic, Russia, Switzerland, Ukraine, Spain and the USA.

The accounting policies applied in the preparation of these financial statements are set out below and at the start of the respective notes to these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Group financial statements
The consolidated financial statements of the Group have been prepared on the going concern basis in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, the IFRS Interpretations Committee ('IFRS-IC') interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: certain financial assets and financial liabilities measured at fair value, and liabilities for cash-settled share-based payments.

Company financial statements
The separate financial statements of the Company have been prepared on the going concern basis in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own income statement.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- Cash flow statement and related notes;
- Certain disclosures regarding revenue
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- IFRS 2 Share Based Payments in respect of Group settled share-based payments
- IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- IFRS 7 Financial Instrument Disclosures.

The Company's financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: equity investments (not in subsidiaries).

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and subsidiary entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Foreign currency translation

The Company and Group consolidated financial statements are presented in pounds Sterling. The functional currency of the Company is the Euro.

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated on a monthly basis at average exchange rates where these rates approximate to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group and Company 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 for the period 31 December 2023, which is derived from the 2021 Board approved budget and a medium-term cash flow forecast through to 31 December 2023, which is an extrapolation of the approved budget under multiple scenarios and growth rates. The 2021 budget and medium-term forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues. The 2021 budget and medium-term forecast demonstrate 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 the 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.

Accounting standards adopted in the prior period

IFRS 16 – Leases

On 1 January 2019 the Group adopted International Financial Reporting Standard 16 ('IFRS 16') – Leases – using the modified retrospective approach.

Disclosures supporting the accounting policies and movement in assets and liabilities in the year can be found in note 20 to the financial statements.

Amendments to IFRS that are not yet effective

The following IFRSs have been issued, have an effective date for annual periods beginning after 31 December 2020 and have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 – Insurance Contracts
- IAS 1 – Classification of Liabilities as Current or Non-Current
- IFRS 3 – Reference to the Conceptual Framework
- IAS 16 – Property, Plant and Equipment – Procedures before intended use
- IAS 37 – Onerous Contracts – costs of fulfilling a contract
- Annual Improvement to IFRS Standards 2018-2020
- IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- IAS 8 – Definition of Accounting Estimates

Notes to the financial statements continued
For the year ended 31 December 2020

1. Accounting policies used in the preparation of the financial statements continued

Critical accounting judgements and key sources of estimation uncertainty
In the application of the accounting policies in these financial statements, the Directors are required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately 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.

Critical judgements in applying the 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 accounting policies and that have the most significant effect on the amounts recognised in the Group and Company financial statements.

Accounting policy	Description of critical judgements	Notes
Revenue from customer contracts *(Group and Company)*	There are significant management judgements and estimates involved in the recognition of revenue for CRO contracts. Revenue for CRO services is recognised based on the costs incurred on a project as a proportion of total expected costs to determine a percentage of completion which is applied to the estimate of the transaction price. The percentage of completion for the CRO contracts is measured based on an input measure being total project costs at each reporting period. Assessment of the percentage of completion requires an evaluation of labour and third-party costs incurred on the project at the reporting date, which requires an estimate of third-party costs incurred but not billed, and an up-to-date evaluation of the forecast costs to complete these projects. Given the long-term nature of the clinical trials, and the complex nature of those trials, the forecast costs to complete is judgemental. The costs to complete are prepared by project managers on a recurring basis during the year and are subject to internal reviews, including comparison to previous forecasts and past experience. Material differences in the amount of revenue in any given period may result if these judgements or estimates prove to be incorrect or if management's estimates change on the basis of development of the business or market conditions. To date there have been no material differences arising from these judgements and estimates.	2

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, 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.

Source of estimation uncertainty	Description	Notes
Bad debt provision *(Group and Company)*	In determining the level of provisioning for bad debts, the Directors have considered the expected credit loss over the lifetime of the trade receivables. This analysis includes grouping the trade receivables based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical losses adjusted to reflect current and forward-looking information affecting the customers' ability to settle the receivable. The accrued revenue for unbilled work in progress has substantially the same risk characteristics as the trade receivables and similar expected loss rates have been applied. The Group had provisions against trade receivables and accrued revenue at the year-end of £298,000 (2019: £67,000) which resulted in a charge to the Income Statement in the year of £257,000 (2019: £58,000). The Company had provisions against trade receivables and accrued revenue at the year-end of £271,000 (2019: £5,000) which resulted in a charge to the Income Statement in the year of £257,000 (2019: charge £4,000).	31

Source of estimation uncertainty	Description	Notes
Impairment of goodwill *(Group)*	Goodwill is reviewed for impairment at least annually at each reporting date. Goodwill is impaired if the carrying value of the cash-generating unit ('CGU') including the goodwill is in excess of the recoverable amount, which is the higher of the value in use and the fair value less costs to sell for that cash-generating unit. 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 recoverable amounts of the CGUs for the CRO, PV and R&D operating segments are determined from value-in-use calculations. The key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. The key inputs for estimating the future cash flows of operating businesses are revenue growth over the next five years, terminal revenue growth, working capital changes and discount rate. The Group prepares cash flow forecasts for the next five years for the cash-generating units, derived from the most recent financial budgets approved by the Board, and forecasts revenue for the following three years based on estimated growth rate. A standard margin based on historical experience is then applied to the revenue. The revenue growth rate used in the calculation was zero, which is significantly lower than the average long-term growth rate for the relevant market and management's estimate of growth for the PV and CRO business. This did not result in an impairment to goodwill. A discount rate of 8% (2019: 19%) has been used in the assessment, which reflects market assessments of the time-value of money and the risks specific to the CGUs. The discount rate used in the assessment has reduced in the year as a result of a reassessment of the Group's Weighted Average Cost of Capital ('WACC'). The reduction in the WACC and discount rate was primarily a result of the Group's profitability, forecast future profitability and the formalisation of the borrowing facility with the Group's banking partners during the year. The impairment provision against goodwill at the year end was £2,143,000 (2019: £2,143,000) and related fully against the investment in Haemostatix Limited. £nil (2019: £nil) was charged to the Income Statement in the period.	17
Fair value assessments *(Group and Company)*	Some of the Group and Company financial instruments 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, and management estimates of commercial and development risk where appropriate. Where Level 1 inputs are not available, the Group may engage third-party qualified valuation experts. Management work closely with valuation experts to establish the appropriate techniques and inputs to the valuation models. This includes contingent consideration relating to acquisitions valued at £nil (2019: £nil) at the year end. During the year ended 2019, the fair value of equity investments in Modus Therapeutics Holdings AB was impaired to £nil resulting in a charge to the Income Statement of £2,427,000. This was the result of Modus announcing the initial results from its Phase II trial which revealed that the study failed to show a meaningful benefit in the total study population. Given the results of the trial and the Company's lack of funding, management have fully provided against the value of the investment. During the year the Group acquired Ashfield Pharmacovigilance Inc. ('Ashfield') and MS Clinical Services, LLC. and its subsidiaries ('MedSource'). At the acquisition date the Group is required to estimate the fair value of identifiable assets acquired and the liabilities assumed. Due to the substantial nature of the acquisitions, the Group engaged third-party qualified valuation experts to establish the appropriate techniques and inputs to complete this work. During the year the Company made a capital contribution to Haemostatix Limited, a 100% subsidiary of the Company, equal to their outstanding loan balance of £8,476,000. The Company immediately assessed the investment in Haemostatix to be impaired and reduced the carrying value of the investment to £nil.	22, 27, 31, 32, 33

Notes to the financial statements continued
For the year ended 31 December 2020

2. Revenue

Revenue and direct costs
Revenue comprises the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, other sales taxes and after eliminating sales within the Group.

The Group primarily earns revenue from Clinical Research Services ('CRO') and Pharmacovigilance ('PV') services. Revenue in relation to these services is recognised over time or at a point in time as performance obligations are satisfied and these are detailed further below.

Clinical Research Services ('CRO')
CRO comprise clinical trial management from Phase I to IV on behalf of customers. The contract with the customer defines the nature, quantity and price of the various services to be provided, which includes patient recruitment, data management, regulatory affairs and adverse event case processing. Services provided (included those provided by a third party and reimbursed by the customer) under each contract are a single performance obligation satisfied over time. The Group is the contract principal in respect of both direct services and in the use of third parties (principally investigator services) that support the clinical research project. The transaction price is determined by reference to the contract and change orders, including any pass-through or reimbursable expenses, adjusted to reflect the amount the Group expects to be entitled to in exchange for transferring promised goods or services to a customer. Revenue is recognised as the single performance obligation is satisfied. The progress towards completion for CRO service contracts is measured based on an input measure being project costs incurred to date as a proportion of total project costs (including third party costs) at each reporting period.

The service fees for CRO services are invoiced based on predetermined activities or milestones. Third party costs are invoiced to customers as they are incurred. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset (accrued revenue) or liability (deferred revenue) is recognised. Significant accrued and deferred revenue can arise for the CRO services as a result of these timing differences.

The Group recognises accrued revenue when the value of satisfied or part satisfied performance obligations is in excess of the payment due to the Group, and deferred revenue when the amount of unconditional consideration is in excess of the value of satisfied or part satisfied performance obligations. Once a right to receive consideration is unconditional, that amount is presented as a trade receivable.

Changes in contract balances typically arise due to:
- adjustments arising from a change in the estimate of the cost to complete the project, which results in a cumulative catch-up adjustment to revenue that affects the corresponding contract asset or liability;
- a change in the estimate of the transaction price due to changes in the assessment of whether variable consideration is constrained because it is not considered probable of being received;
- the recognition of revenue arising from deferred revenue; and
- the reclassification of amounts to receivables when a right to consideration becomes unconditional.

Contract fulfilment costs in respect of CRO service contracts are expensed as incurred.

Pharmacovigilance ('PV') services
Pharmacovigilance services comprise contract support services to pharmaceutical, biotechnology and generic companies in managing the global safety of their products from early clinical trial development to full post-marketing activities. The typical length of a contract is 36 months, and the services include the collection, aggregation and reporting of safety issues related to drugs on the market. PV services are typically invoiced when an activity occurs in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. Invoicing is based on prices specified in the service agreement with the client. The Group has applied the practical expedient which results in the recognition of revenue on a right to invoice basis as the right to consideration from a customer corresponds directly with the value of the Group's performance completed to date in relation to that customer. The performance completed is primarily driven by the hours performed by contract staff and the value of services provided to date.

Contract assets or liabilities (accrued or deferred revenue) may arise if a contract contains upfront or milestone payments.

Contract fulfilment costs in respect of PV service contracts are expensed as incurred.

Costs to obtain a contract
The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded.

The Group's revenue is disaggregated by geographical market and major service lines:

Geographical market and major service lines

2020

	Major service lines		
	CRO £000s	**PV £000s**	**Total £000s**
Geographical market by client location			
UK	**3,589**	**8,590**	**12,179**
Rest of Europe, Middle East and Africa	**10,146**	**13,183**	**23,329**
North America	**15,828**	**30,836**	**46,664**
Asia	**1,753**	**2,269**	**4,022**
Australia	**–**	**197**	**197**
	31,316	**55,075**	**86,391**

2019

	Major service lines		
	CRO £000s	PV £000s	Total £000s
Geographical market by client location			
UK	5,096	7,590	12,686
Rest of Europe, Middle East and Africa	17,427	10,910	28,337
North America	9,245	16,337	25,582
Asia	1,064	445	1,509
Australia	10	131	141
	32,842	35,413	68,255

The receivables, contract assets and liabilities in relation to contracts with customers are as follows:

	Note	**2020 £000s**	2019 £000s
Contract assets			
Trade receivables	23	**19,079**	11,235
Accrued revenue		**5,553**	3,382
		24,632	14,617
Contract liabilities			
Deferred revenue		**(13,829)**	(2,957)
Customer advances		**(408)**	(537)
		(14,237)	(3,494)

Accrued revenue primarily relates to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

Deferred revenue primarily relates to the advance consideration received from customers. There are no significant financing components associated with deferred revenue.

Customer advances relate to deposits made by customers as security over future services and third-party costs incurred in relation to those services.

Revenue recognised that was included in the deferred revenue balance at the beginning of the period was £2,504,000 (2019: £5,651,000).

There were no significant amounts of revenue recognised in the current or prior year arising from performance obligations satisfied in previous periods.

The carrying value of trade receivables and accrued revenue approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses for trade receivables and accrued revenue is included in note 31.

Notes to the financial statements continued
For the year ended 31 December 2020

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

2. Revenue continued

2020

	Accrued revenue £000s	Deferred revenue £000s
Opening asset/(liability):	**3,382**	**(2,957)**
Revenue recognised that was included in the contract liability balance at the beginning of the period	**–**	**2,504**
Increases due to cash received, excluding amounts recognised as revenue during the period	**–**	**(6,848)**
Business combinations	**812**	**(6,528)**
Transfers from contract assets recognised at the beginning of the period to receivables	**(3,382)**	**–**
Increases as a result of changes in the measure of progress	**4,741**	**–**
Closing asset/(liability):	**5,553**	**(13,829)**

2019

	Accrued revenue £000s	Deferred revenue £000s
Opening asset/(liability):	3,857	(5,651)
Revenue recognised that was included in the contract liability balance at the beginning of the period	–	5,651
Increases due to cash received, excluding amounts recognised as revenue during the period	–	(2,957)
Transfers from contract assets recognised at the beginning of the period to receivables	(3,857)	–
Increases as a result of changes in the measure of progress	3,382	–
Closing asset/(liability):	3,382	(2,957)

Order book
The aggregate amount of the transaction price allocated to CRO and PV service contracts that are partially or fully unsatisfied as at the year end ('order book') are as follows:

	2021 £000s	2022 £000s	2023 £000s	Total £000s
CRO services	60,220	37,896	15,093	113,209
PV services	43,684	24,523	11,624	79,831
	103,904	62,419	26,717	193,040

The order book at the year end includes contracted revenue which is expected to be realised over the period to 31 December 2023 upon the satisfaction of performance obligations. At the year end there is unrecognised order book with a value of £12,411,000 which is forecast to be realised after 31 December 2023 and before 31 December 2034. Contracted order book of this longer-term nature can be subject to change, and given the inherent uncertainties of determining revenues over this period of time, management have decided not to include revenues beyond 31 December 2023 within the valuation of order book at the year end.

3. Operating segments

Products and services from which reportable segments derive their revenues
Information reported to the Company's Board, which 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 ('CRO') and Pharmacovigilance ('PV'). All revenues arise from direct sales to customers. The segment information reported below all relates to continuing operations. The PV segment includes the revenues of Ashfield Pharmacovigilance Inc. ('Ashfield') following its acquisition by the Group in the year. The CRO segment includes the revenues of MS Clinical Services, LLC. and its subsidiaries ('MedSource') following its acquisition by the Group in the year.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment. Other amounts, including selling, general and administration expenses were not allocated to a segment. This was the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

2020

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	**31,316**	**55,075**	**86,391**
Cost of sales	**(12,737)**	**(25,949)**	**(38,686)**
Reimbursable expenses	**(7,584)**	**(471)**	**(8,055)**
Segment gross profit	**10,995**	**28,655**	**39,650**
Selling, general and administration expenses			**(27,518)**
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			**(24,591)**
Amortisation of acquired fair valued intangible assets			**(1,332)**
Share-based payment charge			**(742)**
Acquisition costs			**(853)**
Exceptional items			**–**
Research and development expenses			**(152)**
Net impairment of trade receivables and contract assets			**(285)**
Other operating income			**1,839**
Operating profit			**13,534**
Finance income			**8**
Change in fair value of equity investments			**(511)**
Finance costs			**(403)**
Profit before tax			**12,628**

2019

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	32,842	35,413	68,255
Cost of sales	(13,045)	(16,745)	(29,790)
Reimbursable expenses	(8,498)	(442)	(8,940)
Segment gross profit	11,299	18,226	29,525
Selling, general and administration expenses			(23,514)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			(19,578)
Amortisation of acquired fair valued intangible assets			(671)
Share-based payment charge			(870)
Acquisition-related contingent compensation			(87)
Change in the fair value of contingent consideration for acquisitions			512
Acquisition costs			(393)
Exceptional items			(2,427)
Research and development expenses			(545)
Other operating income			51
Operating profit			5,517
Finance income			28
Change in fair value of equity investments			(286)
Finance costs			(273)
Profit before tax			4,986

Notes to the financial statements continued
For the year ended 31 December 2020

3. Operating segments continued

Segment net assets

	2020 £000s	2019 £000s
CRO	**24,156**	2,649
PV	**28,710**	34,171
Consolidated total net assets	**52,866**	36,820

For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the net assets attributable to each segment. All assets are allocated to reportable segments. Goodwill has been allocated to reportable segments as described in note 17.

Other segment information

	Impairment of goodwill and intangibles		Depreciation and amortisation		Additions to non-current assets	
	2020 £000s	2019 £000s	2020 £000s	2019 £000s	2020 £000s	2019 £000s
CRO	**–**	–	**1,174**	1,252	**13,903**	724
PV	**–**	–	**3,669**	2,460	**9,307**	685
	–	–	**4,843**	3,712	**23,210**	1,409

Information about major customers
In 2020, the Group had no customers (2019: none) that contributed 10% or more to the Group's revenue.

4. Profit before taxation

Operating Leases
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group

	2020 £000s	2019 £000s
Profit for the year is stated after charging:		
Depreciation of property, plant and equipment (note 19)	**623**	545
Depreciation of right-of-use assets (note 20)	**1,954**	1,664
Amortisation of intangible assets (note 18)	**934**	832
Amortisation of acquired intangible assets (note 18)	**1,332**	671
Depreciation and amortisation charges within selling, general and administration expenses	**4,843**	3,712
Expenses relating to the lease of short-term assets	**120**	84
Expenses relating to the lease of low-value assets (excluding short-term leases included above)	**18**	36
Net foreign exchange loss	**1,176**	929
Loss on disposals of property, plant and equipment	**16**	25
Increase in bad debt provision (note 31)	**257**	58

Company
As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Parent Company is not presented as part of these financial statements. The Parent Company's profit after tax for the financial year was £22,007,000 (2019: loss of £3,261,000).

5. Auditor remuneration

Services provided by the Group's auditor:

	2020 £000s	2019 £000s
Fees payable to the Company's auditor for the audit of Group, Company and subsidiary financial statements	**241**	326
Fees payable to the Company's auditor for other services:		
– audit related assurance services – interim financial information	**35**	34
	276	360

6. Acquisition-related contingent compensation

	2020 £000s	2019 £000s
Harefield Pharmacovigilance	**–**	87

7. Acquisition costs

	2020 £000s	2019 £000s
Acquisition of Ashfield Pharmacovigilance (note 32)	**14**	393
Acquisition of MedSource (note 33)	**825**	–
Other acquisition costs	**14**	–
	853	393

8. Exceptional items

Exceptional items

In line with the way the Board and CODM review the business, large one-off exceptional costs are shown as exceptional items.

	2020 £000s	2019 £000s
Impairment of equity investment	**–**	2,427

During the year ended 31 December 2019, the fair value equity investment in Modus Therapeutics Holding AB was impaired to £nil resulting in a charge to exceptional items of £2,427,000 (see note 22).

9. Other operating income

Research and Development Expenditure Credit ('RDEC')

The Group is eligible, within the UK, to claim tax credits against certain R&D expenditure under the Research and Development Expenditure Credit ('RDEC') scheme. During the year the Group submitted claims in respect of the 2017 and 2018 financial years and recognised the related profit and loss charge within other operating income in the current financial year.

	2020 £000s	2019 £000s
Foreign grant income	**574**	–
RDEC income	**1,188**	–
Other income	**77**	51
	1,839	51

Notes to the financial statements continued
For the year ended 31 December 2020

10. Finance income

Interest income
Interest income is recognised in the income statement in the period in which it is earned.

	2020 £000s	2019 £000s
Interest income	**8**	28

11. Finance costs

	2020 £000s	2019 £000s
Loan and other interest payable	**158**	13
Interest on lease liabilities	**245**	260
	403	273

12. 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:

	2020 Number	2019 Number
Administration	**101**	89
Project staff	**875**	658
Management	**30**	25
Directors	**3**	3
	1,009	775

Employment costs
The cost of persons employed by the Group (including Executive Directors and excluding Non-Executive Directors) charged to the income statement during the year were:

	2020 £000s	2019 £000s
Wages and salaries	**32,243**	23,709
Social security costs	**6,622**	3,861
Other pension costs (note 13)	**703**	624
Acquisition-related contingent compensation	**–**	87
Share-based payments (note 30)	**742**	870
	40,310	29,151

Additional information on the emoluments of the Directors, together with information regarding the share interests and share options of the Directors, is included in the Remuneration Report on page 63, which forms part of these audited financial statements.

Employment costs have been charged to the income statement as follows:

	Cost of Sales		Selling, general and administration expenses	
	2020 £000s	2019 £000s	2020 £000s	2019 £000s
Wages and salaries	**23,611**	17,136	**8,632**	6,573
Social security costs	**4,146**	2,914	**2,476**	947
Other pension costs	**483**	411	**220**	213
	28,240	20,461	**11,328**	7,733

13. Pension costs

Pensions

The Group operates defined contribution pension plans for employees. The plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The pension cost represents contributions payable by the Group to the plans and amounted to £703,000 (2019: £624,000). Contributions payable to the plans at 31 December 2020 were £97,000 (2019: £100,000).

One Director (2019: one Director) has retirement benefits accruing under defined contribution pension schemes.

14. Taxation and deferred taxation

Taxation

The tax expense or credit for the year comprises the sum of current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is provided based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are enacted or substantively enacted at the reporting date.

Research and Development Expenditure Credit (RDEC)

The Group is eligible, within the UK, to claim tax credits against certain R&D expenditure under the RDEC scheme. During the year the Group submitted claims in respect of the 2017 and 2018 financial years and recognised the asset and related profit and loss charge in the 2020 year. Further claims for past years will be completed and submitted in due course and the respective asset and profit and loss charge recognised when submitted, until such time as the Group has established sufficient precedent to recognise claims on an accruals basis.

To the extent that the RDEC is payable in cash, the group recognise the value in current assets. The value claimed in excess of the amount payable in cash can be used to offset future tax liabilities and is recognised as a deferred tax asset. The credit to the profit and loss is recognised in other income.

	2020 £000s	2019 £000s
Current tax		
UK corporation tax charge for the year	**876**	174
Overseas corporation tax	**1,376**	832
Adjustment in respect of prior years	**(160)**	(58)
Current tax charge for the year	**2,092**	948
Deferred tax		
Origination and reversal of temporary differences	**377**	(1,531)
Adjustment in respect of prior years	**693**	–
Effect of changes in tax rates	**(216)**	–
Total deferred tax charge/(credit)	**854**	(1,531)
Total tax charge/(credit) for the year	**2,946**	(583)

Notes to the financial statements continued
For the year ended 31 December 2020

14. Taxation and deferred taxation continued

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:

	2020 £000s	2019 £000s
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**(2,461)**	(799)
Total income tax credit recognised directly in equity	**(2,461)**	(799)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2019: 19%). The actual tax charges for the years differ from the standard rate for the reasons set out in the following reconciliation:

	2020 £000s	2019 £000s
Profit before taxation	**12,628**	4,986
Tax on profit before tax at standard UK rate of 19% (2019: 19%)	**2,399**	947
Non-deductible expenses	**900**	1,054
Additional allowable expenses	**(853)**	(954)
Movement in deferred tax	**854**	(1,531)
R&D tax credit receivable	**218**	–
Adjustments to previous periods	**(159)**	(58)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**138**	43
Utilisation of tax losses	**(513)**	–
Increase in unrecognised tax losses	**–**	(12)
Translation effect	**(38)**	(72)
Total tax charge/(credit) for the year	**2,946**	(583)

Deferred taxation

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

In line with Finance Act 2016, from April 2020, the UK corporate tax rate was to reduce to 17.0%. The Government announced in the Budget on 11 March 2020, that the rate applicable from 1 April 2020 would remain at 19.0% rather than reduce to 17.0% and this was enacted on 17 March 2020. This 19% rate has been applied in the deferred tax valuations based on the expected timing of when such assets and liabilities will be recovered.

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 for financial reporting purposes.

Deferred tax assets

	Group			Company		
	Tax losses £000s	Other temporary differences £000s	Total £000s	Tax losses £000s	Other temporary differences £000s	Total £000s
1 January 2019	–	581	581	–	581	581
Credit to profit or loss	1,224	12	1,236	1,224	9	1,233
Credit direct to equity	–	799	799	–	799	799
At 31 December 2019	1,224	1,392	2,616	1,224	1,389	2,613
Effect of changes in tax rate	61	172	233	61	171	232
Charge to profit or loss	(329)	(83)	(412)	(329)	(131)	(460)
Credit direct to equity	–	2,461	2,461	–	2,461	2,461
At 31 December 2020	**956**	**3,942**	**4,898**	**956**	**3,890**	**4,846**

Included in the deferred tax arising on temporary differences, £3,844,000 (2019: £1,380,000) relates to a deferred tax asset arising on unexercised share options.

Deferred tax liabilities

	Group			Company
	Annual capital allowances £000s	Other temporary differences £000s	Total £000s	Annual capital allowances £000s
1 January 2019	(180)	(374)	(554)	(12)
Credit to profit or loss	79	181	260	12
At 31 December 2019	(101)	(193)	(294)	–
Effect of changes in tax rate	(17)	–	(17)	(5)
Recognised on acquisition	–	(2,239)	(2,239)	–
(Charge)/credit to profit or loss	(197)	321	124	(95)
At 31 December 2020	**(315)**	**(2,111)**	**(2,426)**	**(100)**

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:

	Group		Company	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
Deferred tax assets	**4,898**	2,616	**4,846**	2,613
Deferred tax liabilities	**(2,426)**	(294)	**(100)**	–
Net deferred tax assets/(liabilities)	**2,472**	2,322	**4,746**	2,613

At 31 December 2020, the Group had unused tax losses of £6,584,000 (2019: £7,196,000) available for offset against future profits. A deferred tax asset has been recognised in respect of £926,000 (2019: £1,224,000) in respect of these losses.

15. Earnings per share

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

Earnings

	2020 £000s	2019 £000s
Profit for the purposes of earnings per share – net profit attributable to owners of the Company	**9,682**	5,569
Adjust for:		
Amortisation of acquired fair valued intangible assets	**1,332**	671
Share-based payment charge	**742**	870
Acquisition-related contingent consideration	**–**	87
Change in fair value of contingent consideration for acquisitions	**–**	(512)
Acquisition costs	**853**	393
Exceptional items	**–**	2,427
Pay in lieu and non-compete compensation	**232**	–
Change in fair value of equity investments	**511**	286
RDEC income (2017)	**(527)**	–
Grants in recognition of employment creation in Serbia	**(307)**	–
Tax effect of adjusting items	**(41)**	(509)
Adjusted earnings for the purposes of adjusted earnings per share (unaudited)	**12,477**	9,282

Number of shares

	2020 Number	2019 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**48,323,814**	46,599,917
Incremental shares in respect of employee share schemes	**2,176,170**	2,027,154
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**50,499,984**	48,627,071

Notes to the financial statements continued
For the year ended 31 December 2020

15. Earnings per share continued

Earnings per share (EPS)

	2020 pence	2019 pence
Basic	**20.0**	12.0
Diluted	**19.2**	11.5

Adjusted earnings per share (Adjusted EPS) – Unaudited

	2020 pence	2019 pence
Basic	**25.8**	19.9
Diluted	**24.7**	19.1

16. EBITDA and Adjusted EBITDA

Unaudited	2020 £000's	2019 £000's
Operating profit	**13,534**	5,517
Adjusted for:		
Depreciation and amortisation charges within selling, general & administration expenses (note 4)	**3,511**	3,041
Amortisation of acquired fair valued intangible assets (note 4)	**1,332**	671
EBITDA	**18,377**	9,229
Adjusted for:		
Share-based payment charge (note 30)	**742**	870
Acquisition related contingent compensation (note 6)	**–**	87
Change in fair value of contingent consideration for acquisitions (note 31)	**–**	(512)
RDEC income (2017)	**(527)**	–
Grants in recognition of employment creation in Serbia	**(307)**	–
Acquisition costs (note 7)	**853**	393
Pay in lieu and non-compete compensation	**232**	–
Exceptional items (note 8)	**–**	2,427
Adjusted EBITDA	**19,370**	12,494

17. Goodwill

Business combinations

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 and the equity interest issued by the Group in exchange for control of the acquiree. Contingent 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.

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, 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 fair value 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.

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 ('CGUs') 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.

The recoverable amount is the higher of the fair value less costs to sell, and the value in use, and is estimated at least annually at the same time as the impairment review. 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.

Group

Goodwill recognised	**£000s**
At 1 January 2019	15,802
Translation movement	(279)
At 31 December 2019	15,523
Arising on business combinations	11,261
Translation movement	(36)
At 31 December 2020	**26,748**
Impairment losses recognised	
At 1 January 2019 and 2020	2,143
At 31 December 2019 and 2020	**2,143**
Net book value	
At 31 December 2020	**24,605**
At 31 December 2019	13,380

The goodwill arising during the year ended 31 December 2020 relates to the acquisitions of Ashfield Pharmacovigilance Inc. ('Ashfield') (note 32) and MS Clinical Services, LLC. ('MedSource') (note 33).

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 has been allocated as follows:

Cash-generating unit	**2020 £000s**	2019 £000s
CRO	**10,859**	3,535
PV	**13,746**	9,845
	24,605	13,380

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17. Goodwill continued

The goodwill associated with the PV segment has arisen from the acquisitions of Ashfield, PrimeVigilance, Sound Opinion, PharmInvent, Harefield Pharmacovigilance and Pharmacovigilance Services. The goodwill associated with the CRO segment has arisen from the acquisitions of MedSource, Ergomed Virtuoso, Haemostatix, Ergomed CDS and PSR.

The goodwill arising on these acquisitions has been allocated to the PV and CRO operating segment because the synergies and other benefits associated with the acquisitions will benefit the operating segment as a whole and the businesses trade as a single cash-generating unit.

Impairment testing for CGUs

PV and CRO

The recoverable amounts of the CGUs for the PV and CRO operating segments are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. The key inputs for estimating the future cash flows of operating businesses are revenue growth over the next five years, terminal revenue growth, working capital changes and discount rate.

The Group prepares cash flow forecasts for the next five years for the cash-generating units, derived from the most recent financial budgets approved by the Board, and forecasts revenue for the following four years based on estimated growth rate. A standard margin based on historical experience is then applied to the revenue. The revenue growth rate used in the calculation was zero, which is significantly lower than the average long-term growth rate for the relevant market and management's estimate of growth for the PV and CRO business. This did not result in an impairment to goodwill.

The discount rate, which reflects market assessments of the time-value of money and the risks specific to the CGUs, has reduced from 19% in 2019 to 8% in the current financial year. The discount rate used in the impairment assessment has reduced in the year as a result of a reassessment of the Group's Weighted Average Cost of Capital ('WACC'). The reduction in the WACC and discount rate was primarily a result of the Group's past profitability, forecast future profitability and the agreement of the borrowing facility with the Group's bankers during the year.

The key assumptions underlying the impairment testing of CGUs are:

	2020	2019
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond forecast period – PV and CRO	**0%**	0%
Discount rate	**8%**	19%

18. Other intangible assets

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	10–33.3% 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 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 contracts	20–100% straight line
Customer relationships	6.25–50% straight line
Brand	12–20% straight line
In-process R&D	Not amortised
Technology	40% straight line

Impairment

At each reporting date, the Group reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets are impaired. 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 ('CGU') 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.

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18. Other intangible assets continued

Group

	Software £000s	Customer contracts £000s	Customer relationships £000s	Brands £000s	In-process R&D £000s	Technology £000s	Total £000s
Cost							
At 1 January 2019	2,948	1,259	3,431	818	15,200	419	24,075
Additions	604	–	–	–	–	–	604
Translation movement	(74)	(1)	(36)	(1)	–	–	(112)
At 31 December 2019	3,478	1,258	3,395	817	15,200	419	24,567
Acquisitions through business combinations	–	1,739	6,075	916	–	–	8,730
Additions	542	–	–	–	–	–	542
Translation movement	120	(23)	(149)	(11)	–	–	(63)
At 31 December 2020	**4,140**	**2,974**	**9,321**	**1,722**	**15,200**	**419**	**33,776**
Amortisation							
At 1 January 2019	869	1,227	2,290	330	15,200	419	20,335
Charge for the year	832	31	536	104	–	–	1,503
Impairment charge	–	–	–	–	–	–	–
Translation movement	(26)	–	–	–	–	–	(26)
At 31 December 2019	1,675	1,258	2,826	434	15,200	419	21,812
Charge for the year	934	553	675	104	–	–	2,266
Translation movement	42	–	33	5	–	–	80
At 31 December 2020	**2,651**	**1,811**	**3,534**	**543**	**15,200**	**419**	**24,158**
Net book value							
At 31 December 2020	**1,489**	**1,163**	**5,787**	**1,179**	**–**	**–**	**9,618**
At 31 December 2019	1,803	–	569	383	–	–	2,755

Included within Software is software under development with an asset value of £512,000 (2019: £285,000). The software is currently still under construction and so no amortisation has been recognised in the current year.

Customer contracts, Customer relationships and Brands are intangible assets which are acquired through business combinations. The amortisation of acquired fair valued intangible assets is £1,332,000 (2019: £671,000).

Company

	Software £000s
Cost	
At 1 January 2019	1,087
Translation movement	(67)
Additions	401
At 31 December 2019	1,421
Translation movement	84
Additions	61
At 31 December 2020	**1,566**
Amortisation	
At 1 January 2019	266
Charge for the year	294
Translation movement	(21)
At 31 December 2019	539
Charge for the year	351
Translation movement	37
At 31 December 2020	**927**
Net book value	
At 31 December 2020	**639**
At 31 December 2019	882

19. Property, plant and equipment

Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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	10 – 33.3% straight line
Computer equipment	11 – 50% straight line
Fixtures and fittings	10–33.3% straight line
Laboratory equipment	10 – 33.3% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Group

	Leasehold improvements £000s	Fixtures and fittings £000s	Motor vehicles £000s	Computer equipment £000s	Laboratory equipment £000s	Total £000s
Cost						
At 1 January 2019	246	472	359	1,736	57	2,870
Additions	13	35	48	296	–	392
Disposals	–	(34)	(59)	(61)	(2)	(156)
Translation movement	(4)	(22)	(16)	(81)	–	(123)
At 31 December 2019	255	451	332	1,890	55	2,983
Acquisitions through business combinations	42	24	–	797	–	863
Additions	2	27	8	395	–	432
Disposals	–	(15)	(199)	(77)	(43)	(334)
Re-allocation between categories	–	(3)	–	3	–	–
Translation movement	3	22	6	51	–	82
At 31 December 2020	**302**	**506**	**147**	**3,059**	**12**	**4,026**
Depreciation						
At 1 January 2019	39	159	178	1,119	31	1,526
Charge for the year	27	81	78	334	25	545
Disposals	–	(16)	(47)	(59)	(1)	(123)
Translation movement	(1)	(8)	(9)	(57)	–	(75)
At 31 December 2019	65	216	200	1,337	55	1,873
Charge for the year	24	77	44	478	–	623
Disposals	–	(13)	(166)	(48)	(43)	(270)
Translation movement	1	9	(2)	50	–	58
At 31 December 2020	**90**	**289**	**76**	**1,817**	**12**	**2,284**
Net book value						
At 31 December 2020	**212**	**217**	**71**	**1,242**	**–**	**1,742**
At 31 December 2019	190	235	132	553	–	1,110

Notes to the financial statements continued
For the year ended 31 December 2020

19. Property, plant and equipment continued

Company

	Fixtures and fittings £000s	Computer equipment £000s	Total £000s
Cost			
1 January 2019	64	135	199
Additions	–	25	25
Disposals	(32)	–	(32)
Translation movement	(2)	(8)	(10)
At 31 December 2019	30	152	182
Additions	–	87	87
Disposals	–	–	–
Translation movement	2	12	14
At 31 December 2020	**32**	**251**	**283**
Depreciation			
1 January 2019	34	91	125
Charge for the year	6	29	35
Disposals	(14)	–	(14)
Translation movement	(1)	(6)	(7)
At 31 December 2019	25	114	139
Charge for the year	2	19	21
Disposals	–	–	–
Translation movement	2	8	10
At 31 December 2020	**29**	**141**	**170**
Net book value			
At 31 December 2020	**3**	**110**	**113**
At 31 December 2019	5	38	43

20. Right-of-use assets and lease liabilities

On 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach.

At inception of a contract, the Group assess whether the arrangement is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For lease contracts, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of a lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and any costs to restore the underlying asset, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents the right-of-use assets and the lease liability separately on the balance sheet..

The policy has been applied to contracts entered into or changed on or after 1 January 2019.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Information about the Group's lease liability exposure to foreign exchange and liquidity risks are included in note 31.

Right-of-use assets

	Group £000s	Company £000s
Cost		
1 January 2019	6,625	140
Additions	413	–
Translation movement	(236)	(5)
At 31 December 2019	6,802	135
Acquisitions through business combinations	1,112	–
Additions	270	–
Disposals	–	–
Modification	(33)	–
Translation movement	199	12
At 31 December 2020	**8,350**	**147**
Depreciation		
1 January 2019	–	–
Charge for the year	1,664	22
Translation movement	(33)	–
At 31 December 2019	1,631	22
Charge for the year	1,954	93
Translation movement	50	6
At 31 December 2020	**3,635**	**121**
Net book value		
At 31 December 2020	**4,715**	**26**
At 31 December 2019	5,171	113

Lease liabilities

2020

	Group £000s	Company £000s
Maturity analysis – contractual undiscounted cash flows		
Less than one year	2,099	**24**
One to five years	3,280	**–**
Total undiscounted lease liabilities at 31 December	5,379	**24**
Lease liabilities included in the balance sheet at 31 December	5,106	**27**
Current	1,978	**27**
Non-current	3,128	**–**

2019

	Group £000s	Company £000s
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,856	95
One to five years	3,846	24
Total undiscounted lease liabilities at 31 December	5,702	119
Lease liabilities included in the balance sheet at 31 December	**5,434**	117
Current	1,718	93
Non-current	3,716	24

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For the year ended 31 December 2020

21. 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.

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 2020	2019
CRO services	Germany	**2**	2
CRO services	Poland	**1**	1
CRO services	Serbia	**1**	1
CRO services[5]	USA	**2**	1
CRO services[5]	United Kingdom	**1**	–
CRO services[5]	Canada	**1**	–
CRO services	Croatia	**1**	1
CRO services	Russia	**1**	1
CRO services[4]	Spain	**1**	–
CRO services	Bosnia	**1**	1
CRO services[1]	UAE	**–**	1
CRO and PV services	Switzerland	**1**	1
CRO services[1]	Taiwan	**–**	1
CRO services	Netherlands	**1**	1
PV services	India	**1**	1
PV services	United Kingdom	**3**	3
PV services	Germany	**1**	1
PV services	Croatia	**1**	1
PV services	Serbia	**1**	1
PV services[2]	USA	**2**	1
PV services	Czech Republic	**2**	2
Research and development	United Kingdom	**1**	1
Dormant	United Kingdom	**2**	2

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

Company	Registered address
Ergomed GmbH	Herriotstraße 1, 60528 Frankfurt am Main, Germany
Ergomed Sp. z o.o.	Kolowa 8, 30-134 Krakow, Poland
Ergomed d.o.o. Beograd	Belgrade Office Park, Djordja Stanojevica 12, 5th Floor, Belgrade – New Belgrade, 11070 Serbia
Ergomed Clinical Research Inc.	8207 Callaghan Rd. Suite 150, San Antonio, TX 78230, USA
MS Clinical Services, LLC	16902 El Camino Real, Suite 1A Houston, Texas 77058-2621, USA
MedSource UK Ltd	1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL, UK
MS Clinical Services (Canada) Inc.	40 University Avenue, Suite 904, Toronto, Ontario, M5J 1T1, Canada
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 Clinical Research Spain, S.L.[4]	C/ Príncipe de Vergara 112, 4a, 28002, Madrid, Spain
Ergomed d.o.o. Sarajevo	Zmaja od Bosne 7-7a, Sarajevo, Bosnia and Herzegovina
Ergomed Virtuoso Sarl	18, Avenue Lois-Casai, 1209 Geneva, Switzerland
Ergomed CDS GmbH	Im Mediapark 2, D-50670 Cologne, Germany
PSR Group BV	Antareslaan 41, 2132 JE Hoofddorp, The Netherlands
Ergomed Clinical Research Private Limited	Wing A, Level 4, Dynasty Business Park, Andheri-Kurla Road, Andheri (East) Mumbai – 400059, Maharashtra, India
PrimeVigilance Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
Harefield Pharmacovigilance Limited[4]	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
Pharmacovigilance Services Limited[4]	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
PrimeVigilance GmbH	Herriotstraße 1, 60528 Frankfurt am Main, Germany
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
PrimeVigilance USA Inc.[2]	100 Regency Forest Drive, Cary, Wake County, NC 27518, USA
PrimeVigilance 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	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
Sound Opinion Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
Ergomed Clinical Research Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK

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

Principal activity – CRO services	Place of incorporation and operation	Class	Holding
Ergomed GmbH	Germany	Ordinary	100%
Ergomed Spolka z o.o[3]	Poland	Ordinary	99%
Ergomed d.o.o. Novi Sad	Serbia	Ordinary	100%
Ergomed Clinical Research Inc.	USA	Not specified	100%
Ergomed Istrazivanja Zagreb d.o.o.	Croatia	Ordinary	100%
Ergomed Clinical Research LLC	Russia	Ordinary	100%
Ergomed Clinical Research Spain, S.L.[4]	Spain	Ordinary	100%
Ergomed d.o.o. Sarajevo	Bosnia	Ordinary	100%
Ergomed Virtuoso Sarl	Switzerland	Ordinary	100%
Ergomed CDS GmbH	Germany	Ordinary	100%
PSR Group BV	Netherlands	Ordinary	100%

Principal activity – PV services	Place of incorporation and operation	Class	Holding
PrimeVigilance Limited	United Kingdom	Ordinary	100%
PrimeVigilance s.r.o.	Czech Republic	Ordinary	100%
Ergomed Clinical Research Private Limited	India	Ordinary	99%

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

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

1 Ergomed Clinical Research Co. Limited (incorporated in Taiwan) and Ergomed Clinical Research FZ LLC (incorporated in the UAE) were closed during 2020.
2 PrimeVigilance USA Inc., formerly known as Ashfield Pharmacovigilance Inc., was acquired on 13 January 2020.
3 The non-controlling interest is not disclosed as it is not material and does not take a benefit from the holding.
4 Ergomed Clinical Research Spain, S.L. was incorporated on 26 February 2020.
5 MS Clinical Services, LLC incorporated in the USA and its subsidiaries, MS Clinical Services (Canada) Inc. and MedSource UK Ltd (incorporated in Canada and the UK respectively), was acquired on 11 December 2020.

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

The accounting year end for all Group subsidiaries is coterminous.

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For the year ended 31 December 2020

22. Equity investments

The carrying amount of the following equity investments have been designated as fair value through the profit and loss ('FVPL'). Further information regarding the measurement and classification of equity investments held by the Group are included in note 31.

Group and Company

2020	Carrying amount at 1 January 2020 £000s	Equity received in exchange for services provided £000s	Change in fair value recognised in the income statement £000s	Impairment of investments £000s	Disposals £000s	Translation movement £000s	Carrying amount at 31 December 2020 £000s
Asarina Pharma AB	–	699	(511)	–	(175)	(13)	–
Modus Therapeutics Holdings AB	–	–	–	–	–	–	–
	–	699	(511)	–	(175)	(13)	–

2019	Carrying amount at 1 January 2019 £000s	Equity received in exchange for services provided £000s	Change in fair value recognised in the income statement £000s	Impairment of investments £000s	Disposals £000s	Translation movement £000s	Carrying amount at 31 December 2019 £000s
Asarina Pharma AB	863	567	(286)	–	(1,099)	(45)	–
Modus Therapeutics Holdings AB	1,202	1,337	–	(2,427)	–	(112)	–
	2,065	1,904	(286)	(2,427)	(1,099)	(157)	–

Asarina Pharma AB ('Asarina')
In 2018, Asarina completed a public offering and listing on the Nasdaq First North Exchange and the investment in equity was publicly traded. Under the co-development agreement with Asarina, the Group receives shares in Asarina in return for services provided to them under the co-development programme. During the year ended 31 December 2020, shares valued at £699,000 (2019: £567,000) were issued to the Group in exchange for services provided. All the shares received were sold in the year for proceeds of £175,000 (2019: £1,099,000).

Modus Therapeutics Holding AB ('Modus')
Under the co-development agreement with Modus, the Group receives shares in Modus in return for its contribution to the co-development programme. During the year ended 31 December 2019, shares valued at £1,337,000 were issued to the Group in exchange for services provided by the Group.

Modus announced the initial results from its Phase II trial on 13 May 2019. Data from the study failed to show a meaningful benefit in the total study population. Given the results of the trial and the company's lack of funding, management have impaired the value of the investment to £nil as at the year end.

Investments in subsidiaries

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

Company

	Shares in subsidiary undertakings £000s
Cost	
At 1 January 2019	23,585
Capital contribution to subsidiary undertakings	245
Impairments	–
Translation movement	(1,238)
At 31 December 2019	22,592
Investment in Haemostatix Limited	8,476
Capital contribution to subsidiary undertakings	128
Impairment of investment in Haemostatix Limited	(8,476)
Disposal of investment in subsidiaries	(50)
Translation movement	1,058
At 31 December 2020	**23,728**

During the year the Company capitalised historic loans made to Haemostatix Limited, a 100% subsidiary of the Company, equal to the outstanding loan balance of £8,476,000. As a result of the Company's decision in prior years to discontinue its co-development activities, the Company immediately assessed the investment in Haemostatix Limited to be fully impaired and reduced the carrying value of the investment to £nil.

During the year Ergomed plc disposed of Ergomed Clinical Research FZ-LLC (UAE) and Ergomed Clinical Research co. Limited (Taiwan).

23. Trade and other receivables

	Group		Company	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
Trade receivables	**19,079**	11,235	**4,632**	2,896
Amounts receivable from Group companies	**–**	–	**18,920**	446
Other receivables	**1,241**	1,609	**203**	346
Prepayments	**1,482**	1,144	**698**	516
Corporation tax receivable	**422**	371	**–**	–
	22,224	14,359	**24,453**	4,204

The carrying value of trade receivables approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses for trade and receivables is included in note 31.

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

Amounts receivable from Group companies includes an intercompany receivable balance equal to the Company's cash and equity funding for the acquisition of MedSource.

24. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

	Group		Company	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
Cash at bank	**18,994**	14,259	**6,151**	4,374

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

	Group		Company	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
GBP	**1,598**	1,747	**385**	314
Euro	**5,732**	2,666	**2,956**	522
USD	**10,213**	8,848	**2,802**	3,538
Other	**1,451**	998	**8**	–
	18,994	14,259	**6,151**	4,374

Information about the Group's exposure to foreign exchange and interest rate risks are included in note 31.

The Group has a £15 million multi-currency rolling credit facility ('RCF') with an option to increase by a further £15 million. The RCF was drawn down on 23 March 2020 and was subsequently repaid on 19 August 2020. The RCF expires on 13 March 2024.

25. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Notes to the financial statements continued
For the year ended 31 December 2020

25. Provisions continued

Group

	2020			2019		
	Onerous contract £000s	**Other £000s**	**Total £000s**	Onerous contract £000s	Other £000s	Total £000s
At 1 January	**67**	**274**	**341**	216	–	216
Increase in provision	**–**	**298**	**298**	–	274	274
Utilised	**(48)**	**(268)**	**(316)**	(149)	–	(149)
Translation	**–**	**(6)**	**(6)**	–	–	–
At 31 December	**19**	**298**	**317**	67	274	341

Onerous contract
During 2018, the Group shifted strategy away from co-development arrangements and development of Haemostatix to focus on provision of services. The Group has continued to incur incremental expenditure in Haemostatix during 2020 so as to protect the intellectual property and to maintain readiness for Phase III trials. As a consequence of the change in strategy, contractual costs committed at the year ended 2018 amounting to £216,000 were provided for as onerous and the charge included in exceptional items. During 2020, £48,000 (2019: £149,000) of this provision was utilised.

Other
During the year ended 2019, a provision was recognised in respect of Serbian grant income received. In the year ended 2020, this provision was released and an additional provision was recognised in respect of the Serbian grant income received in 2020 which, depending on future trading conditions, management believe may be repayable in the future.

26. Trade and other payables

	Group		Company	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
Trade payables	**4,197**	2,579	**612**	1,126
Amounts payable to related parties	**55**	58	**52**	56
Amounts payable to Group companies	**–**	–	**8,076**	15,379
Social security and other taxes	**1,112**	629	**144**	110
Other payables	**1,295**	1,086	**70**	7
Customer advances	**408**	537	**–**	–
Accruals	**8,635**	5,484	**5,508**	3,851
	15,702	10,373	**14,462**	20,529

Customer advances relate to deposits made by customers as security over future services and third-party costs incurred in relation to those services.

Information about the Group's exposure to foreign exchange and liquidity risks are included in note 31.

27. Contingent and deferred consideration

Contingent and deferred consideration are measured at fair value through the profit and loss. Further details regarding the measurement and classification of financial instruments measured at fair value are set out in note 31.

Fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Deferred consideration

	Group		Company	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
Due within one year				
MedSource	**328**	–	**–**	–
	328	–	**–**	–

The deferred consideration payable for MS Clinical Services, LLC. and its subsidiaries ('MedSource') of £328,000 is due upon the verification of the net assets acquired by the Group at the acquisition date and is payable 60 days after that date.

28. Ordinary share capital

Group and Company

	2020		2019	
	Number	**£000s**	Number	£000s
Ordinary shares of £0.01 each				
At 1 January	**47,286,289**	**473**	45,175,248	452
Exercise of share options	**1,433,237**	**14**	2,111,041	21
Shares to be issued for non-cash consideration	**155,558**	**2**	–	–
At 31 December	**48,875,084**	**489**	47,286,289	473

	2020		2019	
	Number	**£000s**	Number	£000s
B ordinary shares of £0.23 each				
At 1 January	**–**	**–**	–	–
Capitalisation of merger reserve to B ordinary shares	**48,717,776**	**11,088**	–	–
Cancellation of B ordinary shares	**(48,717,776)**	**(11,088)**	–	–
At 31 December	**–**	**–**	–	–

Options over 1,433,237 (2019: 2,111,041) ordinary shares were exercised for proceeds of £1,869,000 (2019: £1,427,000).

Shares to be issued for non-cash consideration

Ordinary shares to be issued as consideration for acquisitions (non-cash consideration) are included within share capital once the conditions for issuance have been met. Included within the ordinary share capital at 31 December 2020 are 155,558 ordinary shares that will be issued as part consideration for the acquisition of MS Clinical Services, LLC. and its subsidiaries and is subject to the satisfaction of certain representations and warranties. The shares will be issued during the 2021 financial year.

Capital reduction

During the year the Directors determined that they would request shareholder and court approval for a capital reduction for Ergomed plc, whereby the balance on the Company's share premium account and merger reserves would be used to eliminate the deficit on the retained earnings reserve.

The Capital Reduction was approved by shareholders at a General Meeting of the Company held on 19 October 2019. The Capital Reduction was sanctioned by the High Court of England and Wales on 10 November 2020 and was registered with the Registrar of Companies on 17 November 2020 whereupon it became effective.

The Capital Reduction comprised: (i) the cancellation of the entire amount standing to the credit of the Company's share premium account and (ii) the capitalisation of the entire amount standing to the credit of the Company's merger reserve by issuing B ordinary shares in the capital of the Company and the subsequent cancellation of such B ordinary shares (the 'Merger Reserve Reduction').

29. Reserves

Share premium

As a result of the Capital Reduction (see note 28), the entire amount standing to the credit of the Company's Share premium (£27,642,000) was cancelled on 17 November 2020.

Merger reserve

When the Company issues shares in consideration for the shares in an acquired entity, and on completion of the transaction the Company has secured at least a 90% equity holding in the other entity, the excess of the fair value of the shares over the nominal value is credited to the merger reserve ('Merger Relief').

As a result of the Capital Reduction (see note 28), the entire amount standing to the credit of the Company's Merger reserve (£11,088,000) was capitalised on 9 November 2020 by issuing 48,717,776 B ordinary shares of £0.23 each in the capital of the Company. The B ordinary shares were subsequently cancelled on 17 November 2020.

On 11 December 2020, 155,558 Ordinary Shares were offered as part consideration for MS Clinical Services LLC, MedSource UK Ltd and MS Clinical Services (Canada) Inc. ('MedSource') at an agreed market price of £8.76 per share. The excess of the fair value over the nominal value of £1,349,000 was credited to the merger reserve. The shares are subject to the satisfaction of certain representations and warranties and will be issued during the 2021 financial year.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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30. Share-based payments

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') over shares in the Company. The grant-date fair value of the options is recognised as an expense, with the corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants options over its own shares to the employees of the Group, a charge arises. Where such charge is not reimbursed by the entity, they are treated as equity-settled in the consolidated accounts of the Group.

The Group has acquired entities under terms which include equity-settled deferred contingent consideration payable to vendors. Where settlement of such deferred contingent consideration is dependent on the continued employment by the Group of that vendor, a share-based payment charge arises. The total amount to be expensed is determined by reference to the fair value of the consideration at the date of the acquisition. The total amount expensed is recognised over the period from the date of the acquisition to the date the conditions are met for settlement of the contingent consideration.

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

In addition, certain employees and former employees hold options over shares held by Miroslav Reljanović, a Director and shareholder, under agreements between those parties (the non-dilutive options). The grant and vesting of such options was dependent on their continued employment by the Company. Although these options are non-dilutive and the Company is not party to the arrangements, a share-based payment charge arises.

Share-based payment charges for the year arose as follows:

	2020 £000s	2019 £000s
Ergomed plc Long Term Incentive Plan	**580**	748
Non-dilutive share options	**162**	94
Deferred consideration for acquisitions	**–**	28
	742	870

Included in the above share-based payment charge is £457,000 (2019: £560,000) which relates to share option awards made to Directors who served during the year.

Ergomed plc Long Term Incentive Plan ('LTIP')
The Ergomed plc LTIP is an HMRC unapproved plan which allows for the grant of options to executives and Group employees, which may or may not be subject to performance criteria. Selected Directors and employees of the Group may be granted options under the LTIP at the discretion of the Company's Board of Directors or a duly authorised committee thereof.

Generally, the options granted under this plan vest after three years or monthly over a period of up to three years. Certain options vest based on market and non-market based performance conditions assessed over a three-year period.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**2,623,442**	**£0.67**	3,445,207	£0.96
Granted	**537,250**	**£0.01**	980,000	£0.05
Exercised	**(568,237)**	**£0.85**	(1,111,041)	£1.29
Lapsed	**(411,445)**	**£0.20**	(690,724)	£0.25
Outstanding at 31 December	**2,181,010**	**£0.55**	2,623,442	£0.67
Exercisable at 31 December	**654,117**	**£1.69**	815,079	£1.68

	2020	2019
Weighted average fair value of options granted during the year	**£3.54**	£1.27
Weighted average share price at the date of exercise of options exercised during the year	**£5.57**	£2.63
Weighted average remaining contractual life of options	**7.5 years**	8.0 years

The range of exercise prices for options outstanding at the end of the year is as follows:

		2020		2019	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2015	2025	**235,000**	**£1.63**	365,000	£1.63
2016	2026	**150,000**	**£1.39**	177,142	£1.39
2017	2027	**–**	**–**	96,671	£1.02
2018	2028	**678,762**	**£0.81**	1,004,629	£0.76
2019	2029	**829,998**	**£0.05**	980,000	£0.05
2020	2030	**287,250**	**£0.01**	–	–

Unapproved Executive Share Option Agreement made with Rolf Stahel

On 18 April 2014, an award of unapproved share options was made to Rolf Stahel, the Chairman at the time, 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 of the Group to trading on AIM at an exercise price of £1.60 per share. The option becomes exercisable in respect of 1/36th of the options one month from the date of the share option agreement and on the same date in each subsequent calendar month over 1/36th of the options.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**1,260,000**	**£1.60**	1,260,000	£1.60
Exercised	**(865,000)**	**£1.60**	–	£1.60
Outstanding at 31 December	**395,000**	**£1.60**	1,260,000	£1.60
Exercisable at 31 December	**395,000**	**£1.60**	1,260,000	£1.60

	2020	2019
Weighted average share price at the date of exercise of options exercised during the year	**£4.31**	–
Weighted average remaining contractual life of options	**3.3 years**	4.3 years

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The range of exercise prices for options outstanding at the end of the year is as follows:

		2020		2019	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2014	2024	**395,000**	**£1.60**	1,260,000	£1.60

Non-dilutive share options

Agreements are in place whereby certain employees and former employees hold options over shares held by Miroslav Reljanović, Director and shareholder. The grant of such options was related to their employment by the Company.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**550,000**	**£0.01**	426,470	£0.01
Awarded	**–**	**–**	400,000	£0.01
Exercised	**–**	**–**	(276,470)	£0.01
Outstanding at 31 December	**550,000**	**£0.01**	550,000	£0.01
Exercisable at 31 December	**550,000**	**£0.01**	550,000	£0.01

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For the year ended 31 December 2020

30. Share-based payments continued

	2020	2019
Weighted average fair value of options granted during the year	**n/a**	£1.21
Weighted average share price at the date of exercise of options exercised during the year	**n/a**	£3.21
Weighted average remaining contractual life of options	**7.7 years**	8.7 years

The range of exercise prices for options outstanding at the end of the year is as follows:

		2020		2019	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2016	2026	**150,000**	**£0.01**	150,000	£0.01
2019	2029	**400,000**	**£0.01**	400,000	£0.01

Acquisition-related share-based payment expense
The terms of the acquisitions of PSR Group BV and PrimeVigilance s.r.o. included provisions for contingent consideration payable in cash and in equity. Where that contingent consideration is conditional upon the continued employment of the vendors, a charge through the income statement arises. The element that is repayable in equity and that is conditional upon the continued employment of the vendors is included as part of share-based payments. A charge of £nil arose for the year (2019: £28,000).

The element that is repayable in cash and that is conditional upon the continued employment of the vendors is charged separately to the income statement and is shown as acquisition-related contingent compensation (note 6).

Assumptions
Options with non-market-based performance conditions were valued using a Black-Scholes option pricing model, using the following range of inputs:

Award date	**21 December 2020**	1 November 2018 to 18 June 2019
Share price	**£10.00**	£1.45 – £2.84
Exercise price	**£0.01**	£0.01 – £1.82
Volatility	**33.5%**	25.1% – 25.7%
Expected life	**5 years**	5 years
Expected dividends	**0%**	0%
Risk free rate	**0.10%**	0.59% – 0.83%

Options with market-based performance conditions were valued using a Monte Carlo pricing model, using the following range of inputs:

Award date	**1 January 2020 to 21 December 2020**	1 November 2018 to 18 June 2019
Share price	**£1.80 – £10.00**	£1.45 – £2.84
Exercise price	**£0.01**	£0.01
Volatility	**24.6% – 33.5%**	23.9% – 24.8%
Expected life	**3 years**	3 years
Expected dividends	**0%**	0%
Risk free rate	**0.10% – 0.87%**	0.53% – 0.72%

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.

31. Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset or liability at its fair value plus, in the case of an item not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at FVPL are expensed in profit or loss. Trade receivables are initially measured at the transaction price.

Classification

Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('FVOCI') or through profit or loss ('FVPL')); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Trade and other receivables, accrued income (contract assets) and cash and cash equivalents are measured at amortised cost.

The Group measures all equity investments at fair value and the Group has elected to present fair value gains and losses on equity investments in the profit and loss. Changes in the fair value of financial assets are recognised as FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Trade and other payables and lease liabilities are measured at amortised cost.

Contingent and deferred consideration is measured at fair value through profit or loss.

Subsequent measurement

Financial assets

Fair value through profit or loss: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Amortised cost: These liabilities are initially measured at fair value, net of transaction costs. Subsequently they are 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.

Fair value through profit or loss: The deferred and contingent consideration liability is measured at fair value at each reporting date using a discounted cash flow approach, utilising management's forecasts to estimate the likely payout and discounting these using a risk-adjusted weighted average cost of capital. Net gains and losses, including any interest expense, are recognised in profit or loss.

Impairment

The Company recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost and accrued revenue (contract assets).

Notes to the financial statements continued
For the year ended 31 December 2020

31. Financial instruments continued

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets (accrued revenue). To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on historical credit losses as a percentage of revenues adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive) at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Fair value measurements
Fair value measurements are categorised as level 1, 2 or 3 within the fair value hierarchy. The fair value hierarchy categorises inputs to valuation techniques into the following levels, based on their observability:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Categories of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at the reporting date.

	Carrying amount						Fair value
31 December 2020	**Financial assets at fair value through profit and loss £000s**	**Financial assets at amortised cost £000s**	**Current financial liabilities at amortised cost £000s**	**Current financial liabilities at fair value through profit and loss £000s**	**Non-current financial liabilities at fair value through profit and loss £000s**	**Total £000s**	**Total £000s**
Financial assets							
Equity investments	–	–	–	–	–	–	–
Trade receivables	–	**19,079**	–	–	–	**19,079**	**19,079**
Accrued revenue (contract asset)	–	**5,553**	–	–	–	**5,553**	**5,553**
Other receivables	–	**1,241**	–	–	–	**1,241**	**1,241**
Cash and cash equivalents	–	**18,994**	–	–	–	**18,994**	**18,994**
	–	**44,867**	–	–	–	**44,867**	**44,867**
Financial liabilities							
Lease liabilities	–	–	**5,106**	–	–	**5,106**	**5,106**
Trade payables	–	–	**4,197**	–	–	**4,197**	**4,197**
Amounts payable to related parties	–	–	**55**	–	–	**55**	**55**
Other payables	–	–	**1,295**	–	–	**1,295**	**1,295**
Customer advances	–	–	**408**	–	–	**408**	**408**
Deferred consideration	–	–	–	**328**	–	**328**	**328**
Accruals	–	–	**8,635**	–	–	**8,635**	**8,635**
	–	–	**19,696**	**328**	–	**20,024**	**20,024**

	Carrying amount						Fair value
31 December 2019	Financial assets at fair value through profit and loss £000s	Financial assets at amortised cost £000s	Current financial liabilities at amortised cost £000s	Current financial liabilities at fair value through profit and loss £000s	Non-current financial liabilities at fair value through profit and loss £000s	Total £000s	Total £000s
Financial assets							
Equity investments	–	–	–	–	–	–	–
Trade receivables	–	11,235	–	–	–	11,235	11,235
Accrued revenue (contract asset)	–	3,382	–	–	–	3,382	3,382
Other receivables	–	1,309	–	–	–	1,309	1,309
Cash and cash equivalents	–	14,259	–	–	–	14,259	14,259
	–	30,185	–	–	–	30,185	30,185
Financial liabilities							
Lease liabilities	–	–	5,434	–	–	5,434	5,434
Trade payables	–	–	2,579	–	–	2,579	2,579
Amounts payable to related parties	–	–	58	–	–	58	58
Other payables	–	–	1,086	–	–	1,086	1,086
Customer advances	–	–	537	–	–	537	537
Accruals	–	–	5,484	–	–	5,484	5,484
	–	–	15,178	–	–	15,178	15,178

Notes to the financial statements continued
For the year ended 31 December 2020

31. Financial instruments continued

Financial instruments measured at fair value
The financial instruments measured at fair value have been categorised within the fair value hierarchy based on the valuation technique used to determine fair value at the reporting date.

Deferred and contingent consideration is measured using a discounted cash flow approach, utilising management's forecasts to estimate the likely payout and discounting these using a risk-adjusted weighted average cost of capital, both of which are significant unobservable inputs. The contingent consideration payable in respect of MS Clinical Services, LLC. and its subsidiaries ('MedSource') is categorised as level 3 within the fair value hierarchy and has been assessed at £nil. The deferred consideration for MedSource of £328,000 is categorised as level 3 within the fair value hierarchy and is due upon the verification of the net assets acquired by the Group at the acquisition date and is payable 60 days after that date.

Given the nature and term of the deferred consideration balance due at the year end, the sensitivity of the fair value of the level 3 items to possible increases in the significant unobservable inputs for the current year were immaterial. During the prior year, the fair value of the contingent consideration payable in respect of PSR Group BV, which was categorised as level 3 within the fair value hierarchy, was reassessed at £nil and a credit of £512,000 recognised through profit and loss. There was no deferred or contingent consideration outstanding at the 2019 year end.

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

i) Market risk
Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Foreign currency risk
The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the value of income and expenses denominated in foreign currencies. The functional currencies of the Group Companies are primarily pounds sterling, euros and US dollars. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further activity is undertaken. Where the amounts to be paid and received in a specific currency result in a net surplus or exposure, the net surplus or exposure is hedged by selling or buying the foreign currency and holding in currency accounts.

The carrying amounts of the Group's financial assets and financial liabilities by currency at the reporting date are as follows:

	2020					2019				
	GBP £000s	**EUR £000s**	**USD £000s**	**Other £000s**	**Total £000s**	GBP £000s	EUR £000s	USD £000s	Other £000s	Total £000s
Financial assets										
Equity investments	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Trade receivables	**2,858**	**3,741**	**12,231**	**249**	**19,079**	2,754	3,074	4,654	753	11,235
Accrued revenue (contract asset)	**106**	**770**	**4,677**	**–**	**5,553**	129	3,118	119	16	3,382
Other receivables	**497**	**131**	**86**	**527**	**1,241**	431	235	27	616	1,309
Cash and cash equivalents	**1,598**	**5,732**	**10,213**	**1,451**	**18,994**	1,747	2,666	8,848	998	14,259
Financial liabilities										
Lease liabilities	**1,421**	**2,492**	**1,138**	**55**	**5,106**	1,926	3,228	229	51	5,434
Trade payables	**596**	**981**	**2,030**	**590**	**4,197**	967	1,211	185	216	2,579
Amounts payable to related parties	**–**	**–**	**–**	**55**	**55**	56	–	–	2	58
Other payables	**198**	**5**	**28**	**1,064**	**1,295**	–	7	7	1,072	1,086
Customer advances	**–**	**408**	**–**	**–**	**408**	–	537	–	–	537
Accruals	**5,861**	**1,540**	**573**	**661**	**8,635**	4,567	345	133	439	5,484
Deferred consideration	**–**	**–**	**328**	**–**	**328**	–	–	–	–	–
Net financial asset/ (liability)	**(3,017)**	**4,948**	**23,110**	**(198)**	**24,843**	(2,455)	3,765	13,094	603	15,007

The following table demonstrates the Group's sensitivity to a 10% strengthening or weakening in Sterling, being the reporting currency of the Group. 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. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	Profit or (loss) 2020		Profit or (loss) 2019	
	Strengthen +10% £000s	**Weaken -10% £000s**	Strengthen +10% £000s	Weaken -10% £000s
Euro	**(450)**	**550**	(342)	418
USD	**(2,101)**	**2,568**	(1,190)	1,455
Other	**(38)**	**47**	(98)	120

Interest rate risk

The Group is primarily exposed to the interest rate risks associated with its holdings of cash and cash equivalents. Interest rate risk associated with financial liabilities is minimal and the Group does not have any borrowing facilities at the year end (2019: £nil).

The Group's sensitivity to a change of 100 basis points (1%) on the profit or loss at the reporting date would result in an increase or decrease in investment income of £211,000 (2019: £94,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for comparative period.

The effective interest rate at the balance sheet date on cash at bank was 0.04% (2019: 0.07%).

Other market risk

The primary goal of the Group's equity investments is to hold the investments for the long term for strategic purposes. Equity investments have been designated as FVPL because their performance is actively monitored and they are managed on a fair value basis.

Equity investments which are publicly quoted are measured based on the quoted market price. Unlisted equity investments are measured based on the market price of recent share issuances.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and contracts with customers.

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.

The credit risk on cash and cash equivalents is limited because the counterparties are banks or sovereign governments with high credit ratings assigned by international credit rating agencies.

The credit risk on other receivables is limited as it primarily consists of rental deposits and recoverable sale tax.

Trade receivables and accrued revenue (contract assets) 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 Group and the Company assess 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 assess its major customers.

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

Notes to the financial statements continued
For the year ended 31 December 2020

31. Financial instruments continued

The concentration of credit risk for trade receivables and accrued revenue (contract assets) at the balance sheet date by geographic region and service line was:

	Carrying amount 2020			Carrying amount 2019		
	CRO £000s	**PV £000s**	**Total £000s**	CRO £000s	PV £000s	Total £000s
UK	**639**	**1,890**	**2,529**	859	1,843	2,702
Rest of Europe, Middle East and Africa	**2,611**	**2,559**	**5,170**	4,059	2,110	6,169
North America	**8,253**	**8,010**	**16,263**	1,923	3,409	5,332
Asia	**158**	**465**	**623**	149	265	414
Australia	**–**	**47**	**47**	–	–	–
	11,661	**12,971**	**24,632**	6,990	7,627	14,617

Amounts due from Group companies primarily relate to trading balances with no significant financing element. The simplified approach for assessing credit losses was used for these balances and is immaterial as the probability of default is insignificant.

Included in trade receivables and accrued revenue (contract assets) are the following amounts after deducting allowance for losses that are past due at the reporting date by the following periods:

	2020 £000s	2019 £000s
Less than 30 days overdue	**2,696**	2,606
31 to 60 days overdue	**808**	709
61 to 90 days overdue	**231**	555
More than 90 days overdue	**–**	17
	3,735	3,887

The allowance for losses as a result of the exposure to credit risk at the reporting date was determined as follows for trade receivables and accrued revenue (contract assets):

	2020			2019		
	Expected credit losses	**Balance before allowance for losses £000s**	**Allowance for losses £000s**	Expected credit losses	Balance before allowance for losses £000s	Allowance for losses £000s
Current	**0.0%**	**20,599**	**–**	0.0%	10,730	–
Less than 30 days overdue	**0.2%**	**2,701**	**(4)**	0.0%	2,606	–
31 to 60 days overdue	**0.5%**	**812**	**(4)**	5.3%	749	(40)
61 to 90 days overdue	**18.6%**	**283**	**(53)**	0.5%	558	(3)
More than 90 days overdue	**100.0%**	**237**	**(237)**	58.5%	41	(24)
		24,632	**(298)**		14,684	(67)

The allowance for losses includes losses as a result of expected and identified credit losses.

Movements in the allowance for losses in trade receivables and accrued revenue (contract assets) during the year were as follows:

	2020 £000s	2019 £000s
At 1 January	**67**	9
Impairment losses recognised	**(37)**	–
Provision for specific credit losses identified	**26**	58
Translation	**11**	–
Change in expected credit loss provision during the year	**231**	–
At 31 December	**298**	67

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements at the reporting date:

	2020 Contractual cash outflow					2019 Contractual cash outflow				
	Carrying amount £000s	**Less than one year £000s**	**Between one and five years £000s**	**More than five years £000s**	**Total £000s**	Carrying amount £000s	Less than one year £000s	Between one and five years £000s	More than five years £000s	Total £000s
Trade payables	**4,197**	**4,197**	**–**	**–**	**4,197**	2,579	2,579	–	–	2,579
Amounts payable to related parties	**55**	**55**	**–**	**–**	**55**	58	58	–	–	58
Other payables	**1,295**	**1,295**	**–**	**–**	**1,295**	1,086	1,086	–	–	1,086
Customer advances	**408**	**408**	**–**	**–**	**408**	537	537	–	–	537
Accruals	**8,635**	**8,635**	**–**	**–**	**8,635**	5,484	5,484	–	–	5,484
Deferred consideration	**328**	**328**	**–**	**–**	**328**	–	–	–	–	–
Lease liability	**5,106**	**1,978**	**3,077**	**51**	**5,106**	5,434	1,856	3,846	–	5,702
	20,024	**16,896**	**3,077**	**51**	**20,024**	15,178	11,600	3,846	–	15,446

Capital risk management

The 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 whilst maintaining an optimal capital structure to reduce the overall cost of capital.

Notes to the financial statements continued
For the year ended 31 December 2020

32. Acquisition of subsidiary – PrimeVigilance USA Inc.

On 13 January 2020, the Group acquired all the issued share capital in Ashfield Pharmacovigilance Inc. for $10,000,000, satisfied in cash. Immediately after acquisition the subsidiary changed its name to PrimeVigilance USA Inc. The company is a specialist pharmacovigilance provider based in the US. The acquisition expands the geographical coverage of PV, the pharmacovigilance brand of the Ergomed group, and further develop the Group's broader combined CRO and PV business globally.

	Book value £000s	Fair value adjustments £000s	Final valuation £000s
Intangible assets	159	2,392	2,551
Property, plant and equipment	779	–	779
Right-of-use assets	987	–	987
Total non-current assets	1,925	2,392	4,317
Trade and other receivables	1,462	(75)	1,387
Cash and cash equivalents	727	–	727
Current assets	2,189	(75)	2,114
Trade and other payables	(321)	–	(321)
Lease liability	(1,075)	–	(1,075)
Tax payable	–	–	–
Deferred tax liability	(1,945)	1,282	(663)
Financial liabilities	(3,341)	1,282	(2,059)
Total identifiable net assets	773	3,599	4,372
Goodwill	7,703	(3,692)	4,011
Total consideration	8,476	(93)	8,383
Satisfied by:			
Cash			7,613
Cash – working capital advance			770
Total consideration			8,383
Net cash outflow arising on acquisition			
Cash consideration			8,433
Less: cash and cash equivalent balances acquired			(727)
Less: working capital adjustment			(93)
Transaction expenses			407
			8,020

The fair value of intangible assets relates to customer relationships of £1,998,000 and contracted order book of £553,000. The Group incurred acquisition related cost of £393,000 related to due diligence and legal activities in the year ended 31 December 2019 and an additional £14,000 in the year to 31 December 2020. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement.

The fair value of acquired receivables was £1,250,000. The gross contractual amount receivable is £1,325,000 and, at the acquisition date, £75,000 of contractual cash flows were not expected to be received.

Ergomed plc has a 12-month measurement period from the date of acquisition, and therefore the measurement period ended on 13 January 2021.

33. Acquisition of subsidiary – MedSource

On 11 December 2020, the Group acquired all of the issued share capital in MS Clinical Services, LLC, MedSource UK Ltd and MS Clinical Services (Canada) Inc. ('MedSource') for $16,200,000 in cash, adjusted for net debt, and paid at the closing of the transaction, with further consideration of $1,800,000 payable in Ergomed plc equity issued at a price based on the average daily closing price for 30 days preceding the acquisition (155,558 shares at a price of £8.76) upon the satisfaction of certain representations and warranties. Up to a further $7,000,000 is payable, 90% in cash and 10% in equity, depending on MedSource's financial results in the year to 31 December 2021.

MedSource is a full-service CRO with a focus on complex disease and study designs. The acquisition greatly expands the geographical presence of Ergomed's CRO service offering in the US whilst complementing the current business specialism in oncology and rare disease. Eric Lund, founder of MedSource and the primary shareholder, will continue in his current role as President of MedSource after the acquisition.

	Book value £000s	Fair value adjustments £000s	Provisional valuation £000s
Intangible assets	475	5,704	6,179
Property, plant and equipment	89	–	89
Right-of-use assets	–	131	131
Total non-current assets	564	5,835	6,399
Trade and other receivables	3,062	–	3,062
Cash and cash equivalents	4,346	–	4,346
Current assets	7,408	–	7,408
Trade and other payables	(2,348)	–	(2,348)
Lease liability	–	(131)	(131)
Deferred Revenue	(6,528)	–	(6,528)
Deferred tax liability	–	(1,607)	(1,607)
Financial liabilities	(8,876)	(1,738)	(10,614)
Total identifiable net assets	(904)	4,097	3,193
Goodwill	11,347	(4,097)	7,250
Total consideration	10,443	–	10,443
Satisfied by:			
Cash			9,092
Equity			1,351
Total consideration			10,443
Net cash outflow arising on acquisition			
Cash consideration			8,764
Less: cash and cash equivalent balances acquired			(4,346)
Add: deferred consideration			328
Transaction expenses			825
			5,571

The fair value of intangible assets relates to customer relationships of £4,077,000, contracted order book of £1,186,000 and brand of £916,000. The Group incurred acquisition related cost of £825,000 related to due diligence and legal activities in the year ended 31 December 2020. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement. Ergomed plc has a 12-month measurement period from the date of acquisition, and therefore the measurement period will end on 11 December 2021.

Notes to the financial statements continued
For the year ended 31 December 2020

34. Operating leases

As a result of the adoption of IFRS 16, from 1 January 2019, all leases, except those classified as either low-value assets or short-term, have been recognised on the balance sheet as a right-of-use asset and lease liability and are no longer included in the non-cancellable operating lease disclosure below.

At the year end, the Group and Company had the following future aggregate minimum lease payments under non-cancellable operating leases:

Group

	Land and buildings		Other	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
No later than one year	**9**	31	**60**	52
Later than one year and no later than five years	**–**	–	**40**	25
	9	31	**100**	77

Company

	Land and buildings		Other	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
No later than one year	**3**	–	**–**	3

35. Related party transactions

Ergomed d.o.o., a company registered in Croatia, is under the control of Miroslav Reljanović, who is a Director and shareholder of the Company. During the year, the Group was charged £152,000 (2019: £220,000) by Ergomed d.o.o. in respect of clinical research consultancy and other administration costs. At the year end, a balance of £55,000 was owed by the Group to Ergomed d.o.o. in respect of these costs (2019: £58,000).

Esinhart LLC, a company registered in the USA and under the control of James Esinhart, a Non-Executive Director of the Company in the year, provided consultancy services to the Company and its subsidiaries during the year for which they were charged £10,000 (2019: £47,000). At the year end, there were no outstanding amounts (2019: £nil) owed by the Company and its subsidiaries to Esinhart LLC in respect of these services.

Asarina Pharma AB., a company registered in Sweden of which Miroslav Reljanović was a Director until his resignation on 5 May 2020, was invoiced £1,484,000 during the year to 31 December 2020 (2019: £1,922,000) in respect of the provision of clinical research services. At the year end a balance of £402,000 was due from Asarina Pharma AB (2019: amounts owed of £73,000).

Modus Therapeutics Holding AB., a company registered in Sweden of which Miroslav Reljanović was a Director until his resignation on 5 June 2020, was in-voiced £9,000 during the year to 31 December 2020 (2019: £1,423,000) in respect of provision of clinical research services. At the year end, there were no out-standing amounts (2019: £130,000) due from Modus Therapeutics Holding AB.

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.

Company information

Directors

Miroslav Reljanović
Richard Barfield
Rolf Soderstrom
Michael Spiteri
Ian Johnson

Company Secretary

Joanne Bletcher

Registered office

1 Occam Court
Surrey Research Park
Guildford
Surrey
GU2 7HJ

Auditor

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Lawyer

Covington & Burling LLP
265 Strand
London
WC2R 1BH

Bankers

HSBC UK Bank plc
1 Centenary Square
Birmingham
B1 1HQ

Nominated Advisory and Broker ('NOMAD')

Numis Securities Ltd
10 Paternoster Sq.
London
EC4M 7LT

Registrar

Share Registrars Ltd
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

Public Relations

Consilium Strategic Communications Ltd
41 Lothbury
London
EC2R 7HG

Ergomed plc

www.ergomedplc.com
info@ergomedplc.com

Notes

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Ergomed plc

1 Occam Court
Surrey Research Park
Guildford
Surrey GU2 7HJ

www.ergomedplc.com