ERGOMED

TRANSFORMING DRUG DEVELOPMENT

Ergomed plc
Annual Report and Accounts 2015

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Founded in 1999, **Ergomed plc** is a profitable UK-based company providing drug development and safety services to the pharmaceutical industry and has a growing portfolio of co-development partnerships. It operates in 54 countries.

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

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

As well as providing high quality clinical development services, Ergomed is building a portfolio of co-development partnerships with pharmaceutical and biotech companies. Here, Ergomed shares the risks and rewards of drug development, leveraging its expertise and services in return for carried interest in the drugs under development – a low risk investment model for potential high returns. For further information, visit **'www.ergomedplc.com'**.

Global pharmacovigilance and medical information services are provided through its Group company PrimeVigilance. For further information, visit **'www.primevigilance.com'**.

Strategic

Governance

Financial information

Highlights 2015

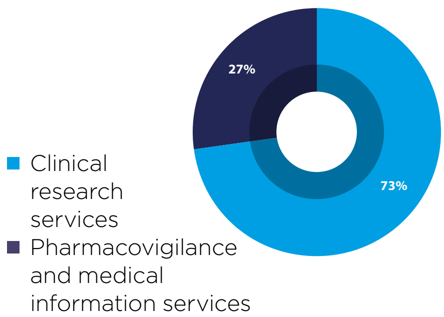
Financial highlights
- Revenues up 43% to £30.2 million (2014: £21.2 million)
  - *Pro forma* adjusted for PrimeVigilance[1], revenues up 27% (2014: £23.7 million)
- Gross profit up 45% to £8.4 million (2014: £5.8 million)
- Profit before tax up 167% to £2.1 million (2014: £0.8 million)
- Cash and cash equivalents of £4.0 million with zero debt (2014: £4.6 million)
- EBITDA (adjusted) up 39% to £3.4 million (2014: £2.4 million)
  - *Pro forma* adjusted for PrimeVigilance[1], EBITDA (adjusted) up 22% (2014: £2.8 million)
- Signed new contracts with an initial value of £28 million

Operating highlights
- Signed first orphan disease co-development agreement with Dilaforette for Phase II clinical development of sevuparin in patients with Sickle-Cell Disease ('SCD') experiencing acute Vaso-Occlusive Crisis ('VOC')
- Expanded presence in Asia with the opening of an office in Taipei, Taiwan as a regional hub
- Acquired Sound Opinion, one of the UK's leading medical information service providers
- Strengthened management team with appointment of Andrew Mackie as Chief Business Officer
- Strong backlog of £59 million implying more than 85% of planned 2016 revenue already contracted at 1 January 2016

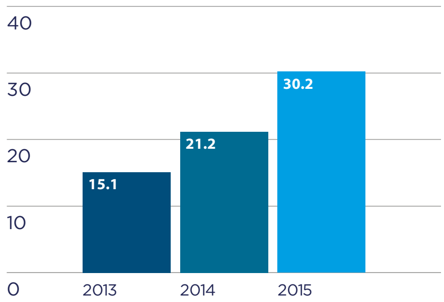
Post period end highlights
- Management team further enhanced with the appointment of Stephen Stamp as Chief Financial Officer; Neil Clark promoted to Chief Executive Officer of PrimeVigilance
- Acquisition of Haemostatix, a platform technology company focused on the development of innovative haemostats, based in BioCity Nottingham, in May 2016

2015 Revenue split

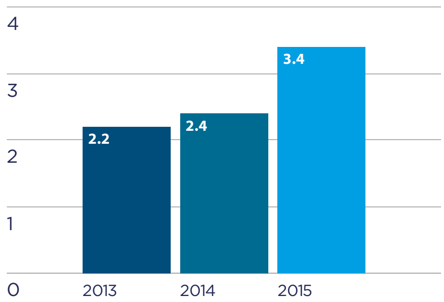
£30.2m



Revenue (£m)



EBITDA (adjusted) (£m)



1 PrimeVigilance acquisition completed on 15 July 2014. *Pro forma* figures assume contribution for full year 2014 to enable comparison with 2015.

About Ergomed Services

Contract research

Ergomed provides clinical development services to over 60 clients ranging from top 10 pharmaceutical companies to small and mid-sized drug development companies. Ergomed successfully manages clinical development from Phase I through to late phase post-marketing programmes.

Conducting clinical trials in 54 countries.

+80
products worked on

+30,000
patients studied

+150
studies

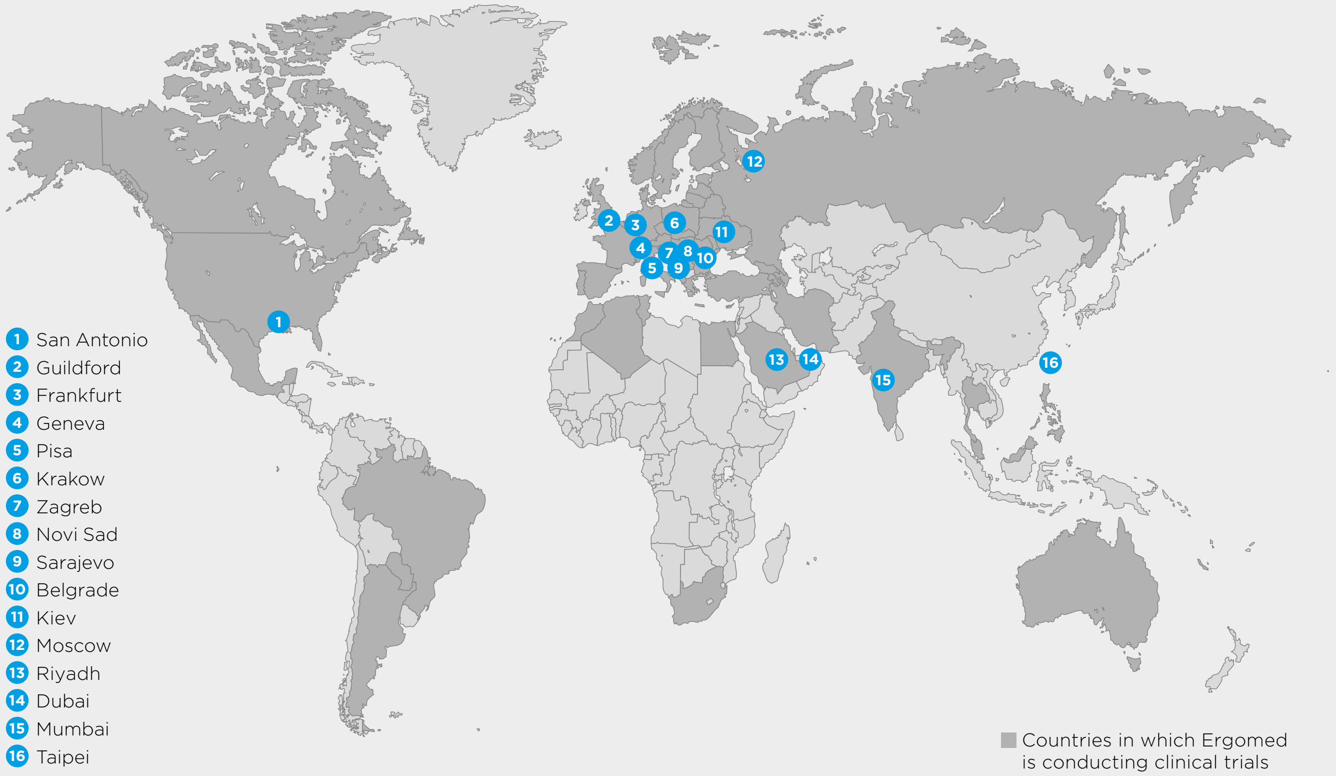
+2,100
clinical sites managed

Ergomed has over 16 years' experience working across the world in many therapeutic areas, with a particular expertise in oncology, neurology and immunology and the development of orphan drugs. Solutions are tailored to meet the requirements of individual clients and specific projects with an uncompromising commitment to quality standards.

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

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

Ergomed offices



PrimeVigilance

Established in 2008 and acquired by Ergomed in July 2014, PrimeVigilance is a pharmacovigilance and medical information services company with an established international footprint and a heritage of excellence and leadership in the field of pharmacovigilance.

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

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

PrimeVigilance operates from bases in Guildford, UK, Zagreb, Croatia and Belgrade, Serbia and is currently providing services across more than 100 countries to a range of international pharmaceutical, generic and biotech clients.

About Ergomed
Co-development

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

Ergomed leverages its experience and expertise in drug development accumulated over 16 years to evaluate new opportunities.

CEL-SCI (NYSE: CVM):
Ergomed is working with CEL-SCI on the largest ever Phase III study in head and neck cancer with their lead product Multikine®. The trial will enrol approximately 880 patients with advanced primary head and neck cancer. On 2 May 2016 CEL-SCI announced that a total of 797 patients had been enrolled, representing 90% of the total enrolment for the study. Ergomed and CEL-SCI have started Phase I studies in the additional indication of peri-anal warts in HIV/HPV co-infected patients.

Aeterna Zentaris Inc. (NASDAQ: AEZS; TSX: AEZ):
Ergomed is working with Aeterna Zentaris on the Phase III pivotal study comparing zoptarelin doxorubicin (‘Zoptrex™’ study) as second line therapy for locally-advanced, recurrent or metastatic endometrial cancer. Study recruitment was completed in June 2015 and is expected to report in the second half of 2016. The primary efficacy endpoint is improvement in median overall survival.

Ferrer:
Ergomed has partnered with Ferrer on a new treatment for insomnia. Lorediplon is a novel, longer acting non-BZD hypnotic drug that modulates the GABAa receptor. Ergomed initiated the Phase II study in insomnia in October 2015. The study is expected to report in the second half of 2016.

Dilaforette:
Ergomed is working with Dilaforette on the Phase II study of sevuparin in patients with Sickle-Cell Disease (‘SCD’) experiencing acute Vaso-Occlusive Crisis (‘VOC’). Dilaforette was granted Orphan Drug Designation by the US Food and Drug Administration (‘FDA’) for sevuparin in SCD in March 2015. The first patient in the study was included in October 2015 and is expected to report in 2017.

Synta Pharmaceuticals (NASDAQ: SNTA):
Ergomed is in a co-development partnership on Synta’s development candidate, ganetespib, for a number of cancer indications. A Data and Safety Monitoring Board indicated in October 2015 that the Phase III study in non-small cell lung cancer is unlikely to demonstrate a statistically significant improvement and therefore the study was terminated. Investigator initiated trials are ongoing and although Ergomed’s carried interest remains in place, no further investment by Ergomed is planned.

Co-development	Phase I	Phase II	Phase III	Results
Ferrer *Lorediplon*		Insomnia		**Results 2016**
Synta Pharma *Ganetespib*		Various cancers		**Results TBC**
Aeterna Zentaris *Zoptrex™*			Endometrial cancer	**Results 2016**
CEL-SCI *Multikine®*			Head and neck cancer	**Results 2018**
CEL-SCI *Multikine®*	Peri-anal warts in HIV/HPV			**Results TBC**
Dilaforette *Sevuparin*		Sickle-Cell Disease		**Results 2017**

■ Indicates Ergomed co-development investment phase

Targeting two new deals per year

About Haemostatix

Ergomed has advanced its business model with the acquisition of Haemostatix to gain access to its pipeline and two lead products.

The Haemostatix acquisition is a logical extension of its well established commitment to co-development, with the potential to generate significant value.

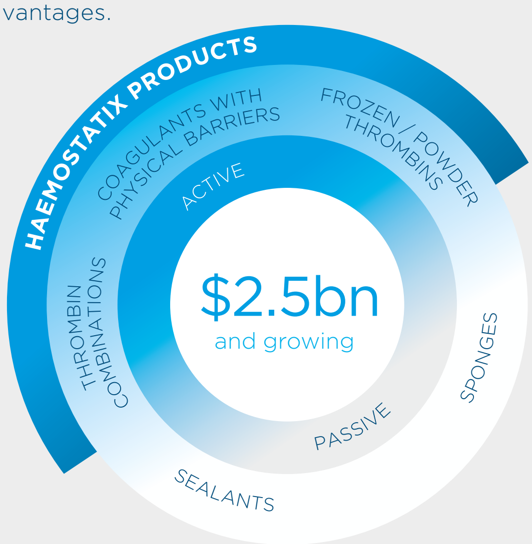
Surgical bleeding and its markets

The surgical bleeding market is estimated to be worth approximately $2.5 billion and is growing at 6% per annum (Source: MedMarket Diligence). It is comprised of a variety of drugs and devices ('haemostats'), some which work simply by closing the wound to stop blood flow. Other products supplement the body's naturally occurring proteins and enzymes to promote clot formation.

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

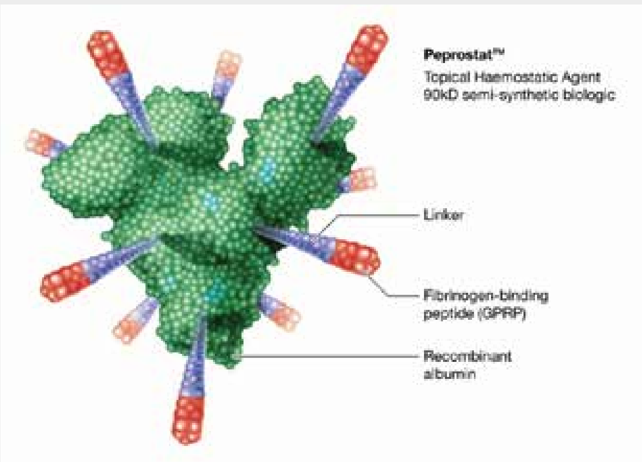
- **Derived from blood:** they are derived from human donor blood or from animal sources, which have the theoretical risk of infection and a complex supply chain.
- **Require preparation or reconstitution:** they are typically either frozen or in powder form and therefore require preparation prior to use.
- **Slow speed of action:** some are relatively ineffective or can take a long time to work.

The Directors believe that the products under development by Haemostatix overcome these disadvantages.



The pipeline

The Haemostatix pipeline comprises of one clinical candidate and one pre-clinical candidate as well as a number of research programmes.



PeproStat™ The Directors believe that the lead product, PeproStat™, overcomes the major drawbacks of existing products.

PeproStat™ Liquid has been evaluated in a Phase I clinical trial at four hospitals in the UK involving 20 patients. The trial was conducted in liver surgery patients and completed at the end of 2015. The study indicated that the primary endpoint of safety was met for PeproStat™. It also showed that during surgery, 95% of bleeding was stopped within three minutes, and on average in 1.4 minutes. This compares with thrombins that claim to stop bleeding in between three to six minutes.

Phase II will be to repeat the trial described above in a larger population and in four different surgical indications. The Phase II proof-of-concept trial, which is expected to begin in 2017, will be conducted in about 120 patients.

ReadyFlow™ Haemostatix's second product candidate, ReadyFlow™, is designed to be a ready-to-use, transparent, haemostatic gel that can be applied to bleeding sites where the surface is not accessible or uneven. ReadyFlow™ gel is pre-mixed with the potent peptide-based active and packaged in a pre-filled syringe. ReadyFlow™ is expected to enter Phase I clinical trials in 2018. Pre-clinical studies of ReadyFlow™ indicate over 85% of stronger bleeds would be controlled within one minute of compression.

Chairman's statement

Rolf Stahel
Chairman

"Ergomed is prospering and making progress on multiple fronts. The strategy that we laid out at IPO is coming to life."

Our 2015 results and recent announcements demonstrate Ergomed is prospering and making progress on multiple fronts. The strategy that we laid out at IPO is coming to life. Your Board continues to seek opportunities to create significant shareholder value, drawing upon the experience and expertise Ergomed has accumulated during its 16 years as a contract research organisation. Select acquisitions of complementary services businesses and expansion of our co-development portfolio are key components of our growth strategy and we intend to deliver on both.

We have made two additions to our executive team and Board; Andrew Mackie as Chief Business Officer and Stephen Stamp as Chief Financial Officer. I would like to welcome them and congratulate Neil Clark on his promotion to Chief Executive Officer – PrimeVigilance.

Lastly, I would like to thank the other members of the Board, Ergomed's employees and our advisors for all their hard work in 2015 and, based on our continued combined efforts, I look to the future with confidence.

Our history

1997 Founded in Zagreb, Croatia

2000 Established UK holding company

2001 International expansion started, including:
2003 Germany office – Frankfurt
2004 Poland office – Krakow
2005 USA office – San Antonio
2007 Russia office – Moscow
2007 Middle East office – Dubai
2015 Taiwan office – Taipei

2006 First co-development deal signed

2008 Foundation of PrimeVigilance in UK

2009 Genzyme co-development deal signed

2011 Synta co-development deal signed

2013 CEL-SCI and Aeterna Zentaris co-development deals signed

2014 Ferrer co-development deal signed
PrimeVigilance wins Queen's Award
AIM listing on London Stock Exchange and acquires PrimeVigilance

2015 Dilaforette co-development deal signed
Sound Opinion acquired

2016 Haemostatix acquired

Chief Executive Officer's review

Dr Miroslav Reljanovic
Chief Executive Officer

"We have delivered a very strong financial performance with top-line and adjusted EBITDA growth of 43% and 39% respectively… and £28 million of new contracts won."

I am pleased to report that in our first full year as a public company we delivered a very strong financial performance with top-line and EBITDA growth of 43% and 39% respectively. The stand-out performer was PrimeVigilance with *pro forma* year on year revenue growth of 47%.

We won contracts with a total value of £28 million during the year including several multi-million pound full service Phase II and III programmes and full service pharmacovigilance services to late stage pharmaceutical and biotech companies. This means our backlog at 1 January 2016 is a healthy £59 million and sets up our services business for another good year in 2016.

We continued to look for bolt-on acquisitions to augment the organic growth of our services business by adding complementary services and/or geographical coverage. In May 2015 we acquired Sound Opinion, one of the UK's leading medical information service providers, and immediately combined it with PrimeVigilance.

Our co-development business, where we provide our expertise and services in return for carried interest in the drugs under development, continues to gain traction. In February 2015 we entered into a co-development agreement with Dilaforette for the Phase II clinical development of sevuparin in patients with Sickle-Cell Disease ('SCD') experiencing acute Vaso-Occlusive Crisis ('VOC'). The first of its kind, under the terms of the agreement, Ergomed co-invests a proportion of its CRO fees from the trial in return for an equity stake in Dilaforette, a company forming part of the Karolinska Development AB (STO: KDEV, 'Karolinska Development') portfolio. We also announced that in line with the expanded scope of work undertaken by Ergomed we had increased our investment in CEL-SCI Corporation's Multikine®, for the treatment of advanced primary head and neck cancer, from $10 million to $12 million. Other co-development milestones included the initiation of Phase II trials for Ferrer (lorediplon) and Dilaforette and completion of recruitment for Aeterna Zentaris (Zoptrex™).

We have been looking to enhance our co-development portfolio by striking deals which provide Ergomed with greater control over the development plans and monetisation of products with the expectation of a greater share of the upside in return for bearing more of the development costs. It was in this context we started discussions with Haemostatix.

Haemostatix has developed a proprietary platform technology which can be used as the basis for a series of products to address the $2.5 billion global market for haemostats. A more detailed description of Haemostatix is set out on page 5. The Haemostatix acquisition is a landmark event for Ergomed. In the Board's view, having its lead product already proven to work in patients, it is relatively low risk with a manageable and rapid development programme and also offers attractive market potential. In summary, Haemostatix has the potential to lift Ergomed to the next level based on near term milestones.

Ergomed will, as a result of acquiring Haemostatix, incur all of the development costs of its products and overheads which will, in the short term, change the financial profile of the Group. It is important to note that the Board intends to retain a balance between our services and development businesses such that Ergomed overall remains EBITDA positive.

Lastly, in addition to delivering our financial targets, we can look forward to two clinical milestones in 2016; lorediplon Phase II results and Zoptrex™ Phase III results, as well as the initiation of a Phase IIb confirmation proof of concept study for Haemostatix's lead product.

I look forward to another productive year in 2016.

Strategic report

Global market opportunity

According to a recent report by Zion Research, the global contract research organisation market was valued at $34 billion in 2014 and is expected to reach $59 billion in 2020, growing at a compound rate of 9.8% between 2015 and 2020.

The demand for contract research organisations has been fuelled by advanced clinical development programmes and the demand for new pharmaceutical products across the globe. The research and development of pharmaceutical products typically needs around 15 years and in order to cut the cost and time required for product marketing, and focus on other operational activities, pharmaceutical companies are increasingly outsourcing preclinical and other drug development phases to CROs. Moreover, the high failure rate of clinical trials is also expected to trigger the demand for CROs from pharmaceutical and biopharmaceutical companies to outsource their R&D.

The global CRO industry has witnessed a rise in strategic alliances, acquisitions, and joint ventures among vendors in the CRO market. These strategic initiatives are intended at extending service offerings and geographical presence across the world. Emerging countries in Asia Pacific, Latin America and Eastern Europe account for significant growth in outsourcing activities owing to access to large pools of treatment naïve patients, low labour and manufacturing costs, and a skilled medical workforce.

The late-stage development services segment includes Phase II–IV clinical trials. Late-stage development services was the largest end-user segment for the CRO market and accounted for over 70% share of the total market in 2014. The late-stage development services segment, on which Ergomed is focused, is expected to exhibit the fastest growth rate during the years to come.

Key components of strategy

The Board continually looks for opportunities to capitalise on the experience and expertise Ergomed has accumulated during its 16 years in business as a CRO and has identified the following key components for a growth strategy:

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

The Board recognises that expansion of the co-development portfolio and bearing more of the development costs will change the financial profile of the Group in the short term. The Board is committed however, to pursuing both components of the growth strategy in parallel and maintaining a balance between services income and development costs such that the Group overall remains EBITDA positive.

Outlook

Ergomed's services business continues to perform in line with expectations, underpinned by a total backlog at 1 January 2016 of £59 million. Around 85% of planned 2016 services revenue was contracted at the beginning of the year. Organic growth of the services business is being driven by PrimeVigilance where contracts tend to be renewed, and sometimes expanded, the majority of the time. Clinical research services, by their nature, tend to be larger and cause fluctuation in both revenues and earnings from period to period.

Ergomed's co-development partners are expected to announce several clinical milestones in 2016 including Phase II results on lorediplon and Phase III results on Zoptrex™. In addition, the Company's most recent acquisition, Haemostatix, is expected to initiate a Phase IIb confirmation proof of concept study for Haemostatix's lead product around the end of the year.

The recent £9.2 million placing has reinforced our balance sheet and, combined with the growth of our services business and the potential of our development pipeline, the Board believes the Group is well placed to deliver returns for shareholders.

Financial review

Key performance indicators

The Directors consider the principal financial performance indicators of the Group to be those shown below:

	2015 £m	2014 £m
Revenue	**30.2**	21.2
Gross profit	**8.4**	5.8
EBITDA (adjusted)[1]	**3.4**	2.4
Cash and cash equivalents	**4.0**	4.6

1 Please refer to the *Pro forma* financial information on page 68 and in note 5, which explain the adjustments between the operating profit and the adjusted EBITDA in the above table.

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

- The expansion of the co-development portfolio.
- The development of new and/or the expansion of existing service offerings.
- The delivery of high quality services that continue to meet the highest industry standards as evidenced by internal and external quality audits which have been completed satisfactorily in both the current and prior years.

Consolidated income statement

Revenue for the year ended 31 December 2015 was £30.2 million (2014: £21.2 million). Note that 2014 included the post-acquisition results of PrimeVigilance. PrimeVigilance was acquired in July 2014 and the impact of this acquisition on the 2014 results is shown in the *Pro forma* financial information on page 68. PrimeVigilance financial results are consolidated from 15 July 2014, the date of acquisition.

Gross profit was £8.4 million and gross margin was 28% (2014: gross profit £5.8 million and gross profit margin 27%). Ergomed's gross margin fluctuates compared to a traditional CRO service provider as Ergomed operates a hybrid model working with customers on a normal full priced basis as well as working with co-development partners where Ergomed is carrying out clinical studies at reduced fees in return for carried interests in the partnered product. The mix of full service work to co-development work in any given period will therefore affect the gross profit and gross margin.

Operating expenses and operating profit

Administration expenses in 2015 of £5.2 million are higher than the prior year costs of £3.7 million mainly due to corporate costs and the inclusion of PrimeVigilance. There is also an increased depreciation/amortisation charge in 2015 of £0.7 million (2014: £0.5 million) due to the acquisition of PrimeVigilance that was completed in July 2014. There is also a non-cash share-based payment charge in 2015 of £0.3 million (2014: £0.3 million). Operating expenses for 2014 also included the non-recurring IPO and acquisition costs of £0.6 million.

Operating profit in 2015 was £2.1 million (2014: £0.8 million). The 2014 profit is reduced in line with the increased expenses noted above.

Consolidated balance sheet

As at 31 December 2015 total assets less total liabilities amounted to £16.9 million (2014: £15.3 million) including cash and cash equivalents of £4.0 million (2014: £4.6 million). The principal movements in the Consolidated balance sheet during the year were:

- Additions relating to software under development (ARISg) of £0.2 million.
- Acquisition of Sound Opinion in May 2015 and the associated acquisition of goodwill, intangible and other assets (see note 28).
- Increase in trade and other receivables of £3.2 million, with debtor days decreasing to 78 days, reflecting the growth in revenues in 2015 and also a change in terms of trade with a co-development partner.
- Increase in trade and other payables of £0.9 million due to increased trading levels.

Consolidated cash flow statement

The Ergomed Group was profitable and cash generative during 2015 and 2014. At present the Group does not have any borrowings or long term debt apart from a few immaterial fixed asset finance leases.

The principal cash inflows from operating activities in the year were £0.3 million (2014: £0.5 million).

The principal cash outflows from investing activities were £0.3 million including expenses for the acquisition of Sound Opinion, £0.3 million for the acquisition of tangible assets and £0.3 million for the acquisition of intangible assets. The Group also paid taxation of £0.6 million in 2015 (2014: £0.4 million).

Going concern

As at 31 December 2015 the Group had £4.0 million in cash or cash equivalents and a strong backlog of signed contracts. Furthermore, the Company raised £8.6 million net of expenses in a placing in May 2016. The Company is currently forecasting to be EBITDA positive for the 12 months from the date of this report and the foreseeable future. Therefore, after due consideration of the cash flow forecasts of the Group and the risks and uncertainties associated with the business of the Group, the Directors are of the view that Ergomed will continue to have access to adequate resources and have the ability to meet its liabilities as and when they fall due to allow the Group to continue trading on normal terms of business for no less than 12 months from the date of signing of the financial statements and have therefore prepared the financial statements on a going concern basis.

Principal risks and uncertainties

Competition

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

Dependency on pharmaceutical industry

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

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

then Ergomed's business could be negatively impacted.

Legislation and regulation of the pharmaceutical and biotechnology industries

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

Licences, approvals and compliance

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

Customers, pricing and payment terms

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

Dependence on a limited number of key clients

A significant proportion of the Group's revenue is derived from a relatively small number of clients, although the identity of the top five clients has varied over the last three financial years. The percentage of the Group's total revenue generated by the top five clients in the year ended 31 December 2015 was 55.6%. The loss of any client or clients who represent a significant proportion of Ergomed's revenue could have a negative impact on Ergomed's operating results and cash flows.

Cancellation or delay of clinical trials by customers

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

Treasury policy and financial risk

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

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

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

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

Foreign currency risk

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

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

S Stamp
Director

Board of Directors

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

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

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

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

Neil Clark
Chief Executive Officer – PrimeVigilance

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

Andrew Mackie
Chief Business Officer

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

Christopher Collins
Non-Executive Director

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

Directors' remuneration report
(Unaudited)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors' remuneration

The Directors received the following remuneration during the year:

Name of Director	Fees and salary £000s	Benefits £000s	Annual bonus £000s	Pension £000s	Total 2015 £000s
Rolf Stahel[1,2]	**104**	**–**	**–**	**–**	**104**
Miroslav Reljanovic	**232**	**–**	**69**	**–**	**301**
Neil Clark[3]	**200**	**3**	**50**	**20**	**273**
Andrew Mackie[3,4]	**100**	**1**	**25**	**10**	**136**
Chris Collins[5]	**40**	**–**	**–**	**–**	**40**
Peter George[6]	**40**	**–**	**–**	**–**	**40**

Name of Director	Fees and salary £000s	Benefits £000s	Annual bonus £000s	Pension £000s	Total 2014 £000s
Rolf Stahel[1,2]	135	–	–	–	135
Miroslav Reljanovic	112	–	40	–	152
Neil Clark[3]	189	2	40	19	250
Chris Collins[5]	20	–	–	–	20
Peter George[6]	20	–	–	–	20

1. The remuneration of Rolf Stahel includes consultancy fees of £54,000 (2014: £98,000) paid to Chesyl Pharma Limited.
2. Rolf Stahel was appointed as a Director on 18 April 2014.
3. Neil Clark and Andrew Mackie receive private medical insurance as a benefit.
4. Andrew Mackie was appointed as a Director on 1 July 2015.
5. Chris Collins was appointed as a Director on 14 July 2014.
6. Peter George was appointed as a Director on 20 May 2014.

Share options

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

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

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

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

Options granted as at 31 December 2015

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

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

This report was approved by the Board of Directors on 3 June 2016 and signed on its behalf by

P George
Director, Chairman of the Remuneration Committee

Corporate governance statement

Corporate governance

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

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

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

Board committees

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

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

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

Internal control and risk management

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

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

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

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

Communication with shareholders

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

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

Going concern

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

Directors' report

For the year ended 31 December 2015

The Directors present their report and financial statements for the Company and Group for the year ended 31 December 2015.

Principal activities

Ergomed is a profitable, global business providing drug development and safety services to the pharmaceutical industry and has a growing portfolio of co-development partnerships. It operates in 54 countries.

Business review and key performance indicators

The Group's results are set out in the Consolidated income statement on page 21 and are explained in the Financial review on page 9. A detailed review of the business, its results and future direction is included in the Chief Executive Officer's review on page 7.

Capital structure

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

Dividends

The Directors do not recommend the payment of a dividend (2014: £nil).

Directors

The Directors of the Company are as follows:
Rolf Stahel
Miroslav Reljanovic
Neil Clark
Andrew Mackie (appointed 2 July 2015)
Stephen Stamp (appointed 11 January 2016)
Christopher Collins
Peter George

At 31 December 2015, the Directors had the following beneficial interests in the Company's shares:

	Number of shares	Percentage of total issued share capital
Rolf Stahel	125,000	0.4%
Miroslav Reljanovic	17,232,237	59.9%
Neil Clark	91,912	0.3%
Andrew Mackie	–	–
Stephen Stamp	–	–
Christopher Collins	31,250	0.1%
Peter George	31,250	0.1%

Biographical details of the Directors are given on pages 12 and 13.

Directors' interests

The interests of Directors in the shares and options of the Company are given above and in the Directors' remuneration report on page 15.

Apart from the acquisition of PrimeVigilance, none of the Directors had a material interest at any time during the year in any contract of significance with the Group other than a service contract or an arm's length commercial contract. See note 32 for all related party transactions. Information regarding Directors' service contracts is given on page 14 within the Directors' remuneration report.

Share capital

As at 31 December 2015, the issued share capital of the Company comprised 28,750,000 ordinary shares of 1p each ('Ordinary Shares'), issued and fully paid up.

The closing market price of the Company's Ordinary Shares at close of business on 31 December 2015 was 169.5p.

The maximum share price during the period from 1 January 2015 through 31 December 2015 was 186p and the minimum price was 155p per share.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

Subsequent events

Details of subsequent events are set out in note 33 to the financial statements.

Directors' responsibilities

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

The financial statements are required by law and IFRSs adopted by the EU to present fairly the financial position of the Group and the Company and the financial

performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.
In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with applicable IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

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

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

S Jurić
Company Secretary
3 June 2016

Independent auditor’s report

To the members of Ergomed plc

We have audited the financial statements of Ergomed plc for the year ended 31 December 2015 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and parent company balance sheets, the Consolidated and parent company statements of changes in equity, the Consolidated and parent company cash flow statements and the related notes 1 to 50.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (‘IFRSs’) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and the parent company’s affairs as at 31 December 2015 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Hall
FCA, (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants
Statutory Auditor
3 June 2016

Deloitte House
Station Place
Cambridge CB1 2FP

Consolidated income statement

For the year ended 31 December 2015

	Notes	2015 £000s	2014 £000s
Revenue	3, 4	**30,178**	21,155
Cost of sales		**(21,808)**	(15,385)
Gross profit		**8,370**	5,770
Administrative expenses		**(5,186)**	(3,677)
Other operating income		**81**	54
Amortisation of acquired revalued intangible assets	14	**(596)**	(446)
Share-based payment charge	26	**(288)**	(338)
Exceptional items	7	**(309)**	(584)
Operating profit		**2,072**	779
Investment revenues	8	**1**	–
Finance costs	9	**(1)**	(2)
Profit before taxation		**2,072**	777
Taxation	11	**(520)**	(199)
Profit for the year	5	**1,552**	578
Earnings per share			
Basic	12	**5.4p**	2.4p
Diluted	12	**5.2p**	2.3p

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

The notes on pages 26 to 52 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015 £000s	2014 £000s
Profit for the year	**1,552**	578
Items that may be classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(244)**	(212)
Other comprehensive income for the year net of tax	**(244)**	(212)
Total comprehensive income for the year	**1,308**	366

Consolidated balance sheet

As at 31 December 2015

	Notes	2015 £000s	2014 £000s
Non-current assets			
Goodwill	13	**7,488**	7,282
Other intangible assets	14	**2,819**	2,927
Property, plant and equipment	15	**335**	185
Investments	17	**183**	39
Deferred tax asset	18	**365**	323
		11,190	10,756
Current assets			
Trade and other receivables	19	**9,528**	6,343
Cash and cash equivalents	20	**3,974**	4,576
		13,502	10,919
Total assets		**24,692**	21,675
Current liabilities			
Borrowings	21	**(5)**	(7)
Trade and other payables	22	**(5,955)**	(5,010)
Deferred revenue		**(795)**	(594)
Current tax liability		**(478)**	(144)
Total current liabilities		**(7,233)**	(5,755)
Net current assets		**6,269**	5,164
Non-current liabilities			
Borrowings	21	**(7)**	(6)
Deferred tax liability	18	**(516)**	(575)
Total liabilities		**(7,756)**	(6,336)
Net assets		**16,936**	15,339
Equity			
Share capital	23	**288**	288
Share premium account	24	**12,342**	12,342
Share-based payment reserve	25	**650**	362
Translation reserve	25	**(537)**	(293)
Retained earnings		**4,193**	2,640
Total equity		**16,936**	15,339

The notes on pages 26 to 52 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 3 June 2016.

S Stamp
Director

Company Registration No. 04081094

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2013	200	–	24	(81)	1,764	1,907
Profit for the year	–	–	–	–	578	578
Other comprehensive income for the year	–	–	–	(212)	–	(212)
Total comprehensive income for the year	–	–	–	(212)	578	366
Share issues during the year (net of expenses)	88	12,342	–	–	–	12,430
Share-based payment charge for the year	–	–	338	–	–	338
Deferred tax credit taken directly to equity	–	–	–	–	298	298
Balance at 31 December 2014	288	12,342	362	(293)	2,640	15,339
Profit for the year	–	–	–	–	1,552	1,552
Other comprehensive income for the year	–	–	–	(244)	–	(244)
Total comprehensive income for the year	–	–	–	(244)	1,552	1,308
Share-based payment charge for the year	–	–	288	–	–	288
Deferred tax credit taken directly to equity	–	–	–	–	1	1
Balance at 31 December 2015	**288**	**12,342**	**650**	**(537)**	**4,193**	**16,936**

Consolidated cash flow statement

For the year ended 31 December 2015

	Notes	2015 £000s	2014 £000s
Cash flows from operating activities			
Profit before taxation		**2,072**	777
Adjustment for:			
Amortisation and depreciation		**713**	518
Loss/(gain) on disposal of fixed assets		**4**	(5)
Share-based payment charge		**288**	338
Acquisition of shares for non-cash consideration		**(142)**	–
Exchange adjustments		**(251)**	(208)
IPO costs		**–**	299
Acquisition costs		**54**	285
Investment revenues		**(1)**	–
Finance costs		**1**	2
Operating cash flow before changes in working capital and provisions		**2,738**	2,006
Increase in trade and other receivables		**(2,898)**	(1,993)
Increase in trade and other payables		**1,012**	954
Cash generated from operations		**852**	967
Taxation paid		**(588)**	(430)
Net cash inflow from operating activities		**264**	537
Investing activities			
Investment revenues received		**1**	–
Acquisition of property, plant and equipment		**(270)**	(62)
Acquisition of intangible assets		**(285)**	(84)
Investment in joint venture and other investments		**(1)**	(40)
Acquisition of subsidiaries including expenses of acquisition		**(312)**	(6,846)
Receipts from sale of property, plant and equipment		**2**	11
Net cash outflow from investing activities		**(865)**	(7,021)
Financing activities			
Issue of new shares		**–**	11,000
Expenses of fundraising		**–**	(1,869)
Finance costs paid		**(1)**	(2)
Increase in borrowings		**7**	11
Repayment of borrowings		**(7)**	(30)
Net cash (outflow)/inflow from financing activities		**(1)**	9,110
Net (decrease)/increase in cash and cash equivalents		**(602)**	2,626
Cash and cash equivalents at start of the year		**4,576**	1,950
Cash and cash equivalents at end of year	20	**3,974**	4,576

Notes to the consolidated financial statements

For the year ended 31 December 2015

1. Accounting policies

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

The Group financial statements were authorised for issue by the Board of Directors on 3 June 2016.

Basis of accounting

Consolidated financial statements

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

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

Parent company financial statements

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

Basis of consolidation

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

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

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

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

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

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

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

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing of the financial statements. The Directors have reviewed a cash flow forecast ('the Forecast') for the period ending 31 December 2017. The Forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues, which are subject to inherent uncertainties. However, the Forecast demonstrates that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

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

Compliance with accounting standards

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

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

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

Property, plant and equipment and depreciation

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

Leasehold improvements	2.5% straight line
Motor vehicles	8.33-50% straight line
Computer equipment	8.33-50% straight line
Fixtures and fittings	10-50% straight line

Business combinations

Acquisition of companies including those under common control are accounted for in accordance with the principles of IFRS 3, as the Directors consider it reflects the economic substance of transactions.

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

1. Accounting policies continued

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

Goodwill

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

Goodwill is not amortised but is reviewed for impairment at least annually. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Investments

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

Intangible assets acquired separately

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

Software	20–30% straight line

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

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

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

Intangible assets acquired in a business combination

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

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

Customer contract	20% straight line
Customer relationships	20% straight line
Brand	13.3% straight line

Impairment of tangible assets excluding goodwill

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

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Financial instruments

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

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

Financial assets

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

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

Financial assets at fair value through profit or loss

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

1. Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of financial liabilities

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

Cash and cash equivalents

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

Revenue recognition

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

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

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

Operating profit

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the reporting date.

Foreign currency translation

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

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated on a monthly basis at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognised directly in Other comprehensive income.

Pensions

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

Leasing and hire purchase commitments

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

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

1. Accounting policies continued

Share-based payments

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

2. Critical accounting estimates and judgements

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

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

The following areas are those in which the Directors have made critical judgements and estimates in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

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

Impairment of goodwill

Under IFRSs, goodwill is reviewed for impairment at least annually. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The calculation of the recoverable amount requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to determine whether the recoverable amount is greater than the carrying value. The carrying amount of goodwill and any impairment loss is disclosed in note 13.

Bad debt provision

In determining the level of provisioning for bad debts, the Directors have considered the aging of trade receivables, and the payment history and financial position of debtors. They have made a provision of £233,000 (2014: £200,000) against trade receivables (note 19).

Exceptional items

In accordance with the way the Board and the chief operating decision maker review the business, large, one-off exceptional costs are separately identified as shown in the financial statements. The types of costs included within the exceptional items line include acquisition costs in relation to PrimeVigilance and Sound Opinion and other potential acquisitions' due diligence costs, and costs related to the IPO which were not eligible to be taken to the share premium account. These are detailed in note 7.

Identification and valuation of acquired intangibles

In making judgements in relation to the identification, valuation and useful economic life of acquired intangibles, the Directors base their assessment on valuation reports prepared by external, expert third parties at the time of acquisition.

3. Revenue

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

	2015 £000s	2014 £000s
Provision of clinical research services	**21,906**	18,062
Provision of drug safety and medical information services	**8,272**	3,093
	30,178	21,155
Other operating income	**81**	54
Investment revenues	**1**	–
	30,260	21,209

The provision of drug safety and medical information services relates to the revenues of PrimeVigilance following its acquisition by the Company on 15 July 2014, and of Sound Opinion Limited following its acquisition on 26 May 2015.

4. Operating segments

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive Officer, who is the chief operating decision maker ('CODM'), for the purpose of resource allocation and assessment of segment performance is focused on the Group operating as two business segments, being clinical research services ('CRS') and drug safety and medical information services ('DS&MI'). All revenues arise from direct sales to customers. The business segment DS&MI relates to the results of PrimeVigilance following its acquisition by the Company on 15 July 2014, and of Sound Opinion Limited, following its acquisition on 26 May 2015. The segment information reported below all relates to continuing operations.

Geographical information

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

2015

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

2014

	Revenue from external customers		
	CRS £000s	DS&MI £000s	Total £000s
UK	2,744	1,097	3,841
Rest of Europe, Middle East and Africa	8,478	1,113	9,591
North America	5,856	855	6,711
Asia	984	–	984
Australia	–	28	28
	18,062	3,093	21,155

4. Operating segments continued

2015

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

Revenue	CRS £000s	DS&MI £000s	Eliminations £000s	Consolidated total £000s
Segment result	**1,165**	**2,102**	**(2)**	**3,265**
Amortisation of acquired revalued intangible assets				**(596)**
Share-based payment charge				**(288)**
Establishment of Taiwan office				**(37)**
M&A activities				**(272)**
Operating profit				**2,072**
Investment revenues				**1**
Finance costs				**(1)**
Profit before tax				**2,072**
Tax				**(520)**
Profit after tax				**1,552**

2014

Revenue	CRS £000s	DS&MI £000s	Eliminations £000s	Consolidated total £000s
Third party sales	18,062	3,093	–	21,155
Intersegment sales and recharges	38	–	(38)	–
Total revenue	18,100	3,093	(38)	21,155

Revenue	CRS £000s	DS&MI £000s	Eliminations £000s	Consolidated total £000s
Segment result	1,667	480	–	2,147
Amortisation of acquired revalued intangible assets				(446)
Share-based payment charge				(338)
Expenses in relation to IPO				(299)
Expenses in relation to acquisition of PrimeVigilance				(285)
Operating profit				779
Finance costs				(2)
Profit before tax				777
Tax				(199)
Profit after tax				578

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

Segment net assets

	2015 £000s	2014 £000s
CRS	**5,913**	6,129
DS&MI	**11,023**	9,210
Consolidated total net assets	**16,936**	15,339

For the purposes of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Goodwill has been allocated to reportable segments as described in note 13.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2015 £000s	2014 £000s	**2015 £000s**	2014 £000s
CRS	**286**	322	**238**	51
DS&MI	**427**	197	**317**	95
	713	519	**555**	146

Information about major customers

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

In 2014, the Group had three customers that contributed 10% or more to the Group's revenue. Revenues of approximately £4,370,000, £2,982,000 and £2,673,000 were recognised from these customers respectively, all relating to the provision of clinical research services.

5. Profit for the year and EBITDA

	2015 £000s	2014 £000s
Profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment – owned	**105**	66
Depreciation of property, plant and equipment – leased	**5**	5
Amortisation of intangible assets	**7**	2
Depreciation and amortisation charges within Administrative expenses	**117**	73
Amortisation of acquired revalued intangible assets	**596**	446
Exchange loss/(gain)	**115**	(76)
Loss/(gain) on disposals of property, plant and equipment	**4**	(5)
Staff costs (note 10)	**7,546**	4,501

EBITDA, EBITDA (adjusted) and EBITDA (adjusted for PV acquisition) are calculated as follows:

	2015 £000s	2014 £000s
Operating profit	**2,072**	779
Adjust for:		
Depreciation and amortisation charges within Administrative expenses	**117**	73
Amortisation of acquired revalued intangible assets	**596**	446
Share-based payment charge	**288**	338
Exceptional items	**309**	584
EBITDA	**3,382**	2,220
Profit margin charged by related party	**–**	209
EBITDA (adjusted)	**3,382**	2,429
Results of PrimeVigilance for H1 2014	**–**	352
EBITDA (adjusted for PV acquisition)	**3,382**	2,781

The adjustments to EBITDA are made to ensure that 2015 results and 2014 results are presented on a comparable basis.

6. Auditor's remuneration

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

	2015 £000s	2014 £000s
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**93**	110
Total audit fees	**93**	110
– Interim review	**33**	30
– Other taxation advisory services	**–**	47
– Corporate finance services	**–**	320
Total non-audit fees	**33**	397

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

7. Exceptional items

	2015 £000s	2014 £000s
Establishment of Taiwan office	**37**	–
Acquisition of Sound Opinion Limited (note 28)	**54**	–
Other M&A activities	**218**	–
Expenses in relation to IPO (note 24)	**–**	299
Expenses in relation to acquisition of PrimeVigilance Limited	**–**	285
	309	584

In line with the way the Board and chief operating decision maker review the business, large one-off exceptional costs related to the establishment of the subsidiary in Taiwan, the acquisition of Sound Opinion Limited and other M&A activities are shown as exceptional costs.

In 2014, large one-off exceptional costs directly related to the IPO, which were not eligible to be taken to the Share premium account, and to the acquisition of PrimeVigilance Limited were separately identified and shown as exceptional costs.

8. Investment revenues

	2015 £000s	2014 £000s
Bank and other interest	**1**	–

9. Finance costs

	2015 £000s	2014 £000s
Loan and other interest payable	**1**	2

10. 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:

	2015 Number	2014 Number
Administration	**40**	21
Project staff	**216**	117
Management	**13**	10
Directors	**2**	2
	271	150

Employment costs

	2015 £000s	2014 £000s
Wages and salaries	**6,546**	3,977
Social security costs	**882**	472
Other pension costs (note 31)	**118**	52
	7,546	4,501

Disclosures relating to key management personnel are included within the Directors' remuneration report on pages 14 and 15.

11. Taxation

	2015 £000s	2014 £000s
Current tax		
UK corporation tax charge for the year	**349**	109
Overseas corporation tax	**308**	147
Adjustment in respect of prior years	**13**	(3)
Current tax charge for the year	**670**	253
Deferred tax		
Origination and reversal of timing differences	**(143)**	(51)
Effect of changes in tax rates	**(7)**	(3)
Total tax charge for the year	**520**	199

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:

	2015 £000s	2014 £000s
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**(1)**	(298)
Total income tax credit recognised directly in equity	**(1)**	(298)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 20.25% (2014: 21.5%). The actual tax charges for the years differ from the standard rate for the reasons set out in the following reconciliation.

	2015 £000s	2014 £000s
Profit on ordinary activities before taxation	**2,072**	777
Tax on profit on ordinary activities at blended standard rate of 20.25% (2014: 21.5%)	**419**	167
Non-deductible expenses	**268**	279
Additional allowable expenses	**(91)**	(35)
Timing differences arising in the year	**(155)**	(77)
Non-taxable income	**–**	(138)
Adjustments to previous periods	**13**	(3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**74**	1
Difference due to change in rate of taxation	**(7)**	(3)
Increase/(utilisation) of tax losses	**(8)**	25
Translation effect	**7**	(17)
Tax expense for the year	**520**	199

The Finance Act 2015, which provides for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2016, and from 19% to 18% effective from 1 April 2017 was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

12. Earnings per share

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

	2015 £000s	2014 £000s
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	**1,552**	578
Effect of dilutive potential ordinary shares	**–**	–
Earnings for the purposes of diluted earnings per share	**1,552**	578

	2015 £000s	2014 £000s
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**28,750,000**	24,075,342
Effect of dilutive potential ordinary shares		
Share options	**1,015,223**	993,600
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**29,765,223**	25,068,942

13. Goodwill

	£000s
Cost	
At 1 January 2014	1,332
Arising on acquisition of subsidiary	6,827
Revaluation of provisional values in accordance with IFRS 3	(877)
At 1 January 2015	7,282
Arising on acquisition of subsidiary (note 28)	374
Revaluation of provisional values in accordance with IFRS 3	(168)
At 31 December 2015	**7,488**
Accumulated impairment losses	
At 1 January 2014, 1 January 2015 and 31 December 2015	**–**
Net book value	
At 31 December 2015	**7,488**
At 31 December 2014	7,282

The goodwill arising during the year ended 31 December 2015 relates to the acquisition of Sound Opinion Limited on 26 May 2015 (note 28).

The goodwill arising during the year ended 31 December 2014 relates to the acquisition of PrimeVigilance Limited and its subsidiaries on 15 July 2014.

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. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2015 £000s	2014 £000s	2013 £000s
Clinical research services			
Ergomed Virtuoso Sarl	**455**	455	1,332
Drug safety and medical information services			
PrimeVigilance Limited	**6,827**	6,827	–
Sound Opinion Limited	**206**	–	–
	7,033	6,827	–
	7,488	7,282	1,332

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

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

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

The Group has conducted a sensitivity analysis on the impairment test of each of the CGUs' carrying value.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on a terminal growth rate of 2%. This rate does not exceed the average long term growth rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows from the Ergomed Virtuoso Sarl CGU of the clinical research services ('CRS') segment is 20.7% and from the drug safety and medical information ('DS&MI') segment is 13.6%.

14. Other intangible assets

	Software £000s	Customer contract £000s	Customer relationships £000s	Brand £000s	Total £000s
Cost					
At 1 January 2014	–	–	–	–	–
Acquired with subsidiary	280	–	1,480	460	2,220
Revaluation of provisional values in accordance with IFRS 3	–	1,070	–	–	1,070
Additions	84	–	–	–	84
Re-allocation from Property, plant and equipment	116	–	–	–	116
Translation movement	(8)	–	–	–	(8)
At 31 December 2014	472	1,070	1,480	460	3,482
Acquired with subsidiary (note 28)	–	–	210	–	210
Additions	285	–	–	–	285
Translation movement	(6)	–	–	–	(6)
At 31 December 2015	**751**	**1,070**	**1,690**	**460**	**3,971**
Amortisation					
At 1 January 2014	–	–	–	–	–
Charge for the year	2	–	–	–	2
Amortisation cost of revalued intangible assets	–	267	148	31	446
Re-allocation from Property, plant and equipment	115	–	–	–	115
Translation movement	(8)	–	–	–	(8)
At 31 December 2014	109	267	148	31	555
Charge for the year	7	–	–	–	7
Amortisation cost of revalued intangible assets	–	214	321	61	596
Translation movement	(6)	–	–	–	(6)
At 31 December 2015	**110**	**481**	**469**	**92**	**1,152**
Net book value					
At 31 December 2015	**641**	**589**	**1,221**	**368**	**2,819**
At 31 December 2014	363	803	1,332	429	2,927

The re-allocation of Software from Property, plant and equipment during 2014 relates to software currently in use by the business that had been included as Property, plant and equipment (note 15) in prior periods.

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

The intangible assets acquired with subsidiary during 2014 relate to the acquisition of PrimeVigilance on 15 July 2014.

Included within Software is software under development with an asset value of £583,000 (2014: £358,000). The software is currently still under construction and so no amortisation has been recognised in the current year.

Notes to the consolidated financial statements continued

For the year ended 31 December 2015

15. Property, plant and equipment

	Leasehold improvements £000s	Fixtures and fittings £000s	Motor vehicles £000s	Computer equipment £000s	Total £000s
Cost					
At 1 January 2014	53	84	44	389	570
Additions	–	7	8	47	62
Acquired with subsidiary	–	10	–	52	62
Re-allocation to Other intangible assets	–	–	–	(116)	(116)
Re-allocation	–	(40)	38	2	–
Disposals	(11)	(6)	(14)	(12)	(43)
Translation movement	(4)	(4)	(8)	(16)	(32)
At 1 January 2015	38	51	68	346	503
Additions	17	35	19	199	270
Acquired with subsidiary (note 28)	–	–	–	2	2
Re-allocation	–	(2)	–	2	–
Disposals	–	(1)	(14)	(3)	(18)
Translation movement	(2)	(2)	(5)	(11)	(20)
At 31 December 2015	**53**	**81**	**68**	**535**	**737**
Depreciation					
At 1 January 2014	36	44	20	322	422
Charge for the year	4	7	8	52	71
Re-allocation to Other intangible assets	–	–	–	(115)	(115)
Re-allocation	–	(14)	12	2	–
Disposals	(11)	(6)	(9)	(11)	(37)
Translation movement	(3)	(3)	(3)	(14)	(23)
At 1 January 2015	26	28	28	236	318
Charge for the year	5	10	5	90	110
Re-allocation	–	(2)	–	2	–
Disposals	–	–	(9)	(3)	(12)
Translation movement	(1)	(1)	(2)	(10)	(14)
At 31 December 2015	**30**	**35**	**22**	**315**	**402**
Net book value					
At 31 December 2015	**23**	**46**	**46**	**220**	**335**
At 31 December 2014	12	23	40	110	185

The re-allocation to Intangible assets during the year relates to Software that had been categorised as Property, plant and equipment in prior periods (note 14).

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

	Motor vehicles £000s
Net book value	
At 31 December 2015	**33**
At 31 December 2014	33
Depreciation charge for the year	
Year ended 31 December 2015	**5**
Year ended 31 December 2014	5

16. Subsidiaries

The Ergomed Group consists of a parent company, Ergomed plc, incorporated in the UK, and a number of subsidiaries held directly and indirectly by Ergomed plc which operate and are incorporated around the world. Note 39 to the parent company's separate financial statements lists details of the material interests in subsidiaries.

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

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries 2015	2014
Clinical research services	Germany	**1**	1
Clinical research services	Poland	**1**	1
Clinical research services	Serbia	**1**	1
Clinical research services	USA	**1**	1
Clinical research services	Croatia	**1**	1
Clinical research services	Russia	**1**	1
Clinical research services	Bosnia	**1**	1
Clinical research services	Dubai	**1**	1
Clinical research services	Switzerland	**1**	1
Clinical research services	Taiwan	**1**	–
Drug safety and medical information services	United Kingdom	**2**	1
Drug safety and medical information services	Croatia	**1**	1
Dormant	United Kingdom	**1**	1

17. Investments

	Dilaforette Holding AB £000s	Ergomed Clinical Research Saudi Arabia £000s	Total £000s
Cost			
At 1 January 2014	–	–	–
Additions	–	40	40
Translation movement	–	(1)	(1)
At 1 January 2015	–	39	39
Additions	142	–	142
Translation movement	2	–	2
At 31 December 2015	**144**	**39**	**183**
Provision for impairment			
At 31 December 2014 and 31 December 2015	**–**	**–**	**–**
Net book value			
At 31 December 2015	**144**	**39**	**183**
At 31 December 2014	–	39	39

Dilaforette Holding AB

Under the co-development agreement with Dilaforette AB, the Group receives shares in return for its contribution to the co-development programme. During the year, shares valued at £142,000 were issued to the Group.

Ergomed Clinical Research Saudi Arabia

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

18. Deferred tax

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

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

Deferred tax assets

	Tax losses £000s	Timing differences £000s	Total £000s
At 1 January 2014	2	–	2
(Charge)/credit to profit or loss	(2)	25	23
Credit direct to equity	–	298	298
At 1 January 2015	–	323	323
Credit to profit or loss	3	46	49
Credit direct to equity	–	1	1
Translation movement	–	(8)	(8)
At 31 December 2015	**3**	**362**	**365**

Deferred tax liabilities

	ACAs £000s	Timing differences £000s	Total £000s
At 1 January 2014	–	–	–
Acquired with subsidiary	(25)	(581)	(606)
(Charge)/credit to profit or loss	(53)	84	31
At 1 January 2015	(78)	(497)	(575)
Acquired with subsidiary	–	(42)	(42)
(Charge)/credit to profit or loss	(46)	147	101
At 31 December 2015	**(124)**	**(392)**	**(516)**

	2015 £000s	2014 £000s
Deferred tax assets	**365**	323
Deferred tax liabilities	**(516)**	(575)
Net deferred tax liabilities	**(151)**	(252)

At 31 December 2015, the Group had unused tax losses of £384,000 (2014: £435,000) available for offset against future profits. A deferred tax asset has been recognised in respect of £16,000 (2014: £nil) of such losses. No deferred tax asset has been recognised in respect of the remaining £368,000 (2014: £435,000) as it is not considered probable that there will be future profits available. Included in unrecognised tax losses are losses of £77,000 (2014: £106,000) that will expire in 2026. Other losses may be carried forward indefinitely.

19. Trade and other receivables

	2015 £000s	2014 £000s
Trade receivables	**6,412**	4,675
Amounts receivable from related parties	**–**	14
Other receivables	**381**	327
Prepayments	**376**	205
Accrued income	**1,989**	999
Corporation tax receivable	**370**	123
	9,528	6,343

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

	2015 £000s	2014 £000s
Less than 30 days overdue	**1,592**	1,263
31 to 60 days overdue	**221**	85
61 to 90 days overdue	**24**	12
More than 90 days overdue	**404**	480
	2,241	1,840

Movement in the provision for doubtful debts.

	2015 £000s	2014 £000s
Balance at the beginning of the year	**200**	13
Translation movements	**(12)**	–
Impairment losses recognised	**45**	187
Balance at the end of the year	**233**	200

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

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

20. Cash and cash equivalents

	2015 £000s	2014 £000s
Cash at bank	**3,974**	4,576

The effective interest rate at the balance sheet date on cash at bank was 0.021% (2014: 0.003%).

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

	2015 £000s	2014 £000s
GBP	**913**	2,252
Euro	**348**	849
USD	**1,116**	794
Other	**1,597**	681
	3,974	4,576

21. Borrowings

	2015		2014	
	Capital £000s	Interest £000s	Capital £000s	Interest £000s
Secured borrowings at amortised cost				
Finance leases				
Borrowings within one year	**5**	**1**	7	1
Between one and two years	**3**	**–**	3	–
Between two and five years	**4**	**–**	3	–
Borrowings greater than one year	**7**	**–**	6	–
Totals	**12**	**1**	13	1

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

22. Trade and other payables

	2015 £000s	2014 £000s
Trade creditors	**2,381**	2,650
Amounts payable to related parties	**71**	12
Social security and other taxes	**374**	332
Other payables	**381**	275
Accruals	**2,748**	1,741
	5,955	5,010

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

23. Share capital

	2015 No.	2014 No.
Allotted, called up and fully paid		
Ordinary Shares of £0.01 each		
Balance at 1 January	**28,750,000**	20,000,000
Shares issued during the year	**–**	8,750,000
Balance at 31 December	**28,750,000**	28,750,000

	2015 £000s	2014 £000s
Allotted, called up and fully paid		
Ordinary Shares of £0.01 each		
Balance at 1 January	**288**	200
Shares issued during the year	**–**	88
Balance at 31 December	**288**	288

There were no shares issued during the year. During 2014, 6,875,000 ordinary shares of £0.01 each ('Ordinary Shares') were issued at a price of £1.60 per share as part of the Initial Public Offering by the Company. A further 1,875,000 Ordinary Shares were issued as part consideration for the acquisition of PrimeVigilance Limited.

24. Share premium account

	2015 £000s	2014 £000s
Balance at 1 January	**12,342**	–
Share issue during the year	**–**	13,912
Expenses of share issue during the year	**–**	(1,570)
Balance at 31 December	**12,342**	12,342

No share premium arose during the year. The share premium arising during 2014 related to the issue of 6,875,000 Ordinary Shares at a price of £1.60 per share on 14 July 2014 as part of the IPO, and a further 1,875,000 Ordinary Shares were issued as part consideration for the acquisition of PrimeVigilance Limited. Expenses of £1,570,000 relating to the issue of shares were deducted from the Share premium account. Additional expenses of £299,000 were charged to the income statement as Exceptional items (note 7).

25. Reserves

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

Share-based payment reserve

The corresponding credit associated with the charge for share options (note 26) is recognised as a credit to the share-based payment reserve.

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

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

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

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

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

	2015		2014	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**–**	**–**	–	–
Granted during the year	**1,368,000**	**£1.64**	–	–
Lapsed during the year	**(15,000)**	**£1.625**	–	–
Outstanding at the end of the year	**1,353,000**	**£1.64**	–	–
Vested at the end of the year	**–**		–	
Exercisable at the end of the year	**–**		–	

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

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

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

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £95,000 related to equity-settled share-based payment transactions in the year ended 31 December 2015 (2014: £nil).

26. Share-based payments continued

At 31 December 2015, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	2015 No.	2014 No.
2015	03/06/2018 – 02/06/2025	£1.625	**1,078,000**	–
2015	03/06/2018 – 23/12/2025	£1.69	**275,000**	–

The weighted average remaining life was nine years and six months (2014: nil years).

Unapproved Executive Share Option Scheme 2007

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

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

	2015		2014	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning and end of the year	**1,000,000**	**£0.01**	1,000,000	£0.01
Vested at the end of the year	**1,000,000**		1,000,000	
Exercisable at the end of the year	**1,000,000**		1,000,000	

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £nil related to equity-settled share-based payment transactions in the year ended 31 December 2015 (2014: £nil).

At 31 December 2015, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	2015 No.	2014 No.
2009	01/01/2009 – 31/12/2019	£0.01	**1,000,000**	1,000,000

The weighted average remaining life was four years (2014: five years).

Unapproved Executive Share Option Agreement made with Rolf Stahel

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

	2015		2014	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1,260,000**	**£1.60**	–	–
Granted during the year	**–**	**–**	1,260,000	£1.60
Outstanding at the end of the year	**1,260,000**	**£1.60**	1,260,000	£1.60
Vested at the end of the year	**700,000**		280,000	
Exercisable at the end of the year	**700,000**		280,000	

Twenty thirty-sixths of the total amount of options awarded have vested by 31 December 2015, representing 700,000 shares at an exercise price of £1.60. All unexercised options carry an exercise price of £1.60. The awards have a 10 year contractual life. At 31 December 2015, the awards therefore had a remaining contractual life of eight years and four months.

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

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

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

Based on the calculation of the total fair value of the options granted, the share-based remuneration expense in respect of equity-settled schemes is an amount of £193,000 (2014: £338,000). There are no outstanding liabilities.

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

The weighted average remaining life was eight years and four months (2014: nine years and four months).

27. Financial instruments

Capital risk management

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

Significant accounting policies

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

Categories of financial instruments

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

27. Financial instruments continued
Categories of financial instruments

31 December 2014	Loans and receivables £000s	Current financial liabilities at amortised cost £000s	Non-current financial liabilities at amortised cost £000s	Carrying amount £000s	Fair value £000s
Financial assets					
Trade receivables	4,675	–	–	4,675	4,675
Amounts receivable from related parties	14	–	–	14	14
Other receivables	162	–	–	162	162
Accrued income	715	–	–	715	715
Cash and cash equivalents	4,576	–	–	4,576	4,576
	10,142	–	–	10,142	10,142
Financial liabilities					
Finance leases	–	7	6	13	13
Trade payables	–	2,650	–	2,650	2,650
Amounts owed to related parties	–	12	–	12	12
Other payables	–	275	–	275	275
Accruals	–	1,741	–	1,741	1,741
	–	4,685	6	4,691	4,691

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

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

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

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

Financial assets

	2015 £000s	2014 £000s
GBP	**2,094**	3,195
Euro	**2,145**	2,336
USD	**5,126**	3,203
Other	**2,046**	1,408
	11,411	10,142

Financial liabilities

	2015 £000s	2014 £000s
GBP	**886**	625
Euro	**3,875**	3,389
USD	**249**	274
Other	**583**	403
	5,593	4,691

Foreign currency sensitivity analysis

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

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

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

2014	Strengthen +10% £000s	Weaken -10% £000s
Euro	95	(117)
USD	(266)	325
Other	(91)	112
	(262)	320

Interest rate risk management

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

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

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

Credit risk management

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

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

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

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

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

27. Financial instruments continued

Liquidity and interest risk tables

The Group has no significant long term financial liabilities.

Fair value estimation

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

Fair value measurements

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

28. Acquisition of subsidiary – Sound Opinion Limited

On 26 May 2015, Ergomed plc acquired 100% of the issued share capital of Sound Opinion Limited, a leading provider of medical information services. Sound Opinion Limited was acquired in order to broaden the range of healthcare services provided by the business and to thereby increase the profitability of Ergomed plc.

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

	Book values £000s	Fair value adjustments £000s	Final valuation £000s
Property, plant and equipment	2	–	2
Intangible assets	–	210	210
Total non-current assets	2	210	212
Trade and other debtors	36	–	36
Accrued income	4	–	4
Cash and equivalents	62	–	62
Current assets	102	–	102
Trade and other creditors	(33)	–	(33)
Deferred revenue	(21)	–	(21)
Tax payable	(24)	–	(24)
Deferred tax	–	(42)	(42)
Financial liabilities	(78)	(42)	(120)
Total identifiable net assets	26	168	194
Goodwill	374	(168)	206
Total consideration	400	–	400
Satisfied by:			
Cash	320	–	320
Deferred consideration	80	–	80
Total consideration	400	–	400
Net cash outflow arising on acquisition			
Cash consideration	320	–	320
Less: cash and cash equivalent balances acquired	(62)	–	(62)
	258	–	258

The fair value of the financial assets includes receivables with a fair value of £36,000 and a gross contractual value of £36,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

Goodwill is valued at £206,000 which arises from the excess of purchase price of £400,000 over net assets of £194,000. None of the goodwill is expected to be deductible for income tax purposes.

Sound Opinion Limited contributed £211,000 revenue and £52,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Sound Opinion Limited had been completed on the first day of the financial year, Group revenues for the period would have been £155,000 higher and Group profit would have been £45,000 higher.

Expenses incurred in relation to the acquisition of £54,000 have been charged as exceptional items in the Income statement (note 7).

29. Acquisition of subsidiary – Haemostatix Limited

On 24 May 2016, Ergomed plc acquired 100% of the issued share capital of Haemostatix Limited, a drug development company based in Nottingham, England with an innovative technology platform that has pioneered a new approach to controlling bleeding in a surgical setting based on a synthetic peptide that binds to the protein fibrinogen thereby inducing rapid blood clotting. This innovative technology platform is being used to develop a pipeline of topical products to treat surgical bleeding with further applications in trauma, tissue repair and regenerative medicine. Haemostatix Limited was acquired in order to advance the co-development part of Ergomed's growth strategy through the development of its first wholly-owned development programme.

Consideration for the investment is comprised as follows:

	£000s
Cash	800
Shares	6,181
Provisional deferred consideration	20,000
Total consideration	26,981
Net cash outflow arising on acquisition	
Cash consideration	800

The provisional deferred consideration is contingent on meeting a combination of development milestones and sales targets, and may be settled in cash, loan notes or equity.

Owing to the limited time between acquisition and the presentation of these financial statements, the fair value of the deferred consideration has not yet been determined, no acquisition balance sheet is available and there has been insufficient time to complete an external valuation exercise of identifiable assets acquired and liabilities assumed. Accordingly, no preliminary assessment of identifiable assets acquired and liabilities assumed are presented.

A full fair value exercise of deferred consideration, identifiable assets acquired and liabilities assumed will be performed within the measurement period which ends on 23 May 2017.

30. Financial commitments

At 31 December 2015 the Group was committed to making the following payments under non-cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2015 £000s	2014 £000s	**2015 £000s**	2014 £000s
Within one year	**284**	389	**57**	67
Between two and five years	**178**	641	**74**	95
Over five years	**–**	–	**–**	1
	462	1,030	**131**	163

31. Pension costs

The Group makes contributions to defined contribution personal pension schemes of the employees. The pension cost represents contributions payable by the Group to the schemes and amounted to £118,000 (2014: £52,000). Contributions payable to the schemes at 31 December 2015 were £123,000 (2014: £98,000).

32. Related party transactions

Ergomed d.o.o., a company registered in Croatia, is under the control of Miroslav Reljanovic, who is a Director and shareholder of the Company. During the year the Company and its subsidiaries were charged £160,000 (2014: £619,000) by Ergomed d.o.o. and its subsidiaries in respect of clinical research costs and other administration. At 31 December 2015 a balance of £57,000 was owed by the Company and its subsidiaries to Ergomed d.o.o. in respect of these costs (2014: £6,000). In addition, there was payment on account made to Ergomed d.o.o. of £nil (2014: £14,000).

Chesyl Pharma Limited is a company owned by Rolf Stahel, who is a Director of the Company. As disclosed in the Directors' remuneration report, during the year, the Company was charged consultancy fees of £54,000 (2014: £98,000) in relation to the services of Rolf Stahel, included in the remuneration paid to Rolf Stahel. At 31 December 2015, amounts payable to Chesyl Pharma in relation to such consultancy services and associated expenses were £5,000 (2014: £5,000).

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

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

33. Subsequent events

On 4 May 2016 the Company announced the proposed acquisition of Haemostatix Limited ('Haemostatix') and a conditional placing of new Ergomed Ordinary Shares at a price of 140p per share, together with a broker option to allow investors to participate in the placing after the announcement. The acquisition of Haemostatix and the placing, including the broker option, became effective on 24 May 2016 after the passing of requisite resolutions at a General Meeting of the Company's shareholders on 23 May 2016 and subsequent admission of the new shares to AIM.

The Company acquired 100% of the issued share capital of Haemostatix on a cash free/debt free basis for an initial consideration of £7.0 million to be satisfied by the payment of £0.8 million in cash and by the issue of 4,415,051 new Ergomed Ordinary Shares, representing a value of £6.2 million, based on the placing price of 140p per share. The Company has also agreed to advance to Haemostatix a loan of £1.0 million. In addition, deferred consideration of up to £20.0 million is payable, contingent on the achievement of certain milestones and sales targets. An additional sum may be payable in the event Ergomed is able to utilise certain existing tax losses that are currently available to Haemostatix.

Alongside the acquisition of Haemostatix, the Company placed 6,433,350 new Ergomed Ordinary Shares with institutional investors at a price of 140p per share to raise £9.0 million (before expenses). Pursuant to an option granted to its brokers, a further 127,500 new Ergomed Ordinary Shares were placed with institutional shareholders bringing the total number of new Ergomed Ordinary Shares issued and proceeds (before expenses) to 6,560,850 and £9.2 million respectively.

Company balance sheet

As at 31 December 2015

	Note	2015 £000s	2014 £000s
Non-current assets			
Intangible assets	37	**4**	–
Property, plant and equipment	38	**8**	8
Investments	39	**10,557**	10,569
Deferred tax asset	40	**342**	304
		10,911	10,881
Current assets			
Trade and other receivables	41	**6,824**	4,886
Cash and cash equivalents	42	**1,407**	3,430
		8,231	8,316
Total assets		**19,142**	19,197
Current liabilities			
Trade and other payables	43	**(5,945)**	(5,138)
Deferred revenue		**(773)**	(586)
Total current liabilities		**(6,718)**	(5,724)
Net current assets		**1,513**	2,592
Non-current liabilities			
Deferred tax liability	40	**(2)**	(1)
Total liabilities		**(6,720)**	(5,725)
Net assets		**12,422**	13,472
Equity			
Share capital	44	**288**	288
Share premium account	45	**12,342**	12,342
Share-based payment reserve	46	**650**	362
Translation reserve	46	**(1,046)**	(235)
Retained earnings		**188**	715
Total equity		**12,422**	13,472

The notes on pages 56 to 67 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 3 June 2016.

S Stamp
Director

Company Registration No. 04081094

Company statement of changes in equity

For the year ended 31 December 2015

	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2013	200	–	24	93	958	1,275
Loss for the year	–	–	–	–	(541)	(541)
Other comprehensive income for the year	–	–	–	(328)	–	(328)
Total comprehensive income for the year	–	–	–	(328)	(541)	(869)
Share issues during the year (net of expenses)	88	12,342	–	–	–	12,430
Share-based payment charge for the year	–	–	338	–	–	338
Deferred tax credit taken directly to equity	–	–	–	–	298	298
Balance at 31 December 2014	288	12,342	362	(235)	715	13,472
Loss for the year	–	–	–	–	(528)	(528)
Other comprehensive income for the year	–	–	–	(811)	–	(811)
Total comprehensive income for the year	–	–	–	(811)	(528)	(1,339)
Share-based payment charge for the year	–	–	288	–	–	288
Deferred tax credit taken directly to equity	–	–	–	–	1	1
Balance at 31 December 2015	**288**	**12,342**	**650**	**(1,046)**	**188**	**12,422**

Company cash flow statement

For the year ended 31 December 2015

	Note	2015 £000s	2014 £000s
Cash flows from operating activities			
Loss before taxation		**(563)**	(520)
Adjustment for:			
Amortisation and depreciation		**4**	5
Loss on disposal of fixed assets		**–**	2
Share-based payment charge		**288**	338
Acquisition of shares for non-cash consideration		**(142)**	–
Exchange adjustments		**(198)**	(75)
Exceptional items		**54**	499
Finance costs		**–**	2
Operating cash flow before changes in working capital and provisions		**(557)**	251
Increase in trade and other receivables		**(1,807)**	(1,202)
Increase in trade and other payables		**914**	1,827
Cash (utilised by)/generated from operations		**(1,450)**	876
Taxation paid		**(149)**	(300)
Net cash (outflow)/inflow from operating activities		**(1,599)**	576
Investing activities			
Acquisition of intangible assets		**(4)**	–
Acquisition of property, plant and equipment		**(5)**	(3)
Investment in joint venture		**–**	(40)
Acquisition of subsidiaries including expenses of acquisition		**(415)**	(7,248)
Net cash outflow from investing activities		**(424)**	(7,291)
Financing activities			
Issue of new shares		**–**	11,000
Expenses of fundraising		**–**	(1,784)
Finance costs paid		**–**	(2)
Repayment of borrowings		**–**	(22)
Net cash inflow from financing activities		**–**	9,192
Net (decrease)/increase in cash and cash equivalents		**(2,023)**	2,477
Cash and cash equivalents at start of the year		**3,430**	953
Cash and cash equivalents at end of year	42	**1,407**	3,430

Notes to the company financial statements

For the year ended 31 December 2015

34. Accounting policies

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

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

35. Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 34, the Directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following area is one in which the Directors have made critical judgements and estimates in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

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

Bad debt provision

In determining the level of provisioning for bad debts, the Directors have considered the aging of trade receivables, and the payment history and financial position of debtors. They have made a provision of £188,000 (2014: £200,000) against trade receivables in note 41.

36. Loss of the parent company

As permitted by Section 408 of the Companies Act 2006 the Statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss after tax for the financial year was £528,000 (2014: £541,000).

37. Intangible assets

	Software £000s
Cost	
At 1 January 2014	–
Re-allocation from Property, plant and equipment	88
At 1 January 2014	88
Translation movement	(10)
Additions	4
At 31 December 2015	**82**
Depreciation	
At 1 January 2014 and 1 January 2015	–
Re-allocation from Property, plant and equipment	88
Translation movement	–
At 1 January 2015	**88**
Translation movement	(10)
At 31 December 2015	**78**
Net book value	
At 31 December 2015	**4**
At 31 December 2014	–

Intangible assets represent software currently in use by the business. The re-allocation from Property, plant and equipment during 2014 related to Software that had been included as Property, plant and equipment in prior periods (note 38).

38. Property, plant and equipment

	Fixtures and fittings £000s	Motor vehicles £000s	Computer equipment £000s	Total £000s
Cost				
At 1 January 2014	89	2	24	115
Re-allocation to Intangible assets	(88)	–	–	(88)
Additions	–	–	3	3
Disposals	–	(2)	(4)	(6)
At 1 January 2015	1	–	23	24
Additions	–	–	4	4
Translation movement	–	–	(1)	(1)
At 31 December 2015	**1**	**–**	**26**	**27**
Depreciation				
At 1 January 2014	89	1	12	102
Re-allocation to Intangible assets	(88)	–	–	(88)
Disposals	–	(2)	(2)	(4)
Charge for the year	–	1	4	5
Translation movement	–	–	1	1
At 1 January 2015	1	–	15	16
Charge for the year	–	–	4	4
Translation movement	–	–	(1)	(1)
At 31 December 2015	**1**	**–**	**18**	**19**
Net book value				
At 31 December 2015	**–**	**–**	**8**	**8**
At 31 December 2014	–	–	8	8

The re-allocation to Intangible assets during 2014 related to Software that had been included as Property, plant and equipment in prior periods, and was re-allocated to Intangible assets (note 37).

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

39. Investments

	Shares in subsidiary undertakings £000s	Dilaforette Holding AB £000s	Ergomed Clinical Research Saudi Arabia £000s	Total £000s
Cost				
At 1 January 2014	1,782	–	–	1,782
Additions	9,000	–	40	9,040
Translation movement	(252)	–	(1)	(253)
At 1 January 2015	10,530	–	39	10,569
Additions	441	142	–	583
Translation movement	(596)	2	(1)	(595)
At 31 December 2015	**10,375**	**144**	**38**	**10,557**
Provision for impairment				
At 31 December 2014 and 31 December 2015	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2015	**10,375**	**144**	**38**	**10,557**
At 31 December 2014	10,530	–	39	10,569

Notes to the company financial statements continued
For the year ended 31 December 2015

39. Investments continued
Subsidiary undertakings
The Company has direct interests in the following subsidiaries which are included in the consolidated financial statements:

Principal activity – clinical research services	Place of incorporation and operation	Class	Holding
Ergomed GmbH	Germany	Ordinary	100%
Ergomed Spolka z.o.o.	Poland	Ordinary	99%
Ergomed d.o.o Novi Sad	Serbia	Ordinary	100%
Ergomed Clinical Research Inc	USA	None issued	100%
Ergomed Istrazivanja Zagreb d.o.o.	Croatia	Ordinary	100%
Ergomed Clinical Research LLC	Russia	Ordinary	100%
Ergomed d.o.o.	Bosnia	Ordinary	100%
Ergomed Clinical Research FZ LLC	Dubai	Ordinary	100%
Ergomed Virtuoso Sarl	Switzerland	Ordinary	100%
Ergomed Clinical Research Services	Taiwan	Ordinary	100%

Principal activity – drug safety and medical information services	Place of incorporation and operation	Class	Holding
PrimeVigilance Limited	United Kingdom	Ordinary	100%
PrimeVigilance d.o.o.[1]	Croatia	Ordinary	100%
Sound Opinion Limited[2]	United Kingdom	Ordinary	100%

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

1 This company is a wholly owned subsidiary of PrimeVigilance Limited.
2 This company was acquired by the Company on 26 May 2015, (note 28).

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

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

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

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

Deferred tax assets

	Tax losses £000s	Timing differences £000s	Total £000s
At 1 January 2014	–	–	–
Credit to profit or loss	–	6	6
Credit direct to equity	–	298	298
At 1 January 2015	–	304	304
Credit to profit or loss	3	34	37
Credit direct to equity	–	1	1
At 31 December 2015	**3**	**339**	**342**

Deferred tax liabilities

	Timing differences £000s
At 1 January 2014	–
Charge to profit or loss	(1)
1 January 2015	(1)
Charge to profit or loss	(1)
At 31 December 2015	**(2)**

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:

	2015 £000s	2014 £000s
Deferred tax assets – Timing differences	**339**	304
Deferred tax assets – Recognised losses	**3**	–
Deferred tax liabilities – ACAs	**(2)**	(1)
Net deferred tax assets	**340**	303

41. Trade and other receivables

	2015 £000s	2014 £000s
Trade receivables	**3,820**	2,741
Amounts receivable from related parties	**–**	14
Amounts receivable from Group companies	**665**	897
Other receivables	**157**	126
Prepayments	**98**	102
Accrued income	**1,831**	884
Corporation tax receivable	**253**	122
	6,824	4,886

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

	2015 £000s	2014 £000s
Less than 30 days overdue	**962**	844
31 to 60 days overdue	**38**	66
61 to 90 days overdue	**31**	4
More than 90 days overdue	**281**	433
	1,312	1,347

Movement in the provision for doubtful debts.

	2015 £000s	2014 £000s
Balance at the beginning of the year	**200**	–
Impairment losses recognised	**–**	200
Translation movement	**(12)**	–
Balance at the end of the year	**188**	200

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

42. Cash and cash equivalents

	2015 £000s	2014 £000s
Cash at bank	**1,407**	3,430

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

	2015 £000s	2014 £000s
GBP	**152**	1,946
Euro	**270**	809
USD	**959**	670
Other	**26**	5
	1,407	3,430

43. Trade and other payables

	2015 £000s	2014 £000s
Trade creditors	**1,498**	1,743
Amounts payable to related parties	**29**	5
Amounts payable to Group companies	**1,917**	1,867
Social security and other taxes	**22**	28
Other payables	**90**	39
Accruals	**2,389**	1,456
	5,945	5,138

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

44. Share capital

	2015 No.	2014 No.
Allotted, called up and fully paid		
Ordinary Shares of £0.01 each		
Balance at 1 January	**28,750,000**	20,000,000
Shares issued during the year	**–**	8,750,000
Balance at 31 December	**28,750,000**	28,750,000

	2015 £000s	2014 £000s
Allotted, called up and fully paid		
Ordinary Shares of £0.01 each		
Balance at 1 January	**288**	200
Shares issued during the year	**–**	88
Balance at 31 December	**288**	288

There were no shares issued during the year. During 2014, 6,875,000 ordinary shares of £0.01 each ('Ordinary Shares') were issued at a price of £1.60 per share as part of the Initial Public Offering by the Company. A further 1,875,000 Ordinary Shares were issued as part consideration for the acquisition of PrimeVigilance Limited.

45. Share premium account

	2015 £000s	2014 £000s
Balance at 1 January	**12,342**	–
Share issue during the year	**–**	13,912
Expenses of share issue during the year	**–**	(1,570)
Balance at 31 December	**12,342**	12,342

No share premium arose during the year. The share premium arising during 2014 related to the issue of 6,875,000 Ordinary Shares at a price of £1.60 per share on 14 July 2014 as part of the IPO, and a further 1,875,000 Ordinary Shares were issued as part consideration for the acquisition of PrimeVigilance Limited. Expenses of £1,570,000 relating to the issue of shares were deducted from the Share premium account. Additional expenses of £299,000 were charged to the income statement as Exceptional items (note 7).

46. Reserves

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

Share-based payment reserve

The corresponding credit associated with the charge for share options (note 47) is recognised as a credit to the share-based payment reserve.

Translation reserve

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

47. Share-based payments

The Company operates three share option schemes:

- the Ergomed plc Long Term Incentive Plan;
- the Unapproved Executive Share Option Scheme 2007; and
- an Unapproved Executive Share Option Agreement made with Rolf Stahel.

Ergomed plc Long Term Incentive Plan

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

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

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

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

	2015		2014	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**–**	**–**	–	–
Granted during the year	**1,368,000**	**£1.64**	–	–
Lapsed during the year	**(15,000)**	**£1.625**	–	–
Outstanding at the end of the year	**1,353,000**	**£1.64**	–	–
Vested at the end of the year	**–**		–	
Exercisable at the end of the year	**–**		–	

47. Share-based payments continued

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

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

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

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £95,000 related to equity-settled share-based payment transactions in the year ended 31 December 2015 (2014: £nil).

At 31 December 2015, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	**2015 No.**	2014 No.
2015	03/06/2018 – 02/06/2025	£1.625	**1,078,000**	–
2015	03/06/2018 – 23/12/2025	£1.69	**275,000**	–

The weighted average remaining life was nine years and six months (2014: nil years).

Unapproved Executive Share Option Scheme 2007

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

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

	2015		2014	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning and end of the year	**1,000,000**	**£0.01**	1,000,000	£0.01
Vested at the end of the year	**1,000,000**		1,000,000	
Exercisable at the end of the year	**1,000,000**		1,000,000	

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £nil related to equity-settled share-based payment transactions in the year ended 31 December 2015 (2014: £nil).

At 31 December 2015, the following unexercised share options to acquire Ordinary Shares were outstanding:

Year of grant	Exercise period	Exercise price per share	**2015 No.**	2014 No.
2009	01/01/2009 – 31/12/2019	£0.01	**1,000,000**	1,000,000

The weighted average remaining life was four years (2014: five years).

Unapproved Executive Share Option Agreement made with Rolf Stahel

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

	2015		2014	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	**1,260,000**	**£1.60**	–	–
Granted during the year	**–**	**–**	1,260,000	£1.60
Outstanding at the end of the year	**1,260,000**	**£1.60**	1,260,000	£1.60
Vested at the end of the year	**700,000**		280,000	
Exercisable at the end of the year	**700,000**		280,000	

Twenty thirty-sixths of the total amount of options awarded have vested by 31 December 2015, representing 700,000 shares at an exercise price of £1.60. All unexercised options carry an exercise price of £1.60. The awards have a 10 year contractual life. At 31 December 2015, the awards therefore had a remaining contractual life of eight years and four months.

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

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

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

Based on the calculation of the total fair value of the options granted, the share-based remuneration expense in respect of equity-settled schemes is an amount of £193,000 (2014: £338,000). There are no outstanding liabilities.

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

The weighted average remaining life was eight years and four months (2014: nine years and four months).

48. Financial instruments

Capital risk management

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

Significant accounting policies

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

Notes to the company financial statements continued

For the year ended 31 December 2015

48. Financial instruments continued

Categories of financial instruments

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

Categories of financial instruments

31 December 2014	Loans and receivables £000s	Current financial liabilities at amortised cost £000s	Carrying amount £000s	Fair value £000s
Financial assets				
Trade receivables	2,741	–	2,741	2,741
Amounts receivable from related parties	14	–	14	14
Amounts receivable from Group companies	897	–	897	897
Other receivables	19	–	19	19
Accrued income	600	–	600	600
Cash and cash equivalents	3,430	–	3,430	3,430
	7,701	–	7,701	7,701
Financial liabilities				
Trade payables	–	1,743	1,743	1,743
Amounts owed to related parties	–	5	5	5
Amounts owed to Group companies	–	1,867	1,867	1,867
Other payables	–	39	39	39
Accruals	–	1,456	1,456	1,456
	–	5,110	5,110	5,110

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

Financial risk management objectives

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

Market risk

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

Foreign currency risk management

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

Financial assets

	2015 £000s	2014 £000s
GBP	**152**	2,226
Euro	**2,264**	2,721
USD	**4,009**	2,748
Other	**227**	6
	6,652	7,701

Financial liabilities

	2015 £000s	2014 £000s
GBP	**356**	128
Euro	**5,318**	4,638
USD	**197**	113
Other	**52**	231
	5,923	5,110

Foreign currency sensitivity analysis

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

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

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

2014	Strengthen +10% £000s	Weaken -10% £000s
Euro	174	(213)
USD	(239)	293
Other	20	(25)
	(45)	55

Interest rate risk management

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

48. Financial instruments continued

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

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

Credit risk management

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

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

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

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

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

Liquidity and interest risk tables

The Company has no significant long term financial liabilities.

Fair value estimation

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

Fair value measurements

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

49. Financial commitments

At 31 December 2015 the Company was committed to making the following payments under non-cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2015 £000s	2014 £000s	**2015 £000s**	2014 £000s
Within one year	**–**	–	**7**	8
Between two and five years	**–**	–	**5**	12
	–	–	**12**	20

50. Pension costs

The Company makes contributions to defined contribution personal pension schemes of the employees. The pension cost represents contributions payable by the Company to the schemes and amounted to £35,000 (2014: £19,000). Contributions payable to the schemes at 31 December 2015 were £nil (2014: £5,000).

Pro forma financial information

Unaudited and unreviewed

On 15 July 2014, Ergomed plc acquired the entire share capital of PrimeVigilance Limited. The following *Pro forma* financial information combines the financial results of Ergomed plc and PrimeVigilance Limited prior to that date for illustrative purposes, to ensure that 2015 results and 2014 results are presented on a comparable basis. The results of Ergomed plc presented in this *Pro forma* financial information are adjusted to remove the profit margin charged by a related party in relation to services provided to Ergomed plc, as such services will be provided from internal resources in the period following the IPO. The Ergomed 2014 results in this *Pro forma* financial information are also adjusted for the non-recurring IPO costs of £0.6 million, a non-cash share-based payment charge of £0.3 million and an increased amortisation charge of £0.4 million associated with the intangible assets associated with the acquisitions of Ergomed Virtuoso Sarl and PrimeVigilance Limited.

Pro forma Consolidated income statement – 2014

	Adjusted[1] Ergomed £000s	PrimeVigilance[2] £000s	*Pro forma* 2014 £000s
Revenue	21,155	2,539	23,694
Cost of sales	(15,245)	(1,646)	(16,891)
Gross profit	5,910	893	6,803
Administrative expenses	(3,535)	(543)	(4,078)
Depreciation expense	(73)	(18)	(91)
Other operating income	54	2	56
Operating profit	2,356	334	2,690
Finance costs	(2)	–	(2)
Profit before taxation	2,354	334	2,688
Taxation	(330)	(35)	(365)
Profit for the year	2,024	299	2,323
EBITDA	2,429	352	2,781

1 The results of Ergomed plc for 2014 are adjusted to remove the profit margin on services provided by a related party, exceptional costs arising from the IPO and acquisition of PrimeVigilance Limited, share-based payment charge and amortisation of acquired revalued intangible assets.

2 The results of PrimeVigilance for H1 2014, being the period prior to acquisition in 2014.

Glossary

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

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