ERGOMED

GLOBAL REACH GLOBAL GROWTH

Annual Report & Accounts 2021

ERGOMED

OUR VISION

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

OUR MISSION

Bringing expertise to deliver medicines our world can trust

Key reads

Investment case

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

More details on **page 6**

Our business model

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

more details on **page 14**

Responsible business

Environmental, Social and Governance ('ESG') – read how Ergomed keeps these matters at the heart of being a responsible business

More details **on page 33**

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

GLOBAL REACH THROUGH OUR THREE CORE STRATEGIC FOCUSES:

see **page 18**

GROW

see **page 20**

BUILD

see **page 22**

INVEST

THE SUCCESS OF OUR BUSINESS IS GROUNDED IN OUR CULTURE

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

see pages **28 to 29**

- **INTEGRITY & TRUST**
- **AGILITY AND RESPONSIVENESS**
- **DRIVE & PASSION**
- **BELONGING**
- **QUALITY**
- **COLLABORATIVE**

2021 highlights

OPERATIONAL

Successful and rapid integration of the MedSource acquisition

Addition of:

+110 **professional staff**

+20 **new clients**

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

Continued strong growth trend despite COVID-19 challenges

Revenue growth:

+37.3%

Adjusted EBITDA growth:

+31.2%

See more details on **pages 24 to 27**

Strong revenue growth in strategically significant North American market

North American revenue growth:

+59.5%

See more details on **pages 24 to 27**

FINANCIAL

Revenue

£118.6m

2020: £86.4m

Gross profit

£48.4m

2020: £39.7m

Adjusted EBITDA*

£25.4m

2020: £19.4m

Net cash

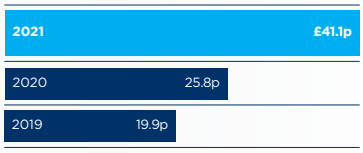
£31.2m

2020: £19.0m

Contracted order book

£239.7m

2020: £193.0m



Basic adjusted earnings per share*

41.1p

2020: 25.8p

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

Successful focus on business development and cross-selling opportunities

Order book growth:

+24.2%

See more details on **pages 24 to 27**

At a glance

We provide full service pharmacovigilance and specialist clinical trial solutions to the pharmaceutical and biotechnology industries

ERGOMED

Clinical Research Services ('CRO')

Managing clinical trials

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

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

CRO 2021 revenue

£58.1m

PRIMEVIGILANCE

Pharmacovigilance Services ('PV')

Monitoring drug safety

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

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

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

PV 2021 revenue

£60.5m

ADAMAS

Regulatory Compliance Audit Services

Driving pharmaceutical industry good practice ('GxP')

In February 2022, Ergomed acquired ADAMAS Consulting. This has resulted in the addition to the Ergomed Group of new complementary regulatory compliance audit services for the pharmaceutical industry including:

- **Good Clinical Practice (GCP),**
- **Good Pharmacovigilance Practice (GVP),**
- **Good Manufacturing Practice (GMP),**
- **Good Laboratory Practice (GLP), and**
- **Computer Systems Compliance (CSC).**

Employees
1,350+

Countries with active clinical trials
90+

Countries supported by pharmacovigilance services
140

Pharmacovigilance patient cases processed p.a.
300,000+

Regional revenue growth from 2020 to 2021

UK	12%
EU/EMEA	19%
N America	63%
Asia	6%

Total revenue
+37.3%

Service fee revenue
+27.6%

North America
+59.5%
from £46.7m to £74.4m

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

GLOBAL SERVICE COVERAGE

North America

World's largest pharmaceutical market.

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

Ergomed has a strong PV and CRO operational presence in North America building upon the acquisitions of Ashfield PV and MedSource in 2020.

Ergomed North America revenue
£74.4m
2020: £46.7m

UK & EMEA

Second largest pharmaceutical market globally.

Ergomed has enhanced its PV and CRO operational presence in France, Spain, Bulgaria, Romania and Georgia. The geographical expansion complements the previously existing offices in the UK, Croatia, the Czech Republic, Germany, the Netherlands, Poland and Serbia.

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

Ergomed also offers service coverage and provides patient access throughout the Middle East and Africa.

Ergomed UK and EMEA revenue
£36.9m
2020: £35.5m

Asia

Asian region has the fastest growing PV and CRO markets.

India, Japan and China are driving growth in the region fuelled by large populations and rising incidence of disease.

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

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

Ergomed Asia revenue
£7.2m
2020: £4.2m

Investment Case

Complementary CRO and PV offerings in established growth markets

Attractive **GROWTH MARKETS**

CRO

The CRO market continues to see increasing investment in clinical trials by pharma-biotech companies and the continued trend towards outsourcing across the industry with particular prevalence in specialty trials for chronic diseases.

The CRO market is currently estimated at $44.3 billion and is expected to grow annually at a Compound Annual Growth Rate (CAGR) of 6.1% over the period to 2027. Ergomed specialises in the rare disease and oncology subsets of the CRO market which are expected to grow in excess of this rate, driven by the continued prevalence of personalised medicine.

PV

Driven by an increase in the global harmonisation of regulations, greater regulatory focus on drug safety and a strong outsourcing trend, particularly in Asia, the PV market is currently estimated at $4.2 billion and is expected to grow annually at 13.5% (CAGR) over the period to 2029.

Ergomed revenue CAGR last 7 years

25%+

Market **STATISTICS**

CRO market size 2020

$44.3bn[1]

Oncology market size 2020

$10.0bn[1]

North America and Europe account for

52.8%

of the CRO market in 2020[1]

CRO oncology CAGR of

6.3%

to 2027[1]

PV market size 2020

$4.2bn[2]

PV CAGR of

13.5%

2021-2029[2]

1 Global Clinical Trials Market Industry Analysis 2021-2027, QualiKet Research, 2021

2 Pharmacovigilance Market Growth, Future Prospects & Competitive Analysis 2019-2029, Acute Market Reports Inc., 2021

Well **POSITIONED**

Strong organic and acquisitive growth over 2020 and 2021 has resulted in a considerable order book to underpin the anticipated market growth for the near-term.

Ergomed's 2020 acquisitions of MedSource and Ashfield Pharmacovigilance has greatly increased operational coverage in the North American CRO and PV markets; the biggest pharmaceutical market globally. Ergomed has also strengthened its presence in the fastest growing market of Asia with the opening of two key offices in Japan and India.

The acquisition of ADAMAS in February 2022 will further enhance Ergomed's global coverage with a complementary service offering and an established presence in North America, Europe and Asia.

Ergomed's CRO business specialises in rare disease and oncology. Oncology accounted for $10.0 billion of the CRO market in 2020. The continued rare disease and oncology market growth is expected to outstrip the wider CRO market growth, over the period to 2027. Ergomed is highly exposed to these high-growth therapeutic areas with a significant proportion of its new business wins in rare disease and oncology.

PrimeVigilance is a leading full-service safety specialist provider with strong brand recognition within the PV market.

Ergomed order book 2021 year end

£239.7m

Complementary **OFFERINGS**

The CRO, PV and now Regulatory Compliance operations are complementary, allowing Ergomed to assist clients in managing all their requirements from drug development through to post marketing drug safety monitoring.

The complementary business streams, and combined CRO and PV marketing and business development functions, facilitate enhanced cross-selling opportunities and client retention.

The acquisition of ADAMAS in February 2022 will allow the existing CRO and PV business segments to access new clients and facilitate further cross-selling activities from the enhanced group offerings. Ergomed has shown resilience to the financial impact of COVID-19 as a result of its diverse operations.

Consolidation **OPPORTUNITY**

With a high level of consolidation at the top end of the CRO market, led by the acquisition of PRA Health Sciences by ICON, and in the mid-tier CRO market, notably the acquisition of Synteract by Syneos Health, there is a shrinking number of mid-tier CRO providers, and even fewer PV specialists.

Since the take over and delisting of Clinigen by Private Equity fund Triton Funds, Ergomed is one of the few listed mid-tier CRO providers globally and is well-positioned to consolidate in a fragmented industry.

Ergomed has successfully demonstrated its strong position through several strategic acquisitions in both CRO and PV since its IPO in 2014, including the acquisitions of Ashfield Pharmacovigilance and MedSource in 2020 and the acquisition of Adamas in February 2022.

Strong **LEADERSHIP**

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

In 2021 and early 2022, Ergomed strengthened its Board to include four independent Non-Executive Directors. These significant additions will enhance Ergomed's platform to develop the business internationally in the broader pharmaceutical services market.

Ergomed continue to invest in industry specialists to maintain the robust management team across CRO and PV and welcome the ADAMAS management team who join the group from February 2022. The Ergomed team has established a strong track record of delivering high, organic growth and successful acquisition integration.

Pipeline cross-selling opportunities 2021 year end	Acquisitions successfully integrated since IPO in 2014	Years of experience as a leading specialist CRO
£32.7m	9	20+ years

Our Markets

Significant future growth forecast across all stages of the drug development lifecycle

Global trends and market drivers

The profile of the work performed across all stages of drug development lifecycles is of greater public interest as a result of the COVID-19 pandemic. The Clinical Research Services (CRO) market is currently $44.3 billion and is expected to grow annually at a Compound Annual Growth Rate (CAGR) of 6.1% to 2027 while the rare disease and oncology subsets of the CRO market are expected to grow above this rate during the same period. The Pharmacovigilance (PV) market is currently $4.2 billion and is expected to grow annually at 13.5% (CAGR) to 2029.

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

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

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

Regional trends and market drivers

North America

North America is the largest pharmaceutical development market globally accounting for 30.6% of all CRO business in 2020. This dominance is expected to continue into the future with more than half of all clinical trials requiring a presence in the US. Phase III studies make up the biggest segment in the CRO market at 54% of which oncology has the largest shares.

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

Europe

Europe remains a key CRO and PV market and is at the forefront of driving safety through regulation. Like North America and Asia-Pacific, the oncology segment dominates the CRO and PV markets and accounted for the largest global revenue share in 2020. The segment is also anticipated to experience a higher growth rate than the wider market.

Asia-Pacific

The Asia-Pacific CRO and PV markets are the second largest globally and continue to show market high growth rates; driven by higher populations, the increase of outsourcing and unmet clinical needs. The Asia-Pacific CRO market is valued at $11.7bn and growing at a CAGR of 5.9% while the PV market is valued at $1.2bn and growing at a CAGR of 14.4%.

GROW

Complementary CRO and PV capabilities with cross-selling opportunities

See more details on **pages 18 to 19**

BUILD

Addressing growing markets through organic growth and acquisition

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

INVEST

Investing in people and technology

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

Clinical Research Service Opportunities

ERGOMED

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

The integration of MS Clinical Services, LLC ('MedSource'), a US-based specialist oncology and rare disease clinical research organisation, has substantially grown Ergomed's operating base in North America, allowing it to better serve existing clients and access new clients in the region. Ergomed has also enhanced its geographical presence in Asia and Europe to facilitate growth in the second and third largest markets respectively. These strategic expansions are supplemented by the organic growth facilitated by CRO and PV cross-selling opportunities.

Pharmacovigilance Opportunities

PRIMEVIGILANCE

PrimeVigilance is a full-service safety specialist provider with over 14 years' experience in providing outsourced pharmacovigilance services.

The integration of Ashfield PV (later rebranded PrimeVigilance USA Inc.) in 2020 added a substantial operating base in the US to serve existing and new clients in the biggest market.

Targeted organic growth in key development areas such as Japan and India, will allow PrimeVigilance to maximise growth in the fastest emerging markets. The complementary PV and CRO businesses will also look for additional growth opportunities through cross-selling to existing customers.

ADAMAS

ADAMAS was acquired by Ergomed in February 2022 and is a well-established provider of regulatory compliance and consulting services to the global pharmaceutical industry. It operates across Good Clinical Practice (GCP), Good Pharmacovigilance Practice (GVP), Good Manufacturing Practice (GMP), Good Laboratory Practice (GLP) and Computer Systems Compliance (CSC), together these services are referred to as GxP. ADAMAS has a broad, established client base, with an expansive global reach, including the US, Europe and Asia, with over 100 active clients and having worked with over 700 pharmaceutical companies including 40 of the 50 largest global pharma and biotech companies.

Executive Chairman's statement

Robust operational execution delivering excellent results

Ergomed delivered an outstanding year both operationally and financially, with results ahead of market expectations. Notwithstanding the pandemic, the Group delivered significant organic growth demonstrating the strength of our positioning in our key markets and this was augmented by the contribution of our latest successfully integrated acquisitions, particularly in the US.

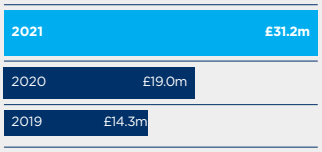
In 2021, we delivered a year of robust operational execution, achieving significant organic revenue growth whilst maintaining tight cost controls. We also substantially increased our order book with a strong sales performance in all parts of the business and benefited significantly from our expanded geographic presence, with new subsidiaries opened during the year in a number of European countries and in Japan. The integration of the US businesses, Ashfield Pharmacovigilance and MedSource, acquired in 2020, was successfully completed ahead of schedule, enhancing our US platform and related sales opportunities. We strengthened our Board and leadership team with the appointments of acknowledged pharmaceutical industry experts to key roles, augmenting the scale and value of our service offering to our clients. Our employee base increased all around the world, and the commitment and professionalism of all our colleagues shone through as one of the core strengths our business.

Strong Financial Results from Operational Execution

Our exceptional operational execution throughout 2021 delivered excellent financial results. Revenues for 2021 of £118.6 million were up 37% over prior year (44% in constant currency), exceeding market expectations despite continuing FX headwinds. The 31% increase in adjusted EBITDA to £25.4m was also ahead of market expectations, reflecting tight control of costs and the benefits of successfully integrating the acquisitions made in 2020 ahead of schedule. The Group remained debt free at the year end, with cash and equivalent balances up 64% to £31.2 million (2020: £19.0 million) and unutilised bank facilities of £30.0 million. Following a strong sales performance throughout 2021, we finished the year with our order book of future contracted revenue at £239.7 million, up 24.2% from the beginning of the year. This robust trading performance, coupled with operational execution, positions us strongly to achieve our strategic objectives in 2022 and beyond, and further strengthens our financial platform, enabling us to leverage the accelerating recovery in our target markets.

Strategic Delivery

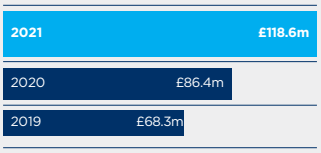
Ergomed continues to deliver on its core strategic objectives of growing its sales and revenues in specialised pharmaceutical services and geographic expansion. These goals are being achieved organically through increasing sales to new and existing clients, through excellent operational execution and through the opening of new offices in several countries. Our strategic objectives are also being achieved through the successful execution of our acquisition strategy.



Net cash

£31.2m

2020: £19.0m



Revenue growth

37.3%

2020: 26.6%

With the rapid integration of acquisitions and focussed commercial initiatives in our CRO and PV businesses, as well as investment in business development and operational infrastructure, we are delivering a growing order book of contracted long-term future revenues as well as preparing for further organic and M&A growth.

Revenues grew 37% in the year (44% in constant currency), continuing the trend of a compound annual revenue growth rate (CAGR) of over 25% since the Group's IPO in 2014. Revenues in the key strategic market of the US grew 59% over the prior year on a reported basis (71% on a constant currency basis).

We are also continuing our investments in infrastructure, technology and digital transformation, with enhanced technology solutions to achieve significant automation over the coming years in our PV business and virtual trial capabilities in our CRO business. These solutions are expected to build on Ergomed's leadership position with specialised service offerings to our international client base, as well as providing further potential for profitability improvement.

Acquisition Strategy

During the year, we continued to execute on our disciplined M&A strategy. This is focussed on value-enhancing and strategic acquisitions which strengthen our position as a premium pharmaceutical services business, whilst further building our scale in the strategically important US, Europe and APAC regions.

In 2021, we completed the integration of the two strategic acquisitions closed in the prior year in the key US market: Ashfield Pharmacovigilance, a long-established and highly respected provider of pharmacovigilance services, and MedSource, a specialist provider of oncology and rare disease CRO services. These two acquisitions in the US have strengthened our strategic market presence, significantly increased our headcount and expanded our revenues in the region, which grew by 59% on a reported basis (71% in constant currency).

In July 2021, following a successful first phase of the integration focussed on business development and branding, we agreed with the former MedSource owners to accelerate the earn-out terms, enabling the full integration of all CRO activities in North America under Ergomed management and realising fully and ahead of schedule the benefit of a wider CRO operational base in North America. These acquisitions are expected to provide further growth and development potential within the key CRO and PV sectors in the US and globally.

In February 2022, we acquired ADAMAS Consulting Group Limited. ADAMAS is a well-established, leading provider of mission-critical regulatory compliance and consulting services to the global pharmaceutical industry offering a full range of independent quality assurance services and specialising in the auditing of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems. ADAMAS has over 100 currently active clients and has worked with over 700 pharmaceutical companies including 40 of the 50 largest global pharma and biotech companies.

This acquisition adds a new complementary offering, strengthens Ergomed's premium consulting services and bolsters our position as a specialised pharmaceutical services provider. It will further enhance Ergomed's global reach in the US, Europe and APAC, and is expected to be immediately accretive to Ergomed's future earnings, with further growth synergies and strategic benefits expected in future years.

These recent acquisitions align with Ergomed's strategy to secure M&A transactions that further enhance the Group's global presence and broaden our service offering to clients. The Board continues to actively consider further acquisition opportunities that will complement and strengthen the existing CRO and PV service offerings and provide access to new customers and geographies.

Board Changes

During the year we made significant new additions to Ergomed's Board of Directors, further strengthening our platform to develop the business internationally in the broader pharmaceutical services market.

Dr Llew Keltner joined the Board in April 2021 as an independent Non-Executive Director. Dr Keltner has an outstanding track record in the global life sciences industry and brings over 30 years of experience, having held senior positions both in industry and academia with a particular focus on oncology and rare diseases.

Mark Enyedy joined the Board in June 2021 as an independent Non-Executive Director. Mr Enyedy is currently President and Chief Executive Officer and a Director of ImmunoGen, Inc., a NASDAQ-listed biotechnology company. Mr Enyedy has extensive corporate development experience in the US, UK and globally and is a member of the Board of Directors of the Biotechnology Innovation Organization (BIO), the world's largest advocacy organisation representing the biotechnology industry in the US and globally.

The appointments of Dr Keltner and Mr Enyedy are fully aligned with our strategy to develop our commercial and corporate presence in the USA as we continue to build our global specialist leadership position.

Post period end, we announced that John Dawson, CBE has joined the Ergomed Board as an independent Non-Executive Director and Chair of the Audit Committee. Mr Dawson is a highly experienced and globally respected figure in the healthcare sector and was most recently Chief Executive Officer of Oxford Biomedica plc, widely recognised for the successful delivery at unprecedented speed of the Oxford/AstraZeneca COVID-19 vaccine. Mr Dawson's wealth of international experience in the healthcare industry and expert knowledge of the life science sector will be invaluable as the Group continues to grow.

Ian Johnson left the Board in April 2021, followed by Rolf Soderstrom in September 2021, to pursue other business interests. We thank them both for their service to Ergomed and we wish them well in all their future endeavours.

Leadership and Staff

In 2021 we continued to execute our strategy to further strengthen the leadership team across all sections of the business as Ergomed continued to establish its status as an employer of choice for leaders in the pharmaceutical services sector. We were pleased to welcome to Ergomed and PrimeVigilance a number of senior executives with significant prior experience in the CRO, PV and pharma services sectors across a range of disciplines and specialisms, including our therapeutic focus areas of oncology and rare disease; global project management; strategy and drug development; medical affairs; and quality assurance. We have continued to make key new senior appointments in the current year, further augmenting our leadership and expertise. Alongside our existing strong team, these new hires will enhance the quality, speed and professionalism of our service delivery to our clients, as the scale and complexity of our global services continue to expand.

There has been continued strong growth in the number of colleagues working for Ergomed businesses around the world. During the year, the number of employees grew by 225 from 1,146 to 1,371, an increase of 20%. Following the year end, this growth in employment has continued, both on an organic basis and because of the acquisition of ADAMAS Consulting Group Limited.

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

Summary

Our successful operational execution in 2021 and the resulting strong financial performance reflect the dedication and commitment of all our colleagues as well as the robustness of our business model, as we continued to deliver growth through a period impacted by the pandemic. I would like to express my sincere gratitude to all Ergomed colleagues around the globe for their outstanding contribution during 2021, and I would like to thank our investors for their continued support.

Our robust order book, track record of delivery and the clear demand for our offering in a growing market creates an exceptionally strong platform for organic growth and continued geographic and service expansion through M&A during 2022. We remain extremely confident in Ergomed's future as a leading global provider of pharmaceutical services.

Miroslav Reljanović
Executive Chairman

28 March 2022

Responding to COVID-19

Over the past two years, Ergomed's business model has shown its resilience to the impact of COVID-19. Despite the challenges faced by restrictions of movement for employees, clients and patients, Ergomed has continued to strive with increases in revenue across its CRO and PV divisions.

Keeping our people safe

We continue to support our workforce working remotely where practical and utilising the best possible technology. Our essential workers continue to support clients and patients. We provide equipment and training to enable our staff to continue a flexible work arrangement and help address their family needs during these ever changing times.

Maintaining client service

As well as working with study sponsors to enable remote monitoring and maintain patient safety, we also ensure that we have regular communication with sponsors and study-specific COVID-19 risk management plans established. In many cases these procedures were a natural extension of the remote processes already trialled and established in Ergomed's operations.

Maintaining patient safety

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

Resistant business model

Ergomed has complementary CRO and PV businesses such that where patient access and recruitment in CRO was negatively impacted, the regulatory, compliance nature of the PV business meant that it remained consistent.

The business is focused on rare disease and oncology and as a result of the critical nature of these trials, they are among those areas least affected.

Use of remote and centralised clinical trial management technologies and monitoring activities enabled continued patient recruitment and monitoring. Patient profile software provided a holistic view of patients in an interactive, real-time environment allowing the progression of early phase studies. Existing IT systems were already configured for full-company remote working.

The combined CRO and PV marketing and business development functions were able to quickly focus sales efforts on supporting the industry's efforts to find COVID-19 treatments and vaccines.

Current Outlook

The restriction of movement, caused by the COVID-19 pandemic, forced many industries to move to a more digitalised approach to work. Whilst the global vaccination roll-out has seen many Ergomed employees return to the office, the pandemic has also illustrated the effectiveness of flexible working and the opportunities this can bring. The investment in technology by Ergomed has ensured that remote working can be a viable and effective solution where required.

Over 2021, Ergomed has also observed the CRO sector return to pre-pandemic levels of activity. The digitised system for client trial management and patient monitoring activities that evolved during COVID-19 will continue to be utilised alongside site-based methodologies.

Our business model

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

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

GLOBAL COVERAGE

Ergomed has a comprehensive global network of PV and CRO experts.

SPECIALIST KNOWLEDGE AND EXPERTISE

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

LONG-TERM CLIENT RELATIONSHIPS

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

TECHNOLOGY

Ergomed continues to invest in technology to provide a more valuable service to clients and flexible work environment for colleagues across the CRO and PV businesses.

RECOGNISED BRANDS

The Ergomed group includes the Ergomed Clinical Research and PrimeVigilance brand, both of which are highly visible within the mid-tier CRO and PV markets. The recently acquired ADAMAS brand is also well recognised in the industry as a leading provider of mission-critical regulatory compliance and consulting services.

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

WHAT WE DO

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

CRO services

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

PV services

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

Underpinned by

STRATEGIC ACQUISITIONS

We have completed nine acquisitions since IPO in mid-2014, including one in 2022 and two in 2020, demonstrating our ability to successfully identify and integrate businesses. The acquisition of ADAMAS in 2022 will strengthen Ergomed's premium consulting services but also increase our global reach; particularly across North America, Europe and Asia.

Complementary capabilities

- Ergomed's comprehensive range of services in both the PV and CRO sectors are complementary and allow it to support pharmaceutical and biotechnology companies through all phases of clinical development, post-approval pharmacovigilance and medical information services. The newly acquired ADAMAS business will further complement these offerings providing quality assurance and quality management services on a global basis.

Experienced leadership

See **page 50**

Patient advocacy

See **page 43**

Governance

See **page 52**

...and create value for our stakeholders

CLIENTS

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

COLLEAGUES

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

SUPPLIERS

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

PATIENTS AND COMMUNITIES

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

INVESTORS

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

See more details on **pages 34 to 37**

Our Strategy

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

Strategic objectives

GROW

- Outpace CRO and PV market growth by leveraging brand strengths
- Providing outstanding service to all our customers' clinical trial outsourcing, pharmacovigilance and quality assurance requirements
- Continue to realise pharmacovigilance and clinical research synergies and cross-selling opportunities

BUILD

- Augment organic growth with strategic and selective acquisitions
- Integrate recent acquisitions to enhance global coverage and service offering
- Strengthen geographical footprint through expansion to developing regions

INVEST

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

"2021 was a year of excellent operational and strategic execution for Ergomed. We achieved significant organic growth within our target markets and built upon our recent successful acquisitions."

Miroslav Reljanović, Executive Chairman

2021 performance

Revenue CAGR last six years
25%+

Adjusted EBITDA growth in 2021
31%

Number of new clients acquired through the ADAMAS acquisition
100

2021 Ergomed order book
£239.7m

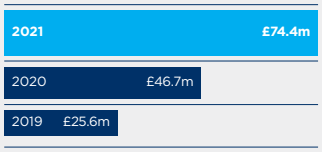
Number of staff recruited or added during 2021
225

Number of cases processed
300,000+

2022 focus

- Realise pharmacovigilance and clinical research synergies and cross selling opportunities available as a result of recent acquisitions
- Differentiate service through a focus on quality led by expert professionals
- Integrate the ADAMAS acquisition to enhance Ergomed's operational presence in North America, Asia and Europe
- Enhance Ergomed's global presence through organic and acquisitive growth
- Carefully review and consider acquisition opportunities which are complementary and accretive
- Continue to realise growth through the recruitment and training of our people
- Provide a world class service through investment in technology and digital transformation to enhance client and patient service

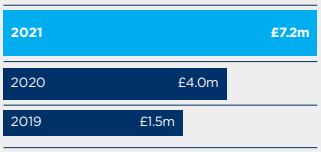
Strategy in action



North America revenue growth

£74.4m

2020: £46.7m



Asia revenue growth

£7.2m

2020: £4.0m

GROW

Geographical expansion and integration

With revenue CAGR of over 25% since the initial public offering in 2014, Ergomed has established a strong track record of growth across both its CRO and PV businesses. This growth has been driven through establishing trusted customer relationships, a differentiated service specialising in oncology and rare disease, our market-leading pharmacovigilance service and expertise, and our highly experienced and professional staff.

During 2021, Ergomed's North American business grew by 59.5% as a result of both organic growth and the acquisition of Ashfield PV and Medsource in 2020. Ergomed's Asian business also grew by 79% following our increased geographical presence in Japan and Asia region. Further revenue growth is expected across North America, Asia and Europe following the acquisition of ADAMAS.

Ergomed is committed to sustaining future growth through increasing its geographical coverage as well as synergies and cross-selling opportunities arising from its established CRO and PV activities. This will continue to be supported and supplemented through further strategically aligned acquisitions.

Cross-selling opportunities

By offering CRO and PV services Ergomed is able to assist clients in managing clinical development from 'first patient', through to regulatory approval, quality audits and post-marketing studies. The complementary business streams and combined CRO and PV marketing and business development functions have facilitated enhanced cross-selling opportunities and client retention. In 2021, total cross-selling awards were £8.0 million, with over £32.7 million of further opportunities in the business development pipeline at the end of the year. The recent acquisition of ADAMAS will offer further cross-selling opportunities and synergies in 2022.

ADAMAS at acquisition

- Revenue £8.5m[1]
- Adjusted EBITDA £1.8m[1]
- 100 new clients
- 60 staff

[1] year ended 31 December 2021

MedSource at acquisition

- Revenue $19.3m[2]
- Adjusted EBITDA $0.9m[2]
- Over 20 new clients
- 110 US based staff

[2] year ended 31 December 2020

BUILD

Successful integration of MedSource and acquisition of ADAMAS

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

At the beginning of 2022, Ergomed was pleased to announce the acquisition of ADAMAS, a well-established, leading provider of mission-critical regulatory compliance and consulting services. The acquisition will further enhance Ergomed's global reach with its existing presence in UK, Europe and Asia.

In 2021, Ergomed integrated MedSource, a December 2020 acquisition, offering operational coverage in the strategically important North America market.

Acquisition of ADAMAS

ADAMAS is an international specialist consultancy provider acquired on 9 February 2022 for £25.6 million. The acquisition of ADAMAS aligns with Ergomed's strategy to grow its existing profitable services business both organically and through acquisition and advances a number of important objectives for Ergomed, including:

Complementary specialisms

ADAMAS is highly complementary to Ergomed's existing services; offering a full range of independent quality assurance services and specialising in the auditing of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems.

Geographical growth

ADAMAS will further enhance Ergomed's global reach through its operational presence in North America, Europe and Asia.

Acquisition of MedSource

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

In order to accelerate the full integration of all CRO activities under the Ergomed CRO brand, the management of Ergomed plc and MedSource concluded a revised earn-out and settlement agreement on 23 July 2021, which resulted in a final cash payment of $3.8 million that was paid in two Instalments of $1.9 million on 02 August 2021 and 10 September 2021.

Number of staff recruited or added during 2021

225

Number of cases processed

300,000+

INVEST

Investment in people, recruitment and training

Investing in our people is at the forefront of delivering our vision. Over 40% of our workforce has a PhD, MD, or advanced degree qualifications. Continued training and personal development are critical to staff development, retention and delivering excellent client service.

During the year Ergomed designed and delivered eighteen key training programmes focused on personal development, leadership, line management, technical knowledge and soft skills. These were attended by 984 learners who completed over 2,600 hours of training. Additionally, all our staff attended mandatory data protection and privacy training.

Further, Ergomed's team of experts ran seven webinars covering a range of subjects pertinent to both the CRO and PV sectors. These free webinars, open to staff and external participants, received over 3,500 registrations.

As Ergomed grows, we continue to attract highly experienced talent. In 2021 we recruited several senior people from industry; in CRO, in PrimeVigilance and across multiple corporate departments. We brought in over 30 individuals into 'Vice-President', 'Senior Director' or 'Director' positions. These individuals bring with them many years of experience and knowledge. Together with our existing management teams, they will further support our international growth. During 2021 we welcomed 225 new members of staff across the globe and promoted over 370 members of staff, ensuring robust career progression.

Investment In technology

Ergomed is continuing to invest in technology and digital transformation to enhance client and patient services across its CRO and PrimeVigilance businesses. This includes the development of existing technologies as well as investment in new platforms to drive future opportunities and growth.

Technology driven trial execution

In 2021 Ergomed CRO fully implemented its clinical trial management system driving operational quality and efficiencies. It also enhanced the capabilities of its risk-based quality management system to enhance trial management and site engagement.

To build on these capabilities and support growth, future investments in technology will be focused in five key areas; global workforce mobility, clinical trial informatics, telehealth, patient engagement and concierge, decentralised and virtual trials.

In addition Ergomed CRO will continue to invest in developing strategic partnerships to accelerate delivery of enhanced service offerings to our international client base.

Digital transformation in drug safety capabilities

As the drive towards automation continues across the industry, PrimeVigilance has continued to invest in developing technology capabilities and strategic partnerships with industry leading vendors to enhance our pharmacovigilance services. In 2021, PrimeVigilance substantially advanced its consolidation and migration of safety databases onto a new platform with completion expected in 2022. It also enabled automation features across multiple systems and continues to enhance its signal detection and global literature review capabilities. The combination of these activities continues to advance our digital strategy and further enhance our service offerings.

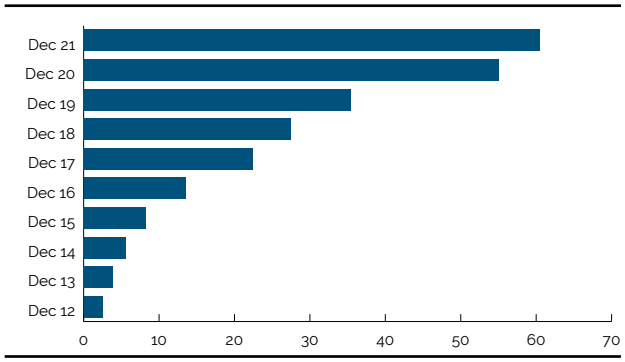
Operational review

Pharmacovigilance Services ('PV')

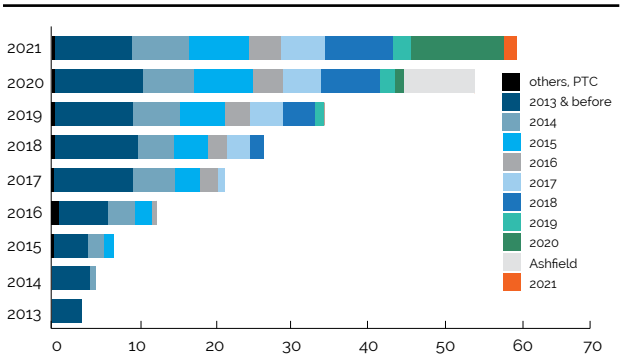
PRIMEVIGILANCE

Despite the ongoing challenges of the COVID-19 pandemic, Ergomed demonstrated resilience and maintained its momentum in 2021. The Group has begun 2022 from a position of strength, with a robust financial platform and a proven growth strategy, ensuring that we are well-positioned to achieve the longer-term strategic priorities of the business.

Consistent growth
PV revenue (£m)



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



Regulatory Context

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

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

Financial Performance

Organic growth in PrimeVigilance saw revenues increase by £5.4 million from £55.1 million in 2020 to £60.5 million in 2021 (9.9% increase, 14.2% on a constant currency basis). Gross margins continued to be strong for the PV business at 50.9% in 2021.

PV revenue

£60.5m

2020: £55.1m

Contracted PV order book

£110.4m

2020: £79.8m

Management and Staff

The business continued to invest in its employees to support its geographical expansion, with over 350 employees being promoted during the year. PrimeVigilance employs around 60 physicians, 650 pharmacists and other life sciences professionals and 30 in-house EU/ UK Qualified Persons for Pharmacovigilance ('QPPVs') covering more than 60 countries. This constitutes one of the largest qualified teams of PV specialist professionals in any independent pharmaceutical services business globally and it continues to grow.

The breadth and depth of staff and professionals supporting PrimeVigilance is reflected in the quality of services provided. Testament to this is PrimeVigilance's high customer renewal and retention figures and the fact that PrimeVigilance participated in over 180 regulatory inspections and audits, representing a more than 53% increase compared to the previous year.

Technology Investment

During the year, PrimeVigilance strengthened its partnerships with its key technology vendors, upgrading its case management and signal detection systems and deploying more regulatory gateways.

Constantly evolving regulations, geographic expansion, investment in technology and people, combined with the strength of the PrimeVigilance brand, mean that our pharmacovigilance business is well placed to continue delivering its growth strategy into 2022 and beyond.

New legal entity and regional office established in Japan

PrimeVigilance Japan KK, is based in Tokyo and offers a comprehensive range of pharmacovigilance services, including a dedicated Japanese safety database. Full Japanese language Medical Information services are also provided.

The office was established in response to increasing client demand and provides existing and prospective international PrimeVigilance clients the opportunity to extend their product coverage into the strategically important Japanese pharmaceutical market, the fourth largest globally after the US, the EU and China. It also provides PrimeVigilance the opportunity to provide high quality specialist services to domestic Japanese companies.

Clinical Research Services ('CRO')

ERGOMED

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

Financial Performance

CRO total revenues, including MedSource, increased by £26.8 million from £31.3 million in 2020 to £58.1 million in 2021 (85.5% increase, 97.3% on a constant currency basis). Excluding MedSource the CRO divisional revenue increased by £7.9 million from £30.2 million in 2020 to £38.1 million in 2021 (26.2% increase, 33.2% on a constant currency basis).

Rare Disease and Oncology Focus

Ergomed's CRO business works across all therapeutic areas, as a specialist provider of clinical trial services with a particular strength in patient recruitment in oncology and rare disease trials.

Oncology trials are generally complex, although this varies with the type of cancer, and studies are often confronted by challenges including low patient enrolment, changing regulatory requirements, increased research costs and trial protocols with increased study-related procedures. This helps to explain why oncology trials receive the highest levels of funding and makes the case for outsourcing to CROs which are better positioned to address these challenges. Ergomed's expertise and focus on oncology supports its CRO growth strategy and is evidenced by the fact that over 90% of new business wins in 2021 related to oncology and rare disease, where similarly specialist expertise is also required.

Rare disease development is one of the fastest growing areas of drug development, accounting for approximately 30% of compounds in development. Ergomed has continued to strengthen relationships with biopharmaceutical sponsor companies, patient advocacy groups, technology innovators and service providers to accelerate rare disease drug development.

Patient and Clinician Focus

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

In addition, rare diseases are frequently misdiagnosed or undiagnosed. Many rare diseases also impact infants and young children and more than 50% of rare disease patients are children. Ergomed adopts a patient-centric approach, working closely with patient advocacy groups

CRO revenue
£58.1m
2020: £31.3m

Contracted CRO order book
£129.3m
2020: £113.2m

throughout development to fully understand patient and care giver needs. Greater patient engagement optimises clinical study design, outcome measures and endpoint development and Ergomed maintains a Patient Organisation Advisory Board, comprising representatives of patient groups in the field of rare diseases with a dedicated Patient Engagement Officer.

COVID-19

Although the pandemic continued to disrupt the CRO market during 2021, Ergomed's CRO business demonstrated continued robustness and resilience. Clinical trials in rare disease and oncology, sectors in which Ergomed specialises, are focused on critical unmet clinical needs and were therefore among the therapeutic areas least disrupted by COVID-19.

Restrictions on movement and patient access accelerated the trend towards remote monitoring, an area which Ergomed was already leading. During the pandemic, Ergomed successfully implemented remote and risk-based monitoring techniques, allowing clinical trial activities to continue even when physical access to sites was not possible.

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

Business Development and Commercial Integration

A strong business development performance in 2021 resulted in net awards increasing by 40.3% to £165.3 million (2020: £117.8 million). Key to new contract wins in both CRO and PV services was Ergomed's broader geographic footprint arising from expansion into the USA and Asia. As a result, the order book increased to £239.7 million at the year end, up 24.2% over the course of 2021.

Outlook

Ergomed made excellent progress in delivering its strategy in 2021, despite the challenges of the COVID-19 pandemic. The resilience and robustness of our global services business was demonstrated by our continued strong organic growth in both our pharmacovigilance and CRO businesses.

We have started 2022 in a strong position and post year end completed the acquisition of ADAMAS, an international specialist consultancy offering a full range of independent quality assurance services and specialising in the auditing of pharmacovigilance systems. The acquisition broadens our service offering and supports our vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

For and on behalf of the Board of Directors

Miroslav Reljanović
Executive Chairman

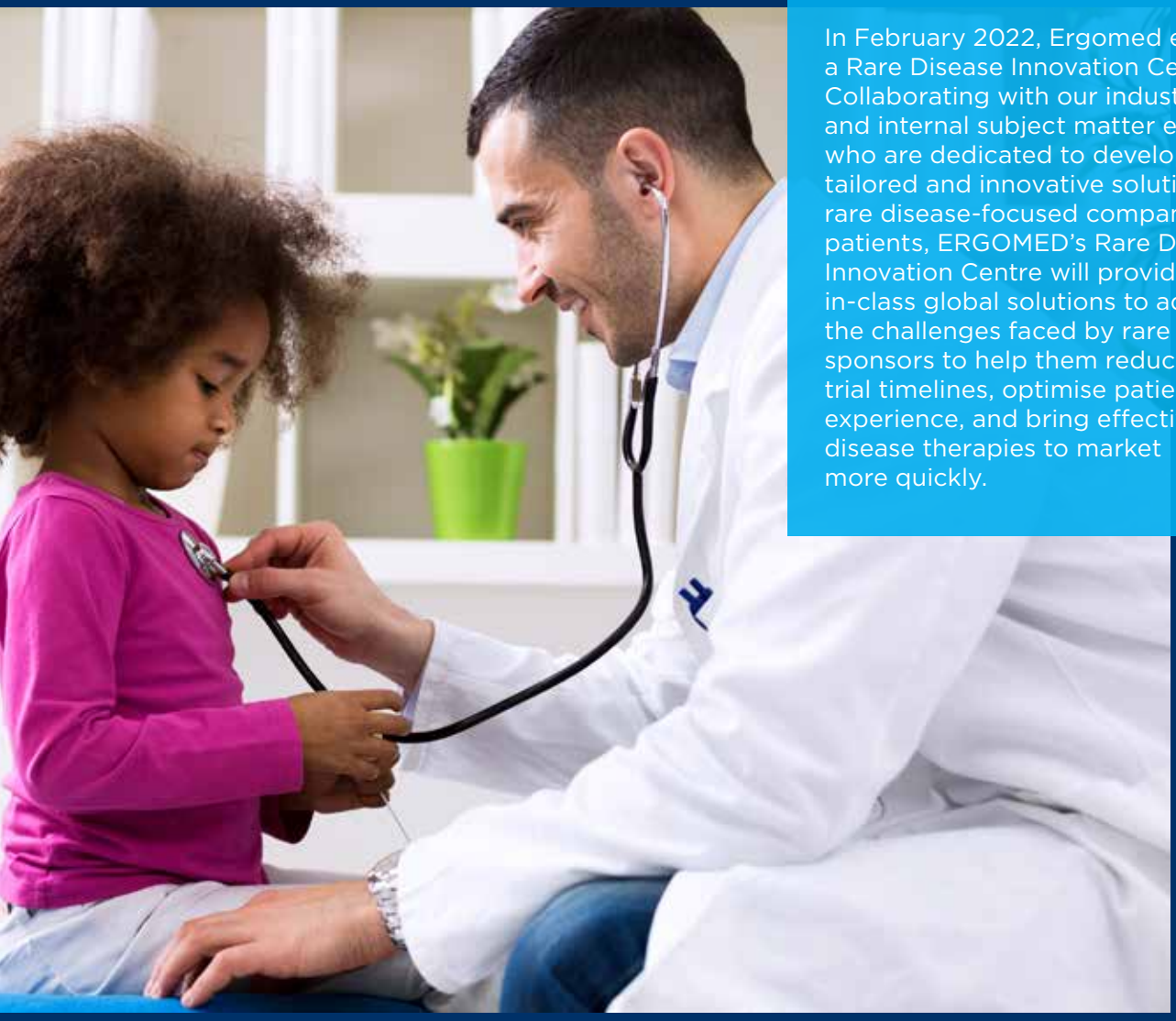
28 March 2022

Our Values in action

Ergomed has a strong corporate culture guided by a common set of six core values. They help us deliver our mission to bring expertise to deliver medicines our world can trust, and better serve our stakeholders.

COLLABORATIVE PARTNERSHIPS

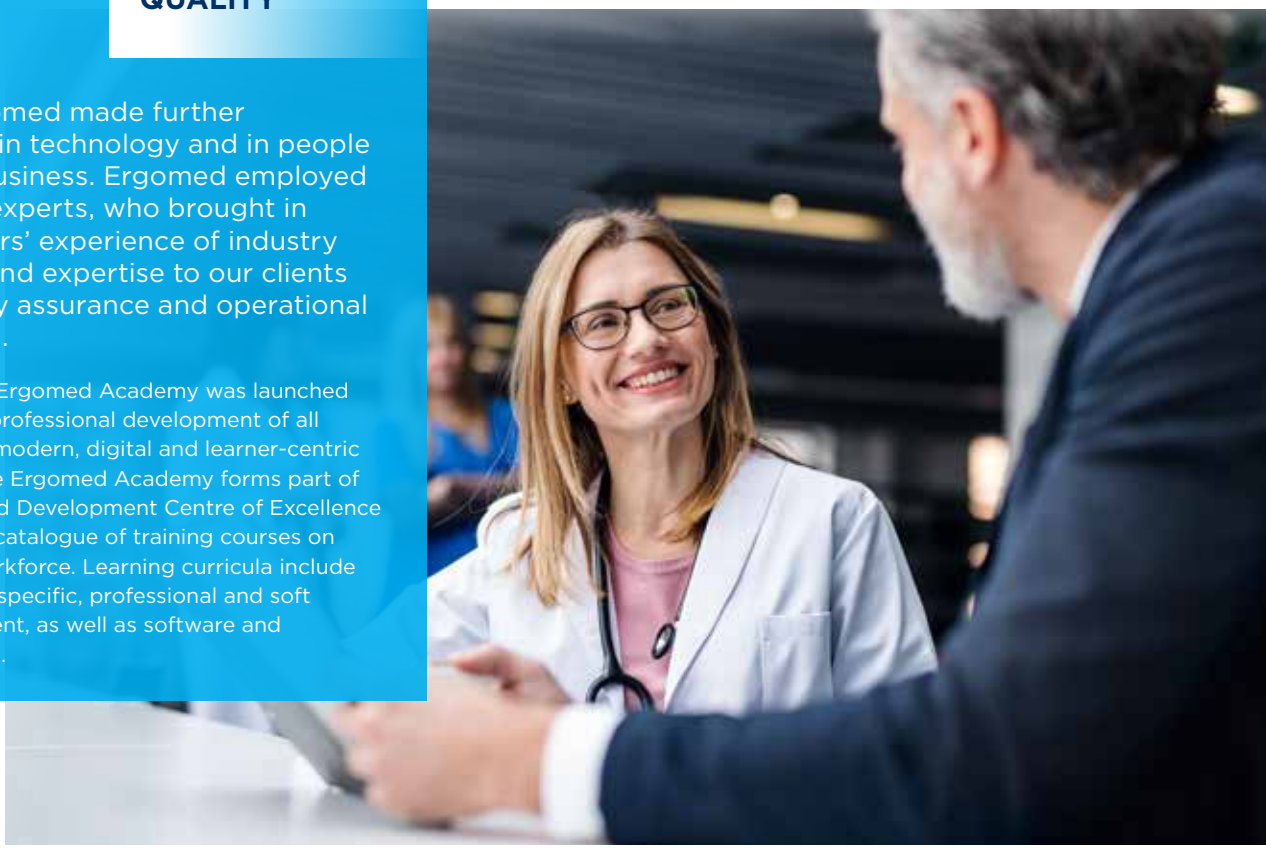
In February 2022, Ergomed established a Rare Disease Innovation Centre. Collaborating with our industry partners and internal subject matter experts, who are dedicated to developing tailored and innovative solutions for rare disease-focused companies and patients, ERGOMED's Rare Disease Innovation Centre will provide best-in-class global solutions to address the challenges faced by rare disease sponsors to help them reduce clinical trial timelines, optimise patient experience, and bring effective rare disease therapies to market more quickly.



QUALITY

In 2021, Ergomed made further investments in technology and in people across the business. Ergomed employed senior level experts, who brought in over 100 years' experience of industry knowledge and expertise to our clients within quality assurance and operational departments.

In addition, the Ergomed Academy was launched to support the professional development of all staff through a modern, digital and learner-centric programme. The Ergomed Academy forms part of our Learning and Development Centre of Excellence and has a wide catalogue of training courses on offer for our workforce. Learning curricula include leadership, role specific, professional and soft skills development, as well as software and systems training.



OUR VALUES SHAPE ALL THAT WE DO

INTEGRITY & TRUST

We hold ourselves to the highest level of ethical standards, ensuring honesty and transparency in everything we do. Our decisions follow sound, moral principles, that create the foundation of mutual trust and allow our staff to be empowered and accountable.

AGILITY AND RESPONSIVENESS

We are flexible, adaptable and responsive to meet our clients' needs whilst having patient safety at the forefront of everything we do.

QUALITY

We strive for the highest quality in all of our activities, by creating a culture of continuous improvements and efficiencies. Our employees are supported with training and development to ensure our high standard is maintained.

DRIVE & PASSION

We go the extra mile. We are proud and passionate about making a difference to patients' lives across the world and strive to improve public health.

BELONGING

We are an organisation built on diversity and inclusion and we create a community amongst our workforce and partners. We are one team that supports each other to achieve our goals.

COLLABORATIVE

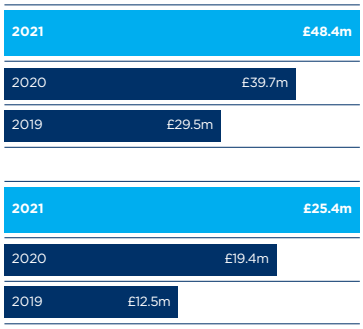
Your business is our business.

We build strong and respectful relationships, both with our clients and our colleagues, driving towards common goals to deliver the best solutions for drug development and patient safety.

Financial review

Firmly positioned to trade strongly into improving markets

Ergomed delivered a strong financial performance in 2021, exceeding market expectations. The Group's complementary CRO and PV divisions demonstrated considerable resilience throughout the pandemic and are emerging in a robust position.



Gross profit

£48.4m

2020: £39.7m

Adjusted EBITDA

£25.4m

2020: £19.4m

The Group ended the 2021 financial year in a robust financial position, and this has continued into the beginning of 2022. With continuing strong sales in the second half of 2021 building on the new awards success achieved in the first half, the closing order book was at a record high level at 31 December 2021, underpinning visibility for the achievement of management's revenue growth targets for 2022 and beyond. The rapid integration of MedSource, which was completed ahead of schedule, substantially expanded and accelerated our access to a larger client base with significantly enhanced potential for cross-selling. The Group's strong balance sheet comprises net assets of £67 million, up more than a quarter on the prior year. Our strong cash conversion and working capital base, with substantial unutilised bank facilities available, provide support for organic investment and growth in future years, as well as enabling us to continue our disciplined M&A strategy.

Post period end, the acquisition of ADAMAS Consulting Group Limited is expected to be immediately accretive to Ergomed's future earnings, with the potential for further growth synergies. Ergomed is well positioned for further organic growth and strategic M&A and expects to continue to trade strongly into growing global pharmaceutical research and development markets.

"Ergomed is well positioned with a strong financial foundation for growth in global markets."

Richard Barfield, Chief Financial Officer

KPIs and APMs

Key Performance Indicators (KPIs)

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

£ millions (unless otherwise stated)	2021	2020
Total revenue	**118.6**	86.4
CRO	**58.1**	31.3
PV	**60.5**	55.1
Gross profit	**48.4**	39.7
Gross margin	**40.8%**	45.9%
EBITDA	**19.7**	18.4
Adjusted EBITDA	**25.4**	19.4
Basic adjusted earnings per share	**41.1p**	25.8p
Cash generated from operations	**22.3**	19.0
Cash and cash equivalents	**31.2**	19.0
Order book	**239.7**	193.0

Alternative Performance Measures ('APMs')

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

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

In 2021, management also reviewed performance monthly on a constant currency basis. Constant currency is calculated by restating 2021 performance using 2020 exchange rates for the relevant period. Constant currency allows management to review underlying performance without the impact of foreign exchange.

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

	2021 £000's	2020 £000's
Operating profit	**14,624**	13,534
Adjusted for:		
Depreciation and amortisation charges within 'Other selling, general & administration expenses'	**3,447**	3.511
Amortisation of acquired fair valued intangible assets	**1,599**	1,332
EBITDA	**19,670**	18,377
Adjusted for:		
Share-based payment charge	**817**	742
RDEC income (2017)	**–**	(527)
Employment creation grants - Serbia	**–**	(307)
Acquisition costs	**1,776**	853
Earn-out consideration	**2,949**	–
Pay in lieu and non-compete compensation	**211**	232
Adjusted EBITDA	**25,423**	19,370

Earn-out consideration relates to the cash component of deferred consideration paid on an accelerated basis to the sellers of MedSource, under the terms of the purchase agreement. These costs, together with acquisition costs, pay in lieu and non-compete compensation are cash costs but are not considered as normal recurring trading items and therefore are not included in adjusted EBITDA. 2017 RDEC income and grants received were not considered as normal recurring income items and therefore were not included in adjusted EBITDA.

Adjusted basic earnings per share is calculated on a similar basis to basic earnings per share but uses a profit measure which, like adjusted EBITDA, is adjusted for non-recurring trading items (see note 9 of the financial statements).

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

Financial review continued

Basic adjusted earnings per share

41.1p

2020: 25.8p

Cash generated from operations

£22.3m

2020: £19.0m

Contracted order book

£239.7m

2020: £193.0m

Growth

The strong trading performance seen in Ergomed's complementary Clinical Research Services (CRO) and Pharmacovigilance (PV) businesses during the first half of 2021 continued through to the year end. This has resulted in a strong order book going into 2022, providing significant visibility for the upcoming period.

Revenues for 2021 were £118.6 million on a reported basis, an increase of 37.3% over prior year (2020: £86.4 million), exceeding market expectations despite continuing FX headwinds. On a constant currency basis revenues were £124.7 million, an increase of 44.3% over 2020.

The CRO division, including MedSource acquired in December 2020, saw total revenue increase by 85.5% from £31.3 million in 2020 to £58.1 million in 2021 (up 97.3% in constant currency). Excluding MedSource, the CRO division revenue increased by 26.2% from £30.2 million in 2020 to £38.1 million in 2021 on a reported basis and by 32.7% to £40.2 million on a constant currency basis.

The PV division saw revenues increase by 9.9% overall to £60.5 million (2020: £55.1 million) on a reported basis and by 14.2% to £62.9 million on a constant currency basis.

The reported 37.3% revenue growth and effective cost management delivered an increase in gross profit from £39.7 million in 2020 to £48.4 million in 2021. The Ergomed CRO business represented a higher proportion of total revenues in 2022 than in 2021, whilst its service fee gross margin at 46.1% on a constant currency basis remained at the same level as in the prior year (2020: 46.3%). However, higher levels of pass-through revenues across the CRO division arising from the rapid growth of our US business caused gross margin on total CRO revenues to decline overall. In PrimeVigilance, service fee gross margin in 2020 at 52.5% was lifted by increased case numbers due to COVID-19 and returned to normal levels in 2021 at 51.2%. As a result of these factors, reported overall gross margin reduced from 45.9% in 2020 to 40.8% in 2021.

Effective cost management resulted in selling, general and administration expense falling from 28.5% of revenue in 2020 at £24.6 million in 2020 to 23.4% of revenue at £27.7m in 2020.

The strong revenue growth, continued focus on profitability and effective cost control in 2021 resulted in adjusted EBITDA for 2021 of £25.4 million, an increase of 31.2% over the prior year (2020: £19.4 million).

Financial Strength

The growth in revenue and profitability achieved during 2021 led to strong cash generation at an operating level. Cash generated from operations was £22.3 million, an increase of £3.3 million over the prior year (2020: £19.0 million).

The Group's balance sheet continued to strengthen. Cash and cash equivalents increased by £12.2 million to £31.2 million (2020: £19.0 million) and the Group was debt free at the year end. This was after cash payments of £2.9 million in August 2021 relating to the earn-out consideration payments for MedSource acquired in December 2020, following its accelerated integration ahead of schedule.

As a result of this and the generation of distributable reserves, the consolidated retained earnings account of the Group stood at £59.1million at the end of 2021 an increase of £13.7 million over the retained earnings of £45.4 million reported in 2020.

Ergomed plc has a strong balance sheet with net assets at 31 December 2021 of £67.2 million up 27.2% on prior year (2020: £52.9 million) and total assets of £106.0 million (2020: £92.3 million).

Outlook

With a robust business model and strong execution, Ergomed is emerging strongly from the challenging environment of the COVID-19 pandemic. Trading in the current year is in line with the Board's expectations. The Group is well positioned in the resilient and fast-growing rare disease, oncology and pharmacovigilance sectors and has a strong financial foundation through which it can grow in these global markets.

Richard Barfield
Chief Financial Officer

28 March 2022

Responsible business

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

Our approach to ESG

Ergomed has planned, managed, monitored and reported over 700 Phase I-IV clinical trials with a range of technologies that include small molecule drugs, monoclonal antibodies and other targeted agents as well as cancer vaccines, immunotherapy, radioactive agents, photodynamic therapies, and more recently, COVID-19 vaccines. As part of the accurate and timely monitoring of drug safety, Ergomed globally processed over 300,000 patient cases per annum.

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

Our strategy benefiting our stakeholders

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

Stakeholder engagement

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

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

Our main stakeholders	Their material issues	How we engage
Patients and Communities	• Safety • Security and privacy of data • Engagement and compassion	Our staff, systems and processes are focused on ensuring patient safety as our number one priority. Our legal and operations team are regularly implementing processes and continually monitoring our compliance with data privacy. We are particularly focused on patient engagement in our clinical trials and appoint a Patient Engagement Officer. Our individual offices support a variety of local charities, with a focus on those related to healthcare.
Investors	• Financial performance • Alignment of long-term goals • Regulatory compliance and good governance	We regularly communicate with our shareholders through a variety of channels: public announcements and press releases using the London Stock Exchange's Regulatory Information News Service ('RNS'), analyst briefings, face-to-face meetings with significant institutional shareholders, presentations at investor conferences and press interviews. We also continually update our website (www.ergomedplc.com). This is the primary source of information about the Group, giving an overview of activities and detailing all recent announcements, significant developments, presentations, webinars and press interviews and our Annual Reports. We seek feedback from investors through direct interaction between the Executive Chairman and Chief Financial Officer at meetings following our interim and final results. There is also regular dialogue with shareholders via the Company's nominated adviser and corporate broker, Numis Securities. We encourage all our shareholders to attend our Annual General Meeting, which provides a forum and time for shareholders to meet the Board and ask questions. Unfortunately, due to the COVID-19 pandemic, we were unable to hold a face-to-face Annual General Meeting during 2021, but at the timing of writing we hope to welcome investors to our 2022 AGM in person. In addition, the Company seeks to stay abreast of shareholder expectations and reactions through its dedicated investor email address: ir@ergomedplc.com.

Section 172

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

In this section 172 statement we have set out how Ergomed's Directors considered these matters in their decision making during 2021. Please also refer to 'Our strategy benefiting our stakeholders' on page 33 for a summary of how Ergomed's strategy benefits its employees, suppliers, customers and community.

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

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

Augmenting organic growth with strategic and selective acquisitions continued to be a key pillar of Ergomed's strategy during 2021. Ergomed's Board members have a wealth of collective experience in M&A, both strategically and from an execution and integration perspective. Board discussions on potential M&A opportunities focus not only on strategic fit, but also on the post-acquisition integration process, in order to enable the long-term success of the acquired entity within the Ergomed Group. During 2021 the Board received regular reports on the integration process relating to the MedSource business, and Board discussion focused not only on the status of the integration progress, but also on lessons learned that could be carried over into future acquisitions.

Ergomed's strategy is also committed to investment in people and technology, in order to attract the best people worldwide and maintain a robust platform from which to develop long-term growth as a provider of specialised pharmaceutical services. The Board considers and discusses management updates on both human resources and technology at every scheduled Board meeting. The Board supported investment to strengthen Ergomed's management teams during 2021, particularly in the US, and over 30 individuals joined the Group in senior operational and corporate roles, bringing with them many years of experience and knowledge.

B. The interests of the Company's employees

Ergomed's Board and management teams continued their efforts to ensure employee health and safety during the COVID-19 pandemic, and health and safety reports were presented at each scheduled Board meeting in 2021.

As 2021 progressed, the Board provided a sounding board for management's initiatives to ensure employees felt well supported and to stay ahead of the phenomenon of post-pandemic turnover. These initiatives included the implementation of a global hybrid working policy, a review of line management structures and enhanced mentoring programmes, as well as mental health initiatives such as the introduction of a wellbeing app available to all employees. There was also further investment in Ergomed's Learning & Development function, and during the year Ergomed designed and delivered eighteen key training programmes focused on personal development, leadership, line management, technical knowledge and soft skills.

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

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

During 2021, the Board has continued to support the development of a combined CRO and PV marketing and business development function within the Group. One of the key client benefits of this combined function has been the ability to cross-sell the Group's professional services between our CRO and PV clients and support them with a 'one-stop shop' provision. The acquisition of ADAMAS, which completed in February 2022, is expected to advance this cross-selling potential even further. 2021 also saw the start of an operational project to train project managers to become more commercially aware, enabling them to identify possible cross-selling opportunities.

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

The Board is proud to support Ergomed's mission of bringing expertise to deliver medicines our world can trust as part of the global healthcare community. In the 'Responsible business' section of our Strategic Report, we share the ways in which Environmental, Social and Governance matters are at the centre of Ergomed's strategy.

Ergomed's culture is centred around our patient community. Ergomed believes that the progress and wellbeing of patients and the local community go hand in hand with the growth of the Group. This is demonstrated through activities such as the Patient Organisation Advisory Board, podcast releases on "The Voice of the Patient", graduate placements through local universities, voluntarily presenting and teaching at clinical research and PV conferences and symposia, and most recently the announcement of the Rare Disease Innovation Centre which seeks to optimise patient experience in the Rare Disease sector.

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

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

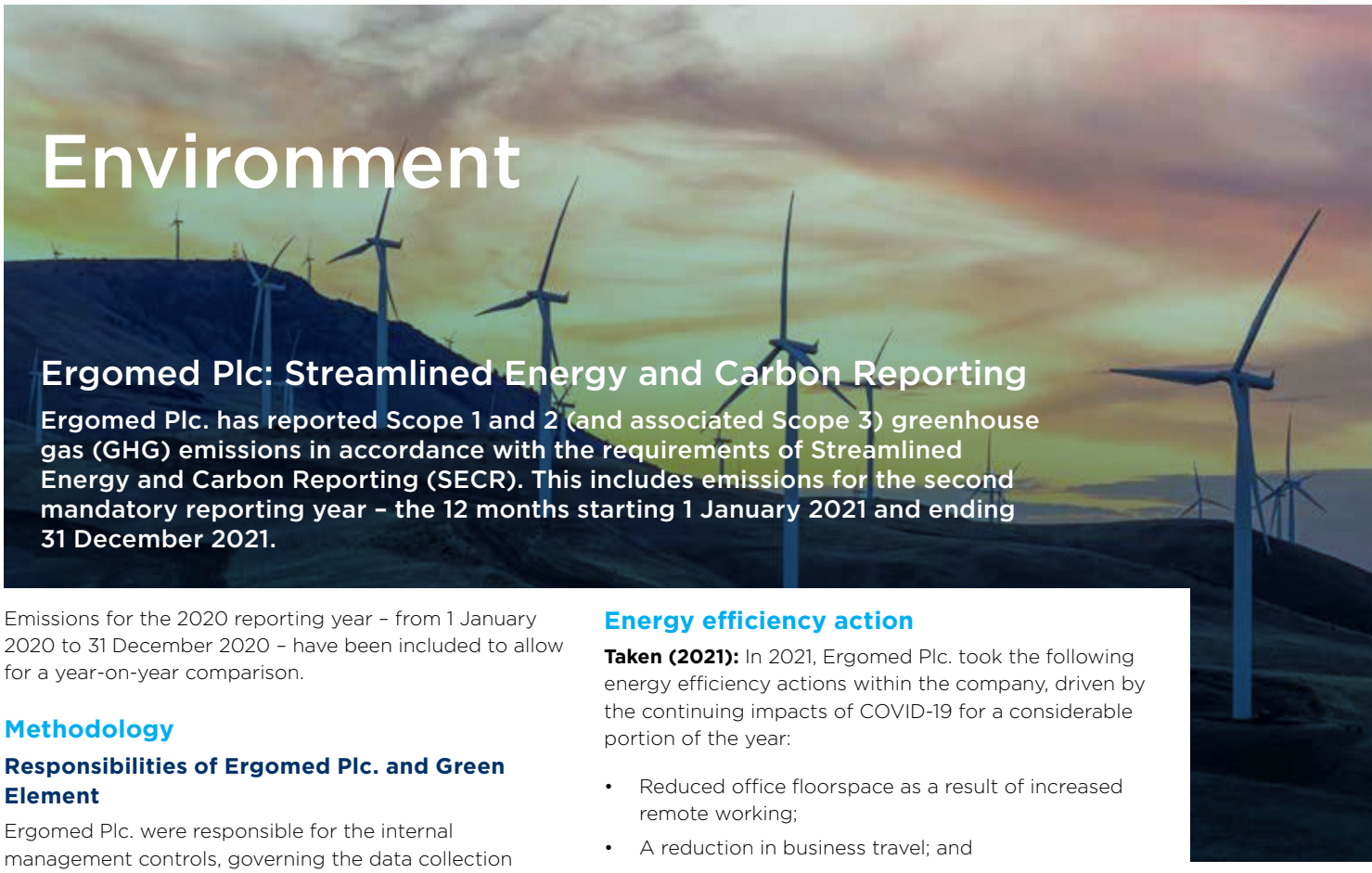
It is the Board's belief that Ergomed can only fulfil its strategic goals by maintaining the very highest standards of business conduct. These high standards are already embedded within Ergomed's professional culture as a provider of specialist services to the pharmaceutical industry. Ergomed operates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

The Group's corporate governance and risk management processes, which are overseen by the Board, and reviewed on a regular basis, are set out in more detail in the Strategic report on pages 44 to 49 and the Governance report on pages 52 to 61. During 2021, the Board approved revised Anti-Bribery and Whistleblowing Policies which meet Ergomed's need to maintain the highest standards of business ethics globally and particularly in the strategically important US market, and which include the implementation of an external whistleblowing hotline.

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

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

During 2021, the Board supported the initiative to enhance Ergomed's internal investor relations function, as a result of which Keith Byrne was appointed as Senior Vice President, Capital Markets and Strategy in early 2022. The Company has also continued its efforts to bolster communication with its retail investor community, and our Executive Chairman and CFO have each provided interviews to publications with a retail investor focus. A selection of these interviews can be found on the Group's website at www.ergomedplc.com.



Environment

Ergomed Plc: Streamlined Energy and Carbon Reporting

Ergomed Plc. has reported Scope 1 and 2 (and associated Scope 3) greenhouse gas (GHG) emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting (SECR). This includes emissions for the second mandatory reporting year – the 12 months starting 1 January 2021 and ending 31 December 2021.

Emissions for the 2020 reporting year – from 1 January 2020 to 31 December 2020 – have been included to allow for a year-on-year comparison.

Methodology

Responsibilities of Ergomed Plc. and Green Element

Ergomed Plc. were responsible for the internal management controls, governing the data collection process and any estimations or extrapolations. Green Element was responsible for the data aggregation, GHG calculations and the emissions statements. Emissions were calculated according to the Greenhouse Gas Protocol Corporate Greenhouse Gas Accounting and Reporting Standard.

Scope and subject matter

The report includes sources of environmental impacts under the operational control of Ergomed Plc. This includes one active subsidiary company in 2021:

- PrimeVigilance Ltd.
- Haemostatix Ltd. closed in August of 2020, and therefore is included in the 2020 reporting only.

GHG Sources Included in the Process:

GHG sources included in the process:

- **Scope 1:** Natural gas, and diesel for electricity generation.
- **Scope 2:** Purchased electricity (location-based method and market-based method).
- **Scope 3:** Business travel in employee owned or hired vehicles.
- Types of GHG included, as applicable: CO_2, N_2O, CH_4, HFCs, PFCs, SF_6 and NF_3. The figures were calculated using DEFRA conversion factors, expressed as tonnes of carbon dioxide equivalent (tCO_2e).

Energy efficiency action

Taken (2021): In 2021, Ergomed Plc. took the following energy efficiency actions within the company, driven by the continuing impacts of COVID-19 for a considerable portion of the year:

- Reduced office floorspace as a result of increased remote working;
- A reduction in business travel; and
- Reduced energy requirements in Ergomed Plc. office spaces as a result of remote working.

Planned (2022): In 2022, Ergomed Plc. is planning the following to enhance energy efficiency within the company:

- Encourage employees to use Ergomed Plc.'s technological capabilities instead of business travel where practical;
- Promote the use of electric or hybrid vehicles (for overseas leased vehicles); and
- Focus on encouraging low carbon alternative modes of transport (eg rail travel) to reduce business travel in employee vehicles, which would lead to a reduction in fuel consumption.

Company Streamlined Energy and Carbon Reporting (SECR) 2021 mandatory reporting (in tCO_2e), as follows:

Streamlined Energy and Carbon Reporting (SECR)	UK 2021	UK 2020	% Year-on-Year Difference
Energy consumption used: (kWh)			
Electricity (kWh)	**119,866**	164,521	-27.1%
Gas (kWh)	**324**	222	46.1%
Transport fuel (kWh)	**-**	-	-
Other energy sources (kWh)	**71,264**	67,442	5.7%
TOTAL	**191,455**	232,185	-17.5%
Emissions (tCO_2e)			
Scope 1			
Emissions from combustion of gas	**0.06**	0.04	45.6%
Emissions from combustion of fuel for transport purposes	**-**	-	-
Scope 2			
Emissions from purchased electricity – location-based*	**25.45**	38.36	-33.6%
Emissions from purchased electricity – market-based**	**30.93**	50.70***	-39.0%
Scope 1 & 2			
Total Scope 1+2 emissions (location-based method)	**25.51**	38.40	-33.6%
Total Scope 1+2 emissions (market-based method)	**30.99**	50.74***	-38.9%
Scope 3			
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	**17.53**	16.72	4.9%
Emissions from upstream transport and distribution losses and excavation and transport of fuels – location-based	**14.09**	13.36	5.4%
Emissions from upstream transport and distribution losses and excavation and transport of fuels – market-based	**12.12**	16.57***	-26.8%
Total location-based tCO_2e	**57.13**	68.48	-16.6%
Total market-based tCO_2e	**60.65**	84.03***	-27.8%
Intensity Ratios:			
Revenue £m	**71.45**	60.39	18.3%
Intensity ratio: tCO_2e from Scope 1, 2 and 3 / £m (location-based)	**0.80**	1.13	-29.5%
Intensity ratio: tCO_2e from Scope 1, 2 and 3 / £m (market-based)	**0.85**	1.39	-39.0%
Number of full-time employees within financial year (FTE)	**118**	115	2.6%
Intensity ratio: tCO_2e from Scope 1, 2 and 3 / FTE (location-based)	**0.48**	0.60	-18.7%
Intensity ratio: tCO_2e from Scope 1, 2 and 3 / FTE (market-based)	**0.51**	0.73	-29.7%
Methodology	GHG Protocol Corporate Accounting and Reporting Standard.		
Certification and External Verification	Calculated and verified as accurate by Green Element Limited and Compare Your Footprint Limited, UK.		

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

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

***Updated figure due to a revision of the market-based reporting method, in accordance with the GHG Protocol.

Environment continued

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

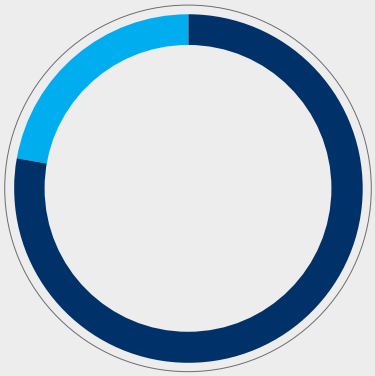
Although optional, emissions for the 2019 reporting year – from 1 January 2019 to 31 December 2019 – have been included to produce year on year comparisons. This has been presented as an additional table below.

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

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

Social

Gender diversity in management roles



Women	78%
Men	22%

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

40%

Employees attending internal training sessions

>1000

Colleagues

Our strength lies in our talented people. Our professional staff portfolio is exceptional, with over 40% of our workforce with PhD, MD, or advanced degrees.

We employ over 1,350 employees and contractors across 24 offices worldwide. We have significantly grown the number of people employed by the business over the past few years and this growth is a product of organic and inorganic activity.

In 2021, we grew organically in Asia and Eastern Europe, opening an office in Japan and Bulgaria. Through our Global on-boarding programme, our internal team of Human Resources Business Partners continually work with the business to ensure all new staff are successfully onboarded, have access to support networks, tools and resources.

Social continued

Through our mentoring programmes and internal project support mechanisms, we enable each new member of the team to meet their personal development and growth objectives, deliver in their respective roles and meet our business goals. The Talent Acquisition team maintain a healthy pipeline of recruitment allowing us to continue to quickly engage high-quality talent and meet our growth objectives.

We strive to make our workplace more diverse and inclusive to enable us to better serve our customers worldwide. We believe our values and strong multi-cultural teams support our Culture, giving us a competitive advantage, which in turn leads to our organisational success. Everyone in the organisation has access to our multi-cultural training programmes to broaden their horizons. We are proud of our management level gender mix with 78% of these roles held by women, perfectly matching the wider all staff 78% female to 22% male gender mix.

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

Ergomed's Human Resources organisation implemented Centres of Excellence to deliver best in class, cost-effective and efficient solutions to our staff.

Employees' expectations are evolving and they want an overall employee experience that fits more seamlessly into their lives. At Ergomed, we are continually looking at ways to listen to staff, to adapt and offer an employee experience where employees are reminded of moments that matter. Through our recognition programmes and stay interviews we open up channels for peer to peer recognition, obtain valuable feedback and suggestions from our staff to have a robust methodology to collect feedback and implement changes that are in the best interests of our people. We understand that a positive employee experience improves attraction, retention, engagement, and productivity. We engage with our staff; we listen, identify priority areas and collaborate with the teams to implement solutions and are proud to have high participation rates in our surveys. A great employee experience is when employee needs and organisational strategy meet.

COVID-19 and our colleagues

It is a privilege to lead our employees around the world who work every day to earn our customers' trust and help them succeed. We've long recognised the importance of prioritising our employees' physical and emotional well-being and that of their families. During the the COVID-19 pandemic, our focus has been employee safety and well-being. We rapidly adapted to the new norms worldwide; our teams have shown excellent results, working remotely supported by the best possible technology. We have listened to our staff and have implemented a global hybrid working policy, enabling our people to lead a well-balanced life and continue to be successful as professionals and as people.

Our employees showed resilience in adversity; we did not have any redundancies or furloughs or receive any government grants or loans to see us through this immensely difficult period. We have increased our mental health offerings to help staff cope with this crisis and the significant and long lasting change that has resulted.

Patients and Communities

Patients and Communities

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

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

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

Webinars & Patient Organisation Advisory Board

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

In 2021, the Patient Organisation Advisory Board launched its first podcast "The Voice of the Patient" to highlight the importance of a patient focused approach for all stakeholders in the clinical trial process.

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

Our team of experts ran seven free webinars during 2021 with over 3,500 registrations. Topics covered in these webinars were as follows:

- The impact of Brexit on Pharmacovigilance
- Early involvement of patients in pharmaceutical research and development for rare diseases
- The impact of Covid-19 on Pharmacovigilance
- Pharmacovigilance agreement guidance webinar
- Implementation of compassionate use programmes for heterogenous regulatory environments
- Pharmacovigilance advanced learning: Aggregate reports guidance
- Navigating the path towards decentralised trials in oncology – from technology to AI

Rare Disease Innovation Centre

In 2022, Ergomed also announced the establishment of its Rare Disease Innovation Centre. Rare diseases impact around 300 million people worldwide. For each disease, clinical trial sponsors face major challenges due to the rarity of patients, coupled with issues such as a limited pool of experienced investigators, heterogeneity of indications, lack of established endpoints, and poorly understood natural history.

The Rare Disease Innovation Centre is a consortium of innovative industry-leading partners and internal subject matter experts dedicated to developing tailored and innovative solutions for rare disease-focused companies and patients. Ergomed's Rare Disease Innovation Centre will seek to address the challenges faced by rare disease sponsors to help them reduce clinical trial timelines, optimize patient experience, and bring effective rare disease therapies to market more quickly.

Risk management

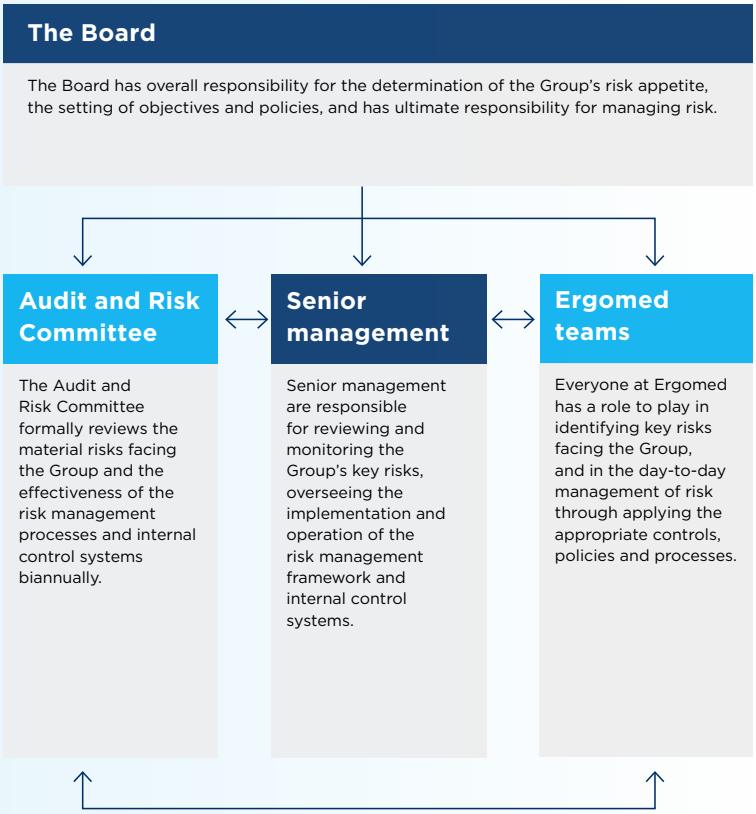
Internal control and risk management

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

Risk management framework

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

Given the nature and size of the Group's operations and its continued expansion through organic growth and acquisitions, the Board keep the risk management framework under review.



Internal control systems

Control environment and procedures

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

Identification and evaluation of risks

Business unit leaders are responsible for collating and maintaining a risk register of their department's risks. Risks are quantified by likelihood and potential impact. Departmental risk registers are reviewed by Ergomed's Executive team on a quarterly basis and collated into a Group risk register. Material risks from the Group risk register are reviewed by the Audit and Risk committee bi-annually and raised with the Board as appropriate.

Financial information

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

Principal risks and uncertainties

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

Trend direction: Increased risk | No change | Decreased risk | New risk

Risks	Movement	Responses to mitigate the risks
Cancellation or delay of clinical trials or projects by customers including as a result of COVID-19 Customers may cancel or delay proposed clinical trials or PV projects at short notice. This may be exacerbated by the COVID-19 pandemic and the direct impact it has had on access to patients and the operational and financial stability of many businesses within the sector. The cancellation or delay of a clinical trial or PV project may result in Ergomed having underutilised staff resource and reduced profitability.		The COVID-19 pandemic has affected all parts of society, and initially, impacted the CRO sector as clinical trials were delayed or cancelled. Rare disease and oncology trials were less impacted by the pandemic as continued treatment was critical to patient care. Ergomed's concentration in these sectors resulted in an initially lower impact on its operations. Since the start of COVID-19 and the initial reduction in activity in the CRO sector, Ergomed has observed the sector return to pre-pandemic levels of activity. Ergomed continues to carefully manage the primary risks of COVID-19 on its workforce and patient access through remote working and patient monitoring where necessary or practical. The terms of Ergomed's contracts seek to mitigate the impact of cancellation or delay by structuring standard study close-down procedures with the customer. PV contracts contain provisions for transition of services. Ergomed utilises resource management tools to ensure that it maximises the utilisation of its workforce.
Lower contracted order book realisation or conversion of sales pipeline to contract Changes to the scope of contracted activities, substandard customer service and poorly executed or overlooked contracted tasks could result in lower levels of order book to revenue realisation. High levels of customer competition from companies with larger market share or greater resources could reduce Ergomed's ability to convert pipeline business from new and existing customers into contracts or convert business at sub-optimal margin.		Simplified strategy to focus on CRO and PV service sectors and foster cross-development opportunities. Chief Commercial Officer ('CCO') leading the combined CRO and PV marketing and business development teams. Drive to provide high-quality services at competitive rates, drawing upon our differentiators in the marketplace. Combined and focused effort by project manager and business development teams on better customer service and maximising performance on contracted activities.

Principal risks and uncertainties continued

Trend direction: Increased risk | No change | Decreased risk | New risk

Risks	Movement	Responses to mitigate the risks
Significant regional or national event (pandemic, natural disaster, conflict or terrorism) The occurrence of a regional, national or worldwide event such as a pandemic, natural disaster, conflict or act of terrorism resulting in significant and prolonged disruption to operations, including staff welfare, operational site access, IT systems and infrastructure, commercial contract performance and senior leadership and Board ability to effectively communicate and direct the business. In late 2021 and into 2022 there has been an escalation in political and territorial tensions between Ukraine and Russia. Ergomed currently has employees and business activities located in both countries. During 2020 and into 2021 the Group's staff and operations were impacted by the COVID-19 pandemic. From the start of 2022 Ergomed has observed the impact of the disruption to staff and operations lessening in the regions which it operates and are hopeful for this trend to continue. In 2021 Ergomed's offices in Croatia were directly impacted by two earthquakes and the resulting aftershocks. Fortunately no staff were injured, and the offices only suffered minor damage. Operations were able to continue as normal using remote working.		The increasing political and territorial tensions between Ukraine and Russia is not expected to significantly impact Ergomed's business activities. However, the Group is taking steps to ensure that appropriate protections are in place to safeguards its employees in the region. The following key mitigating actions were taken in 2021 and into 2022 in response to COVID-19. Generally speaking, the actions taken by the Company are relaxing in line with the general global government trend of relaxing regulation: • Continued protection of staff health through restricted office opening and to the use of remote working where possible or necessary. • Increased site hygiene vigilance. • Remote clinical trial monitoring and PV case processing where possible or necessary. • Lower levels of business travel in accordance with global government restrictions to reduce transmission risk. The Group's business continuity plans apply if access to office sites is restricted due to pandemic, natural disaster, conflict or terrorism. The Group has established a process for contacting colleagues during and after an event to check their, and immediate families' well-being.
Quality and third party oversight ('TPO') Failure to maintain adequate quality, governance and oversight of internal and third party operations, and failure of third parties to meet their contractual, regulatory, confidentiality or other obligations, could lead to contractual breaches and/or regulatory non-compliance resulting in the loss of clients. This could adversely affect the Group's growth and profitability strategy. More generally, Ergomed operates in an environment which is subject to detailed and complex regulation.		Ergomed maintains a highly professional Quality Assurance team that manage our audit universe for Systems and Vendors. A strategic audit policy is developed and runs on a three-yearly basis and outlines the tactical audit plan for each year. This audit programme checks on all aspects of compliance on a structured basis. Prior to engagement with third parties we ensure necessary documents are in place such as Confidentiality Agreement, Anti-Corruption/ Bribery, Conflict of Interest/Competition, etc., and conduct a thorough prequalification audit. Our vendor assessment and qualification process confirm experience, competency and capacity to deliver services to satisfactory levels. Furthermore, performance is evaluated on a continued basis to ensure complete oversight and compliance of contracted services. In addition, Ergomed's processes are regularly subject to both client and external compliance audits.

Risks	Movement	Responses to mitigate the risks
Information security The failure to effectively secure information technology systems from unauthorised use or access. Unauthorised information technology system use or access could result in consequences which damage the Group's ability to effectively discharge its statutory and contracted obligations. The consequences of unauthorised use or access to these system could include: the inability to access business critical systems, damaged or compromised data including personal data), breach of customer contract, reputational damage, regulatory bans, financial penalties and liability for damages.		The technologies and techniques deployed by cyber criminals continue to advance and Ergomed continues to develop its robust internal policies and procedures to ensure the protection of personal data, and to ensure compliance with data privacy laws, and protection from unauthorised use and access. All employees undergo regular training and procedures are tested to ensure that the safeguards in place are appropriate and robust. The physical and virtual security of information includes controls over: access, availability, transfer and input as well as the separation of data processing for different purposes. The Group aims to apply industry best practices as part of our data privacy and information security policies, processes and technologies and invest in strategies that are commensurate with the changing nature of the security threat landscape. This includes appropriate levels of insurance, including cyber-risk.
Information technology transformation COVID-19 has been a catalyst for the accelerated transformation of information technology to support new and secure ways of working, including increased pressure on information technology departments and technology systems to virtualise business capabilities and supporting services. Failure to address this demand and to create modern flexible technology solutions that allow the business to scale, geographically expand and deliver to the expectations of the new demands of the global workforce could inhibit its ability to attract the right staff and effectively deliver business growth.		Ergomed has developed a strategic roadmap of technology innovation to support its business strategy that targets the enhancement of both its client service delivery portfolio and its ability to work in a dynamic and changing global operating model. The plan looks to deliver both effectiveness, accessibility and flexibility to address the business and workforce requirements. The further development of internal information technology, technology skills and external partnerships, and a deliberate move to cloud services and personal based working in an access anywhere model, are core targets for the business in delivering a modern and flexible enablement platform to mitigate this risk.

Principal risks and uncertainties continued

Trend direction: Increased risk | No change | Decreased risk | New risk

Risks	Movement	Responses to mitigate the risks
Access to capital The Group's ability to pursue its acquisition and organic growth strategy and meet shareholder expectations is dependent upon its access to capital (through debt or equity) and shareholder sentiment and support.		During the year the Group generated cash of £12.2 million and built up a cash and equivalents balance of £31.2 million at the year end. The Group continued to hold undrawn debt facilities of £30 million. On 9 February 2022 the Group confirmed it had acquired ADAMAS Consulting Group Ltd for £25.6 million of cash and drew down £15 million of its facility with HSBC to fund the acquisition. Immediately after the acquisition the Group held cash and cash equivalents in excess of £20 million.
Retention of senior and key employees The Group has observed an increase in staff resignations in 2021 and early 2022 as a result of a general global trend for employees to seek alternative opportunities ('The Great Resignation'). The Group's ability to effectively operate and deliver its strategy is dependent upon the retention of senior and key employees. Loss of these employees can significantly disrupt customer relationships, increase existing staff workload and lower staff morale.		With the support of senior management and Human Resources (HR), the Remuneration Committee continues to develop its strategy for identifying, retaining and motivating key and senior employees. This is done through a mix of short and longer-term financial and non-financial incentives to ensure that employees are motivated in line with shareholder interests, including the use of long-term incentive plan ('LTIP') awards with three-year vesting periods designed to improve retention. During 2021 a detailed salary benchmarking exercise was concluded across the various roles and regions in which Ergomed operates. This exercise resulted in staff salaries being uplifted in line with local pay scales and helped mitigate the impact of higher inflation and retain staff. Additional benefits including increased annual leave were offered to help balance the work-life interface and retain staff.
Dependence on a limited number of key clients A significant proportion of the Group's revenue is derived from a relatively small number of clients. The percentage of the Group's total revenue generated by the top five clients in the year ended 31 December 2021 was 24% (2020: 21%). The loss of any client which represents a significant proportion of Ergomed's revenue could have a negative impact on operating results and cash flows.		A significant part of the business development team's focus is the generation of leads and requests for proposals from new clients to diversify the Company's customer base. The Company's organic growth combined with acquisitions is diversifying the client base. There has been a combined and focused effort by project manager and business development teams to enhance customer service and maximise performance on contracted activities, especially for key customer accounts.

Risks	Movement	Responses to mitigate the risks
Data privacy The failure to collect, secure, use and destroy personal information in accordance with applicable data privacy laws, including as a result of unauthorised information disclosure, could result in consequences which damage the Group's ability to effectively provide its contracted services. Ergomed is a global business, and as data privacy legislation grows internationally, it may become more difficult for the Group's clients to transfer clinical trial and other personal data to the Group for processing in the UK, EU, US or other jurisdictions.		Ergomed has robust internal policies and procedures to ensure the protection of personal data and to ensure compliance with data privacy laws and protection from unauthorised access. All employees undergo regular training and procedures are tested to ensure that the safeguards in place are appropriate and robust. The physical and virtual security of information includes controls over: access, availability, transfer and input as well as the separation of data processing for different purposes. The Group aims to apply industry best practices as part of our data privacy policies, processes and technologies and invest in strategies that are commensurate with the changing nature of the landscape. This includes appropriate levels of insurance including cyber-risk. Well-established procedures were and remain available under the General Data Protection Regulation ('GDPR') to permit the transfer of personal data outside the EU which, although requiring certain additional administrative steps, allow continued transfers of data to be made to the Group in the UK in compliance with GDPR requirements. Ergomed appointed an EU GDPR representative and all entities and affiliates have signed the Intercompany Personal Data Processing Agreement which safeguards the transfer of data between different Ergomed Group entities (worldwide).

Board of Directors

Dr Miroslav Reljanović
Executive Chairman

N

Experience

Miroslav has held several senior physician appointments in clinical trials as a consultant neurologist and served as a consultant to major international pharmaceutical companies. He introduced the novel Study Site Coordination model as an intrinsic part of the conduct of clinical studies.

In 1997 he founded Ergomed and in 2008 he cofounded PrimeVigilance. Miro led Ergomed through a successful IPO on the London Stock Exchange AIM in July 2014 and since then has led the Group through the subsequent completion of eight acquisitions and a secondary offering.

Qualifications

Miroslav is a medical doctor and a board-certified neurologist.

Previous appointments

Miro was previously a physician in a large WHO Collaborating Centre in Zagreb. He has also previously served as a Director of Asarina Pharma AB (listed on the Nasdaq First North Exchange) and Modus Therapeutics Holding AB.

Richard Barfield
Chief Financial Officer

Experience

Richard joined Ergomed in June 2019 and has more than 25 years' experience at Chief Financial Officer level in the healthcare, technology and business services sectors in US multinational companies as well as in UK-listed and private equity-backed businesses. His expertise includes turnarounds, fundraisings, acquisitions and disposals, and he has extensive international experience.

Qualifications

Richard is a Chartered Accountant Fellow and holds a bachelor's degree in modern languages.

Previous appointments

Richard has proven experience within the clinical research services sector, having most recently been Chief Financial Officer at Chiltern International Ltd from July 2013 to March 2018, which was a leading global mid-tier private CRO. Richard has also held roles as Chief Executive Officer, Chairman, and Audit Committee Chairman at various UK-listed companies as well as serving as a Board member of an NHS Foundation Trust.

John Dawson
Chair of the Audit and Risk Committee

A

Experience

John Dawson is a highly experienced and globally respected figure in the healthcare sector. Most recently, he was Chief Executive Officer of Oxford Biomedica where, during his 13-year tenure, the business grew into a global market leader in viral vector technologies for cell and gene therapy, delivered multiple high value partnerships and successfully manufactured the life-saving Oxford/AstraZeneca COVID-19 vaccine. Under John's leadership, Oxford Biomedica's success resulted in it entering the FTSE 250 index in 2020. John was subsequently awarded a CBE for services to UK life science, in recognition of the unprecedented speed and success at which Oxford Biomedica delivered the COVID-19 vaccine.

Qualifications

John holds a BSc in Mathematics from Swansea University and is a Chartered Accountant.

Previous appointments

Prior to Oxford Biomedica, John held various senior executive roles including at Cephalon Pharmaceuticals where for most of his tenure he was Managing Director for Europe. Prior to this, he served as the Financial Director for Serono before its acquisition by Merck.

Committee membership key

A Audit & Risk
N Nomination
R Remuneration
— Chair

Mark Enyedy
Independent Non-Executive Director

R

Experience
Mark brings more than 25 years of senior leadership experience in the biopharmaceutical sector, including executive management, corporate development and legal roles, across multiple therapeutic areas with a focus on rare diseases and oncology. He is currently President and Chief Executive Officer and a Director of ImmunoGen, Inc., a publicly-traded biotechnology company, where he oversees strategy and operations. He is also a Director of the Biotechnology Innovation Organization (BIO), The American Cancer Society and LogicBio Therapeutics, Inc. (Nasdaq: LOGC).

Qualifications
Mark holds a J.D. from Harvard Law School and a B.S. from Northeastern University.

Previous appointments
Mr Enyedy served in various executive capacities at Shire plc, including as Executive Vice President and Head of Corporate Development, a role in which he negotiated and integrated the multi-billion dollar acquisitions of NPS Pharmaceuticals and Dyax Corp. and oversaw the $32 billion combination with Baxalta, Inc. Mr Enyedy was also previously President of the Transplant, Oncology and Multiple Sclerosis division at Genzyme Corporation. He began his career as an attorney at Palmer & Dodge, a Boston-based law firm where his practice focused on representing bio-pharmaceutical, high technology, and energy companies in M&A, licensing, and financing transactions.

Dr Llew Keltner
Independent Non-Executive Director

A

Experience
Llew brings over 30 years of experience across the life sciences sector, holding various senior positions with a particular focus on oncology and rare diseases. He has extensive experience of public and private financings, M&A, the formation of strategic partnerships and numerous transactions in the CRO, biotech and pharma sectors. Llew holds the positions of Associate Professor at Case Western Reserve School of Medicine, and Director and Lecturer in Bioethics at Columbia School of Medicine. He is currently on the Scientific Advisory Boards of several life sciences companies across the United States.

Qualifications
Llew holds an MD and a PhD in Biomedical Informatics, both from Case Western Reserve University in Cleveland.

Previous appointments
Llew was Chairman of Raptor Pharmaceuticals Inc., a US rare disease company, where he led multiple financing rounds, product launches and the eventual sale of the Company to Horizon Pharmaceuticals in 2016. He was also a Director of Mannkind Corporation through its successful Nasdaq listing, and Immunovaccine Inc. through several successful fundraises.

Michael Spiteri
Independent Non-Executive Director

R A N

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

Qualifications
Michael has a degree in Mechanical Engineering.

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

Executive Chairman's governance statement

Miroslav Reljanović, Executive Chairman

Introduction

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

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

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

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

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

The Board of Directors

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

Meetings

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

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

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

Scheduled Board meetings take place four times a year, and it is usual for all Directors to attend. Scheduled Board meetings are ordinarily face-to-face but have largely taken place by video conference in 2021, due to the COVID-19 pandemic. We hope to resume face-to-face Board meetings during 2022, subject to the status of the COVID-19 pandemic and the safety of our Directors. The Board also meets for a strategy meeting at least once a year, and from 2022 will meet for four additional informal telephone/video conferences per year, for the purpose of free discussion on key issues. In addition, the Board has telephone/video conferences or communicates via email on material matters that may arise throughout the year.

"At Ergomed we understand that good corporate governance benefits not only the Group and its shareholders, but also our colleagues, patients and communities. I am proud to support Ergomed's efforts to continually improve its standards of corporate governance."

Miroslav Reljanović, Executive Chairman

Board and committee meetings

Name	Notes	Number of meetings: Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings		4	3	4	1
Executive Directors					
Miroslav Reljanović		4/4	–	–	1/1
Richard Barfield		4/4	–	–	–
Non-Executive Directors					
Mark Enyedy	Appointed 10 June 2021	3/3	–	2/2	–
Ian Johnson	Resigned 28 April 2021	1/1	1/1	–	–
Llew Keltner	Appointed 28 April 2021 Appointed as Audit Committee member 10 June 2021	3/3	1/1	–	–
Rolf Soderstrom	Resigned 30 September 2021	3/3	3/3	3/3	1/1
Michael Spiteri		3/4	2/3	4/4	1/1

	Primary responsibilities
Executive Chairman	Lead and manage the Board and wider business, ensuring the Board's effectiveness and delivery of the Group's strategy through the senior management team.
Chief Financial Officer	Manage the Group's finance activities, support the Executive Chairman in delivering the Group's strategy and manage investor relations.
Non-Executive Director	Oversee the development and delivery of the Group's strategy, performance of senior leadership and the adequacy of governance policies and processes.

Governance focus areas

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

- Committed to the Group's disciplined M&A strategy and the acquisition of ADAMAS;
- Overseeing the integration of PrimeVigilance USA and MedSource;
- Ongoing review of Risk, Compliance and Corporate Governance processes;
- Implementation of share options administration system;
- Overseeing of key corporate policies; approving revised policies, anti-bribery and whistleblowing policies; and
- Formal, regular Board effectiveness evaluations.

Executive Chairman's governance statement
continued

Board meetings typically take half a day with one day of preparation time per meeting. Non-Executive Directors are required to spend a minimum of 12 days per year, and such additional time as is necessary, on Company business (including attendance at Board meetings), and Executive Directors are full-time employees. The table on page 53 shows the number of scheduled Board and Board Committee meetings held during the year to 31 December 2021 and the attendance of individual Directors at those meetings. There were further ad hoc meetings held when required.

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

Composition and independence

The Board is drawn from an international background, representing the international nature of the Group, and many clients' businesses. In 2021 we welcomed Dr Llew Keltner and Mark Enyedy to the Board, both experienced US-based Directors with an in depth understanding of our key strategic US market. Post year end we welcomed John Dawson, CBE as a Director on 9 March 2022 and expect John's extensive international experience in the healthcare industry will be invaluable as the Company continues to grow. The Board recognises that diversity is an important factor in ensuring stakeholder representation and promoting long-term shareholder value and supports an improved gender and cultural balance as an important goal.

The Board currently consists of two Executive Directors and four Non-Executive Directors. Biographical information for each Director and their contribution to the business is set out on pages 50 to 51. The Board considers Mark Enyedy, Llew Keltner, Michael Spiteri and John Dawson to be independent.

Appointment, removal and re-election

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

Ian Johnson and Rolf Soderstrom resigned as Directors in 2021 to focus on their other business interests, and the Board would like to thank Rolf and Ian for their service and wish them well in their future endeavours.

Induction and development

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

Communication with investors

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

Regular communication is maintained with our shareholders primarily through:

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

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders, especially considering the long-term nature of the business. Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and give feedback regularly throughout the year. With private shareholders this is not always practical and the Board uses the Company's Annual General Meeting as its main opportunity to meet with them. A presentation on the activities of the Group is given at each AGM, and following the presentation there is an opportunity for shareholders to ask questions of Directors on a formal and informal basis, and to discuss the development of the business.

The COVID-19 pandemic resulted in some disruption to the usual methods of investor communication, namely the Group's ability to hold 'in-person' meetings. The AGM held on 10 June 2021 was held as a closed meeting with shareholders invited to submit questions in advance of the meeting. Responses to shareholder questions were published on the Company's website. The Group successfully utilised virtual presentations for the 2020 year end preliminary results and 2021 interim results, which were received well. At the time of writing we hope we will have the opportunity to welcome shareholders to our 2022 AGM in person.

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

During 2021 we re-launched our Group website to make it easier for our key stakeholders, including our investors, to access information about the Company. Our Investor Portal was redesigned with improvements to user experience based around clearer signposting, a consolidated reports section (renamed our 'Results Centre'), and a calendar of financial events.

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

Board Committees

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

Audit and Risk Committee

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

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

The Audit and Risk Committee is composed of three Non-Executive Directors, all of whom are independent. It has been chaired by John Dawson since his appointment as a Director on 9 March 2022 and was chaired by Rolf Soderstrom during the 2021 financial year until his resignation as a Director on 30 September 2021. Michael Spiteri and Llew Keltner are the other members of the Committee. Ian Johnson served as a member of the Committee during 2021 until his resignation as a Director on 28 April 2021.

The Audit and Risk Committee's report for the 2021 financial year is set out on pages 58 to 61.

Nomination Committee

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

Miroslav Reljanović is the Chair of the Nomination Committee. Michael Spiteri is the other member of the Committee. Ian Johnson served as a member of the Committee during 2021 until his resignation as a Director on 28 April 2021.

Remuneration Committee

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

Michael Spiteri is Chair of the Remuneration Committee and the other member of the committee is Mark Enyedy. Rolf Soderstrom was a member of the committee until his resignation as a Director on 30 September 2021.

The Remuneration Committee's report for the 2021 financial year is set out on pages 62 to 65.

AGM

The Board values each AGM as an opportunity to communicate with private and institutional investors and welcomes their participation. At the time of writing we hope that, with the continued lifting of COVID-19 restrictions, it will be possible to hold our 2022 AGM in person, and that the Board will have the opportunity to meet with and engage with our shareholders at the AGM. Arrangements for the 2022 AGM will be announced via RNS and on the Company's website at www.ergomedplc.com in due course.

QCA Corporate Governance Code

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

	QCA Governance Principles	Explanation
1	**Establish a strategy and business model which promote long-term value for shareholders**	The Board is committed to delivering long-term value for Ergomed's shareholders. During 2021, Ergomed continued to implement its strategy to become a global leader in PV and specialist clinical trials. Please see 'Strategic Report' on pages 1 to 49 for further details.
2	**Seek to understand and meet shareholder needs and expectations**	Ergomed is committed to effective communication with all Ergomed's shareholders, both institutional and private. Details of how we communicate with our investors are set out on pages 54 to 55 ('Communication with investors'). Please see 'Stakeholder engagement' (pages 34 to 35) for details of how the Group identifies shareholder needs and engages with them.
3	**Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Please see 'Stakeholder engagement' (pages 34 to 35) for details of how the Group takes wider stakeholder needs into consideration. The Group has adopted policies to encourage an open and transparent corporate culture, including policies addressing anti-slavery, anti-bribery and whistleblowing, and a Supplier Code of Conduct. Please see 'Responsible business' (pages 33 to 43) for details of how the Group addresses key social responsibilities such as its impact on the environment and commitment to the well-being of patients and colleagues.
4	**Embed effective risk management, considering both opportunities and threats, throughout the organisation**	Please see 'Risk Management' (page 44) for details of the Group's risk management framework and processes and how these have been enhanced during 2021. Please see 'Principal risks and uncertainties' (pages 45 to 49) for details of the main risks and uncertainties which the Board considers to be associated with the Group's activities.
5	**Maintain the Board as a well-functioning, balanced team led by the Chair**	The Board is chaired by Miroslav Reljanović as Executive Chairman. Dr Reljanović founded Ergomed in 1997 and cofounded PrimeVigilance in 2008. He was CEO of the Company until June 2018, when he became Executive Vice-Chairman. He subsequently became Executive Chairman in January 2019. Dr Reljanovic has thorough knowledge and experience of the Group and the market in which it operates. The Board recognises that best practice in corporate governance is to ensure a clear division of responsibilities between the roles of Chair and CEO and continues to monitor investor feedback with regard to this on an ongoing basis. The Board is also composed of the CFO, Richard Barfield and four independent Non-Executive Directors, Michael Spiteri, Mark Enyedy, Llew Keltner and John Dawson who bring significant Boardroom experience in both executive and non-executive roles. The Board will continue to appoint additional independent Non-Executive Directors where possible. The biographies of all current serving Directors can be found on pages 50 to 51.
6	**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	The Directors collectively bring a broad range of business experience and skills to the Board, resulting in a wide variety of perspectives being represented in Board discussions. Please see 'Board of Directors' (pages 50 to 51) for a summary of the experience, skills and capabilities of Ergomed's Directors.

	QCA Governance Principles	Explanation
7	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	The Board carries out a formal internal evaluation of its performance on an annual basis. Recommendations from the Board evaluation carried out in 2021 included increased Board diversity and the Board will follow up on this recommendation during 2022. The need for external evaluation will be kept under review. The Board also considers the tenure of Board members and considers succession planning on a regular basis.
8	**Promote a corporate culture that is based on ethical values and behaviours**	Each Director places great importance on demonstrating ethical behaviours, both during the decision-making process, and in the implementation and communication of strategic decisions. Senior managers are also encouraged to lead by example in the promotion of ethical values and behaviours. Please see 'Responsible Business' (pages 33 to 43) for details of our corporate culture. Ergomed has been international from its very beginning and has always appreciated and accommodated different cultural experiences and values. Directors and employees of the Group are accustomed to collaborating in the interests of our business, whilst providing space for cultural differences. The Board promotes the involvement of local managers throughout the Group to integrate our core values with local cultural sensitivities. Our corporate culture is also based around our need to adhere to quality standards on our clients' behalf, and this focus on quality standards underlies our business processes. As a Group, we are subject to numerous external client and regulatory audits as well as internal audits of our operations and vendors.
9	**Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	Further details on our governance structure and the role of our Board Committees are set out on pages 50 to 51 ('Board of Directors') and 55 ('Board Committees') and in the 'Investor Portal' section of our website at www.ergomedplc.com. The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. A scheduled meeting calendar is arranged as far in advance as possible, and ad hoc meetings are held in person or by telephone when it is necessary for the Board to discuss specific matters outside of scheduled meetings.
10	**Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	Ergomed engages with its shareholders and other relevant stakeholders in a variety of ways, to ensure they understood how the business is governed and how it is performing. Please see 'Stakeholder engagement' (pages 34 to 35) and 'Communication with Investors' (pages 54 to 55) for details of how we engage with our shareholders.

Miroslav Reljanović
Executive Chairman

28 March 2022

Audit and Risk Committee report

John Dawson
Chair of the Audit and Risk Committee

Activities during the year

- **Reviewed the annual and half-year financial reports and related statements**
- **Discussed the key findings of the external auditors on the interim and annual financial statements**
- **Considered critical accounting estimates and judgments, in particular:**
  - **Revenue from contracts with customers**
  - **Carrying value of goodwill, intangible assets and co-development equity investments**
  - **Fair value assessments and accounting policies for the subsidiaries acquired**
- **Continued review and monitoring of risk, internal controls, compliance and corporate governance processes**
- **Reviewed and approved revisions to the treasury policy**
- **Oversaw the set up of constant currency reporting and agreed the use in external reporting**
- **Reviewed the adequacy of groupwide insurance policy coverage**
- **Reviewed the Group cyber security procedures and development**
- **Approved the scope of the external audit plan and audit fees**
- **Reviewed the objectivity and independence of the external auditor, KPMG, if and when providing non-audit services**
- **Continued review of all policies adopted by the committee**

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

I was appointed Chair of the Audit and Risk Committee on my appointment as a Director on 9 March 2022. The other members of the Audit and Risk Committee are Llew Keltner and Michael Spiteri.

All members of the Committee are Non-Executive Directors and are considered by the Board to be independent. Further details of the background, experience and qualifications of the Committee members are set out on pages 50 to 51.

The Chair of the Committee during the 2021 financial year was Rolf Soderstrom, until his resignation on 30 September 2021. Rolf Soderstrom chaired all meetings of the Audit & Risk Committee which took place in 2021. Under Rolf's stewardship, the Committee provided strong support to the executive team's drive for continuous improvement in controls, reporting and risk management. Ian Johnson was a member of the Committee before his resignation as a Director on 28 April 2021. On behalf of the entire Board, I would like to thank Rolf and Ian for their service to the Committee.

The Audit and Risk Committee has four scheduled meetings each year and may meet at other times during the year, as required. During the 2021 financial year the four scheduled meetings were consolidated into three meetings to accommodate member availability. Meetings are conducted in accordance with an annual agenda, which sets out the agenda items to be covered at each scheduled meeting, and which takes into account the recommendations of the QCA Audit Committee Guide.

It is customary for the external auditor, the Chief Financial Officer, the Group Financial Controller and the Head of Group Reporting to attend Committee meetings. At the invitation of the Committee, the Executive Chairman and other senior management may attend meetings as appropriate.

Details of the attendance of Committee members at Committee meetings are set out on page 53.

"The Audit and Risk Committee provides oversight of the risk management and financial performance of the Group."

John Dawson, Chair of the Audit and Risk Committee

Internal control and risk management

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

The Board, through the Audit and Risk Committee, reviews the effectiveness of the systems of internal control and management continues to invest significant time in further developing the Group's internal control environment. The key features of the internal control system are described below:

- **Control procedures and environment –** the Group has an organisational structure with clearly-drawn lines of accountability and authority. Employees are required to follow well-defined internal procedures and policies appropriate to the business and their position within the business and management promotes the highest levels of professionalism and ethical standards;
- **Identification and evaluation of risks –** the Group employs Executive Directors and senior management with the appropriate knowledge and experience required to provide professional services to the pharmaceutical industry. Identification and evaluation of risk is a continuous process, running in parallel with the significant organic and inorganic growth of the Group. As a Group, we assess risk on an ongoing basis, and specifically, when assessing contracts, projects or directions;

The Audit and Risk Committee's main responsibilities include:

- To satisfy itself as to the integrity of the financial statements and other formal announcements relating to the Group's financial performance, ensuring compliance with applicable accounting standards, regulations and rules;
- To review and approve any changes to accounting policies and significant reporting matters, estimates and judgements they contain;
- To monitor and review the effectiveness of the Group's internal financial controls and risk management policies and systems and to monitor and review the going concern status of the Group. A summary of the principle risks and mitigations are set out on pages 45 to 49;
- To regularly consider the need for the requirement of an internal audit function;
- To consider the Group's anti-bribery and whistleblowing procedures to ensure that employees can raise concerns, in confidence, about possible wrongdoing or malpractice;
- To satisfy itself of the independence and effectiveness of the external auditor, and to make recommendations to the Board in relation to the appointment and remuneration of the external auditor, and policy relating to their non-audit services; and
- To ensure that the audit services contract is put out to tender at least once every 10 years. The Company's current auditor, KPMG, were first appointed at the Company's AGM held on 12 June 2018.

Audit and Risk Committee report continued

- **Financial information –** the Group prepares detailed budgets and working capital forecasts annually. These are based upon the strategy of the Group and are approved by the Board. Detailed management accounts and working capital reforecasts are reviewed at least quarterly for each Board meeting, with any variances from budget investigated thoroughly and a summary provided to the Board. Annual Reports and any financial information transmitted to shareholders are reviewed by the Audit and Risk Committee prior to approval by the Board; and
- **Monitoring –** the Board monitors the activities of the Group through the provision of reports from various areas of the business and contained in the Board papers, and those prepared for its committees. The Board has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Group's operations or undertakings. In addition, the Directors have direct access to the advice and services of the General Counsel and Company Secretary.

The Audit and Risk Committee instigated a review of the Group's risk, internal controls and corporate governance processes during 2019 and, as a result, implemented a revised risk management reporting framework. The new reporting framework has been designed to ensure that all levels of management within the business, including those of senior management, Audit and Risk Committee and Board, are able to review and assess the principal risks faced by the business and actively contribute to the mitigations put in place.

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

See page 44 for further details of the risk management framework.

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

Attendees

Committee Member		Meetings
Rolf Soderstrom – Chair	(resigned 30 September 2021)	3/3
Llew Keltner	(appointed as a committee member 10 June 2021)	1/1
Ian Johnson	(resigned 28 April 2021)	1/1
Michael Spiteri		2/3

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

Audit and Risk Committee meetings in the year

3

Financial reporting

During the year the Committee reviewed and recommended the Board approve the financial statements for the year ended 31 December 2020 and interim results for the six months ended June 2021, in addition to reviewing other formal announcements relating to the Group's financial performance.

The Committee has reviewed the appropriateness of accounting policies as well as significant reporting matters, estimates and judgements contained within the financial results. During 2021, the Committee believe the significant reporting matters, estimates and judgements to be in respect of revenue recognition, the impact of COVID-19 on the going concern assumption, the fair value assessments and accounting policies for the subsidiaries acquired, the carrying value of goodwill, intangible assets and co-development equity investments and provisions against trade receivables and accrued revenue. Further details of these are provided in note 1 of the financial statements.

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

Internal audit requirement

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

External Auditors

The Group's current external independent auditor, KPMG, were first appointed at the Ergomed plc AGM held on 12 June 2018. KPMG have safeguards in place to protect the independence and objectivity of the services they provide and, in accordance with International Standards on Auditing (UK), formally confirmed its independence as auditor of the Group. To ensure the continued independence of KPMG, the Group has adopted a policy which does not permit the external auditor to provide non-audit services unless approved by the Committee. No such non-audit services were approved or performed during 2021. The Committee undertakes an annual assessment of the effectiveness of the external auditors and concluded that KPMG has met the requirements of the Board, and that the Board continued to be satisfied with KPMG's performance and effectiveness.

Regulation and governance compliance

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

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

2022 outlook

I look forward to the Committee continuing to support the executive team's ongoing initiatives for further enhancements to the Group's internal controls and risk management.

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

John Dawson
Chair of the Audit and Risk Committee

28 March 2022

Remuneration Committee report

Michael Spiteri
Chair of the Remuneration Committee

Activities during the year

During the year the Committee's key activities included:

- **Considering and agreeing the annual salary increase and bonus award**
- **Reviewing the composition and targets for the LTIP and agreeing the value of performance metrics at the end of LTIP vesting periods**
- **Agreeing the award of LTIP options**
- **Appointing independent external advisers to evaluate and benchmark the overall remuneration of Executive Directors against industry and market peers**
- **Considering and approving remuneration packages for Directors and senior managers**
- **Overseeing the implementation of a Group-wide share option administration system.**

Attendees

Committee Member		Meetings
Michael Spiteri	Chair	4/4
Rolf Soderstrom	(resigned 30 September 2021)	3/3
Mark Enyedy	(appointed 10 June 2021)	2/2

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

Remuneration Committee meetings in the year

4

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

The members of the Remuneration Committee are myself (Chair) and Mark Enyedy. Rolf Soderstrom was a member of the Committee until his resignation as a Director on 30 September 2021. The CFO, Executive Chairman and General Counsel may be invited to attend Committee meetings as appropriate.

Further details of the background, experience and qualifications of the Committee members are set out on page 51.

Details of the attendance of Committee members at Committee meetings are set out below.

The Remuneration Committee meets at least twice a year, and may meet at other times during the year, as required. During the 2021 financial year there were four meetings of the Remuneration Committee. No Director is involved in any decisions relating to their own remuneration.

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

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

Remuneration policy overview

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

"The aim of the remuneration policy is to encourage, retain and reward superior performance and the delivery of value to shareholders."

Michael Spiteri, Chair of the Remuneration Committee

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

The policy is designed to offer rewards that:

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

Remuneration levels are benchmarked against a subset of companies in the UK life sciences and biotechnology sectors with the aim of achieving the following:

- base salary between average and upper quartile;
- performance-based bonus between average and upper quartile;
- share incentives' industry average; and
- total compensation between average and upper quartile.

In line with the plan set out in the Remuneration Committee report in the 2020 Annual Report & Accounts, during 2021, the Committee evaluated the overall remuneration of Executive Directors against industry and market peers. The report prepared for the Committee by independent external remuneration consultants indicated that the overall remuneration of Executive Directors had previously been below comparable benchmark levels. The results of this exercise are further detailed below.

Base salary

Base salaries are generally reviewed annually and are effective from the beginning of March or April, depending on the region in which the Group company operates. The Remuneration Committee seeks to assess the market competitiveness of pay primarily in terms of total

The Remuneration Committee's primary responsibilities are:

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

remuneration, with less emphasis on base salary, based on a number of factors, including market rates and benchmarking to peers, as well as the individual Director's experience, responsibilities and performance.

As a result of the Executive Director remuneration evaluation and benchmarking review, the base salary of the Executive Chairman was increased from £315,000 to £425,000 and of the Chief Financial Officer from £250,000 to £275,000.

During the year the Committee approved a Group-wide inflationary pay increase of up to 4% as well as local above-inflation salary increases as a result of industry salary benchmarking exercises performed in each region. The inflationary pay increases were implemented in April 2021 with the above-inflation salary benchmarking increases implemented throughout the year as and when the exercises were completed.

Performance-related annual bonus

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

As a result of the Executive Director remuneration evaluation and benchmarking review, the maximum recommended bonus potential of the Executive Chairman was increased from 75% to 125% of base salary and of the Chief Financial Officer from 50% to 75% of base salary.

The Committee reviewed individual and Company achievements against targets for the year and determined that the bonuses to be awarded are 125% (2020: 100%) of base salary for the Executive Chairman and 75% (2020: 50%) of base salary for the Chief Financial Officer.

Pension and other benefits

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

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

Payment for loss of office

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

Share options

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

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

As a result of the Executive Director remuneration evaluation and benchmarking review, the maximum recommended annual LTIP grant potential of the Executive Chairman was set at 150% and for the Chief Financial Officer at 100%. No LTIP awards were made to the Executive Chairman or Chief Financial Officer during 2021.

Options issued under the LTIP vest based on performance (TSR) or time-based conditions. During the year the Committee approved the awards of LTIP share options to eligible employees which are further detailed in note 28 of the financial statements. LTIP share options granted to Directors are in the 'Directors' interest in share options' table of this report.

Executive Director service agreements

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

Non-Executive Directors

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

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

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

Michael Spiteri
Chair of the Remuneration Committee

28 March 2022

Annual report on remuneration – AUDITED

The Directors received the following remuneration during the year:

£	Salary/fee	Benefits	Annual bonus	Pension	**Total 2021**	Total 2020
Executive						
Miroslav Reljanović	315,374	9,483	316,240	–	**641,097**	353,895
Richard Barfield	275,000	17,233	125,000	21,550	**438,783**	290,225
Non-Executive						
Michael Spiteri	60,000	–	–	–	**60,000**	60,000
Rolf Soderstrom (resigned 30 September 2021)	52,500	–	–	–	**52,500**	68,077
Llew Keltner (appointed 28 April 2021)	31,560	–	–	–	**31,560**	–
Mark Enyedy (appointed 10 June 2021)	28,497	–	–	–	**28,497**	–
Ian Johnson (resigned 28 April 2021)	28,782	–	–	–	**28,782**	50,000

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

See note 33 for all related party transactions with Directors of the Company.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary Shares in the Company granted to or held by the Directors. These are disclosed in note 28 of the financial statements.

Amounts payable to the highest paid Director:

	2021 £000s	2020 £000s
Aggregate emoluments	**632**	388
Benefits	**9**	8
	641	396

Directors' interest in share options – AUDITED

No Directors exercised share options during the year.

	At 1 January 2021 Number	Granted Number	Exercised Number	Lapsed/ Surrendered Number	**At 31 December 2021 Number**	Exercise price £	Exercise period
Richard Barfield							
Ergomed plc LTIP	**600,000**	–	–	–	**600,000**	£0.01	Jun-22 – Jun-29
Non-dilutive share options	**400,000**	–	–	–	**400,000**	£0.01	Jun-22 – Jun-29
	1,000,000	–	–	–	**1,000,000**		

Directors' interest in shares

At 31 December 2021, the Directors had the following beneficial interests in the Company's shares:

Directors' interests	Number of shares	Percentage of total issued share capital
Miroslav Reljanović	9,679,297	19.7%
Richard Barfield	50,000	0.10%

Directors' report

The Directors present their report and financial statements for the Company and Group for the year ended 31 December 2021.

Principal activities

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

Business review, key performance indicators and future developments

The Group's results are set out in the consolidated income statement on page 74 and are explained in the Financial Review on pages 30 to 32. A detailed review of the business, its results and future direction is included in the Operational Review on pages 24 to 27.

Streamlined Energy and Carbon Reporting ('SECR')

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

Research and development

The expenditure on Research and Development included in the income statement in the year has reduced from £152,000 in 2020 to £130,000 in 2021. This is primarily driven by the continued reduction in co-development activities undertaken by the Group, in particular, the wind down of co-development costs in relation to Haemostatix.

Financial instruments

At the year end the Group did not have any complex financial instruments. The financial instruments it does have primarily comprise cash and liquid resources, forward foreign exchange contracts and other various short-term assets and liabilities, such as trade receivables and trade payables which are used to manage the Group's operations. Details of the Group's financial instruments can be found in note 29.

Results and dividends

The consolidated results of the Group for the year are set out in the consolidated income statement on page 74.

The Directors do not recommend the payment of a dividend (2020: £nil).

Directors

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

- Miroslav Reljanović (Executive Chairman)
- Richard Barfield (Chief Financial Officer)
- Mark Enyedy (Non-Executive Director) – appointed 10 June 2021
- Ian Johnson (Non-Executive Director) – resigned 28 April 2021
- Llew Keltner (Non-Executive Director) – appointed 28 April 2021
- Rolf Soderstrom (Non-Executive and Senior Independent Director) – resigned 30 September 2021
- Michael Spiteri (Non-Executive Director)
- John Dawson (Non-Executive Director) – appointed 9 March 2022

The Company maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. Biographical details of the Directors are set out on pages 50 to 51. The interests of Directors in the shares and share options of the Company are set out in the Remuneration Committee Report on page 65.

Substantial shareholders

The Company has been notified of the following holdings of 3% or more of the 49,288,071 issued ordinary shares of £0.01 each of the Company as at 28 February 2022:

Investor	Number of £0.01 shares	Percentage
Miroslav Reljanović	9,529,297	19.33%
Aberdeen Standard Investments	5,281,346	10.72%
BlackRock	5,147,789	10.44%
J.P. Morgan Asset Management	3,339,995	6.9%
Jupiter Asset Management	2,390,686	4.85%
Slater Investments	1,752,000	3.55%
Octopus Investments	1,591,444	3.23%
Artisan Partners	1,551,496	3.15%
Aegon Asset Management UK	1,480,134	3.00%

Corporate governance

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

Auditor

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

Charitable and political contributions

The Group made charitable donations in the year of £6,000 (2020: £11,000). The Group made no political donations and incurred no political expenditure during the year (2020: £nil).

By order of the Board

Richard Barfield
Chief Financial Officer

28 March 2022

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company 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. Under that law they are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and applicable law, and have elected to prepare the Company financial statements on the same basis.

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 Company and of the Group's profit or loss for that period.

In preparing 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, relevant and reliable;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and Directors' report that complies with that law and those regulations.

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

On behalf of the board

Richard Barfield
Chief Financial Officer

28 March 2022

Independent auditor's report

to the members of Ergomed plc

Our opinion is unmodified

We have audited the financial statements of Ergomed plc ("the Company") and its consolidated undertakings ('the Group') for the year ended 31 December 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in the preparation of the Group financial statements is UK Law, UK adopted international accounting standards and, as regards the Company financial statements, UK Law and FRS 101 Reduced Disclosure Framework, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework; and
- the Group and Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

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

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

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

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

Detecting irregularities including fraud

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

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

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

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

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

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

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

Further detail in respect of Clinical research organisation contracts is set out in the key audit matter disclosures in this report.

In response to the fraud risks, we also performed procedures including:

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

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

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

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

Key audit matters: our assessment of risks of material misstatement

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

In arriving at our audit opinion above, the key audit matter, was as follows (unchanged from 2020):

Revenue recognition: Clinical research organisation ("CRO"): £58.1 million (2020 – £31.3million)

Refer to Note 1 on page 83 (accounting policy) and Note 2 Revenue on pages 86 to 88 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
There is a risk that revenue from Clinical research organisation contracts has not been appropriately recognised in line with the percentage completed, as required by IFRS 15 Revenue from contracts with customers. Clinical research contracts represents one performance obligation and revenue is recognised over time based on the percentage of actual costs incurred divided by the total costs to complete the contract. Revenue recognition requires considerable management estimation and judgement in determining the total costs to complete.	Our audit procedures included, amongst others, testing the design and implementation of management's key controls over revenue recognition including those controls over the estimation of the remaining costs to complete the study. For a sample of contracts, we performed tests of detail over the revenue amount recognised. We recalculated the revenue amounts, agreed the transaction price to the signed contracts, validated the reasonableness of significant assumptions used by reference to the terms of the applicable contracts and change orders, reconciled the actual costs incurred to the general ledger and agreed the estimated costs to completion to the underlying data such as the contracts and the Company's standard rates. We inquired of project managers, independent of the revenue team, on the status of the project, any on-going concerns, and the expected remaining duration of the project. We found that the revenue recognition policies are in accordance with UK adopted international accounting standards and were appropriately applied.

Company key audit matters

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

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

Materiality – Group financial statements

The materiality for the Group financial statements as a whole was set at £0.7 million (2020: £0.6 million). This was calculated using a benchmark of Group profit before tax (of which it represents 5 per cent) (2020: 5% of Group profit before tax). We consider profit before tax to be the most appropriate benchmark as it continues to grow year on year, the acquisitive nature of the entity and it is a key consideration for the users of the financial statements.

In applying our judgement in determining the most appropriate benchmark, the factors, which had the most significant impact were:

- the elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses);
- the items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue and net assets/equity);
- the nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates; and
- the entity's ownership structure and the way it is financed.

In applying our judgement in determining the percentage to be applied to the benchmark, the following qualitative factors, which had the most significant impact, increasing our assessment of materiality were:

- the Group is listed;
- there is an undrawn down Debt facility available, with no drawn down debt arrangements at year end; and
- the entity operates in a stable business environment and has a viable sustainable business.

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

We set Group performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of group materiality (2020: 75%).

In applying our judgement in determining performance materiality, the following factors were considered to have the most significant impact, increasing our assessment of performance materiality:

- the low number and value of misstatements detected in the prior year financial statement audit; and
- the stability in the senior management and key financial reporting personnel over the last three years.

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

Materiality – Company financial statements

For the Company financial statements, materiality was set at £0.43 million (2020: £0.36 million). This was calculated using a benchmark of Company profit before tax (of which it represents 5 per cent) (2020: 5% of Company profit before tax) however, the Company materiality was limited to component materiality being 60% of Group materiality. We consider profit before tax to be the most appropriate benchmark as it continues to grow year on year, the acquisitive nature of the entity and it is a key consideration for the users of the financial statements.

In applying our judgement in determining the most appropriate benchmark, the factors, which had the most significant impact were:

- the elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses);
- the items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue and net assets/equity);
- the nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates; and
- the entity's ownership structure and the way it is financed.

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

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

We set the Company performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. The Company performance materiality was set at 75% of Company materiality (2020: 75%).

In applying our judgement when determining performance materiality, the same factors were considered as outlines above for the Group.

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

We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.034 million (2020: £0.031 million), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

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

We have engaged KPMG Czech Republic as component auditors for the year ended 31 December 2021 to report on PrimeVigilance s.r.o. We, as Group auditor, instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the materiality for components which ranged from £0.031 million to £0.36 million, having regard to the mix of size and risk profile of the Group across the components.

The locations subject to total audit procedures represent the principal business units and account for 99% of the Group's revenue for the year ended 31 December 2021 (2020: 99%). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

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

We have nothing to report on the other information in the Annual Report

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

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

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 67, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

John Corrigan (Senior Statutory Auditor)

for and on behalf of KPMG Chartered Accountants, Statutory Audit Firm

1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

28 March 2022

Consolidated income statement

For the year ended 31 December 2021

	Notes	2021 £000s	2020 £000s
Revenue	2, 3	**118,581**	86,391
Cost of sales		**(52,191)**	(38,686)
Reimbursable expenses		**(18,028)**	(8,055)
Gross profit	3	**48,362**	39,650
Selling, general and administration expenses		**(34,877)**	(27,518)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses		**(27,736)**	(24,591)
Amortisation of acquired fair valued intangible assets	4	**(1,599)**	(1,332)
Share-based payment charge	28	**(817)**	(742)
Contingent consideration for acquisitions	6	**(2,949)**	–
Acquisition costs	7	**(1,776)**	(853)
Research and development expenses		**(130)**	(152)
Net impairment losses on trade receivables and contract assets		**(324)**	(285)
Other operating income	8	**1,593**	1,839
Operating profit		**14,624**	13,534
Finance income	9	**1**	8
Change in fair value of equity investments	21	**–**	(511)
Finance costs	10	**(361)**	(403)
Profit before taxation	4	**14,264**	12,628
Income tax expense	13	**(1,590)**	(2,946)
Profit for the year		**12,674**	9,682

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

The notes on pages 81 to 127 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	2021 £000s	2020 £000s
Profit for the year		**12,674**	9,682
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(682)**	(59)
Other comprehensive income/(expense) for the year net of tax		**(682)**	(59)
Total comprehensive income/(expense) for the year		**11,992**	9,623

	Notes	2021 pence	2020 pence
Earnings Per Share (EPS)	14		
Basic		**26.1**	20.0
Diluted		**25.1**	19.2

Unaudited

	Notes	2021 £000's	2020 £000's
ADJUSTED EBITDA (Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation)	15	**25,423**	19,370

	Notes	2021 pence	2020 pence
Adjusted Earnings Per Share (Adjusted EPS)	14		
Basic		**41.1**	25.8
Diluted		**39.4**	24.7

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

The notes on pages 81 to 127 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2021

	Notes	2021 £000s	2020 £000s
Non-current assets			
Goodwill	16	**23,903**	24,605
Other intangible assets	17	**7,653**	9,618
Property, plant and equipment	18	**1,966**	1,742
Right-of-use assets	19	**2,691**	4,715
Equity investments	21	**–**	–
Deferred tax asset	13	**9,433**	4,898
		45,646	45,578
Current assets			
Trade and other receivables	22	**25,143**	22,224
Accrued revenue	2	**3,958**	5,553
Cash and cash equivalents	23	**31,243**	18,994
		60,344	46,771
Total assets		**105,990**	92,349
Current liabilities			
Lease liabilities	19	**(1,249)**	(1,978)
Trade and other payables	25	**(15,207)**	(15,702)
Deferred consideration	6	**–**	(328)
Deferred revenue	2	**(17,752)**	(13,829)
Current tax liability		**(1,172)**	(1,775)
		(35,380)	(33,612)
Net current assets		**24,964**	13,159
Non-current liabilities			
Lease liabilities	19	**(1,432)**	(3,128)
Provisions	24	**(19)**	(317)
Deferred tax liability	13	**(1,920)**	(2,426)
		(3,371)	(5,871)
Total liabilities		**(38,751)**	(39,483)
Net assets		**67,239**	52,866
Equity			
Share capital	26	**493**	489
Share premium account	27	**545**	3
Merger reserve	27	**1,349**	1,349
Share-based payment reserve		**5,859**	5,042
Translation reserve	27	**(67)**	615
Retained earnings		**59,060**	45,368
Total equity		**67,239**	52,866

The notes on pages 81 to 127 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 28 March 2022.

Richard Barfield

Chief Financial Officer

Company Registration No. 04081094

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Notes	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2020		473	25,790	11,088	4,300	674	(5,505)	36,820
Profit for the year		–	–	–	–	–	9,682	9,682
Other comprehensive income for the year		–	–	–	–	(59)	–	(59)
Total comprehensive income		–	–	–	–	(59)	9,682	9,623
Transactions with shareholders								
Shares issued during the year for cash	26	14	1,855	–	–	–	–	1,869
Share-based payment charge for the year	28	–	–	–	742	–	–	742
Deferred tax credit taken directly to equity	13	–	–	–	–	–	2,461	2,461
Shares issued for non-cash consideration	27	2	–	1,349	–	–	–	1,351
Transactions with shareholders – capital reduction								
Capitalisation of Merger reserve to B Ordinary Shares	27	11,088	–	(11,088)	–	–	–	–
Cancellation of B Ordinary Shares	27	(11,088)	–	–	–	–	11,088	–
Cancellation of Share Premium	27	–	(27,642)	–	–	–	27,642	–
Total transactions with shareholders		16	(25,787)	(9,739)	742	–	41,191	6,423
Balance at 31 December 2020		**489**	**3**	**1,349**	**5,042**	**615**	**45,368**	**52,866**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**12,674**	**12,674**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(682)**	**–**	**(682)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(682)**	**12,674**	**11,992**
Transactions with shareholders								
Shares issued during the year for cash	26	**4**	**542**	**–**	**–**	**–**	**–**	**546**
Share-based payment charge for the year	28	**–**	**–**	**–**	**817**	**–**	**–**	**817**
Deferred tax credit taken directly to equity	13	**–**	**–**	**–**	**–**	**–**	**1,018**	**1,018**
Total transactions with shareholders		**4**	**542**	**–**	**817**	**–**	**1,018**	**2,381**
Balance at 31 December 2021		**493**	**545**	**1,349**	**5,859**	**(67)**	**59,060**	**67,239**

The notes on pages 81 to 127 form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2021

	Notes	2021 £000s	2020 £000s
Cash flows from operating activities			
Profit before taxation		**14,264**	12,628
Adjustment for:			
Amortisation and depreciation	4	**5,046**	4,843
(Profit)/Loss on disposal of non-current assets	4	**(413)**	16
Share-based payment charge	28	**817**	742
Change in the fair value of equity investments	21	**–**	511
RDEC income	8	**(956)**	(1,188)
Finance costs		**361**	403
Other non-cash movements		**(25)**	(8)
Exceptional Items (Earn-out on acquisitions)	6	**2,949**	–
Operating cash inflow before changes in working capital and provisions		**22,043**	17,947
(Increase)/(decrease) in trade, other receivables and accrued revenue		**367**	(6,137)
Increase in trade, other payables and deferred revenue		**217**	7,182
Decrease in provisions	24	**(298)**	(18)
Cash generated from operating activities		**22,329**	18,974
Taxation (paid)/received		**(3,646)**	(926)
Net cash inflow from operating activities		**18,683**	18,048
Investing activities			
Finance income received	9	**1**	8
Acquisition of intangible assets	17	**(30)**	(542)
Acquisition of property, plant and equipment	18	**(953)**	(432)
Proceeds from the sale of property, plant and equipment		**103**	46
Proceeds on the disposal of equity investments	21	**–**	175
Acquisition of subsidiaries, net of cash acquired	30, 31	**–**	(12,031)
Acquisition related earn-out paid		**(3,267)**	–
Net cash outflow from investing activities		**(4,146)**	(12,776)
Financing activities			
Proceeds from the issue of new ordinary shares	26	**546**	1,869
Finance costs paid		**(169)**	(157)
Proceeds from borrowings		**–**	15,000
Repayment of borrowings		**–**	(15,000)
Payment of lease liabilities		**(2,490)**	(2,189)
Net cash outflow from financing activities		**(2,113)**	(477)
Net change in cash and cash equivalents		**12,424**	4,795
Effect of foreign currency on cash balances		**(175)**	(60)
Cash and cash equivalents at start of year		**18,994**	14,259
Cash and cash equivalents at end of year	23	**31,243**	18,994

The notes on pages 81 to 127 form an integral part of these financial statements.

Company balance sheet

As at 31 December 2021

	Note	2021 £000s	2020 £000s
Non-current assets			
Intangible assets	17	**274**	639
Property, plant and equipment	18	**163**	113
Right-of-use assets	19	**28**	26
Investments in subsidiaries	21	**33,958**	23,728
Deferred tax asset	13	**5,194**	4,846
		39,617	29,352
Current assets			
Trade and other receivables	22	**19,086**	24,453
Accrued revenue		**1,340**	3,853
Cash and cash equivalents	23	**15,245**	6,151
		35,671	34,457
Total assets		**75,288**	63,809
Current liabilities			
Lease liabilities	19	**(25)**	(27)
Trade and other payables	25	**(27,389)**	(14,462)
Deferred revenue		**(5,050)**	(5,215)
		(32,464)	(19,704)
Net current assets/(liabilities)		**3,207**	14,753
Non-current liabilities			
Lease liabilities	19	**(2)**	–
Deferred tax liability	13	**–**	(100)
Total liabilities		**(32,466)**	(19,804)
Net assets		**42,822**	44,005
Equity			
Share capital	26	**493**	489
Share premium account	27	**545**	3
Merger reserve	27	**1,349**	1,349
Share-based payment reserve	28	**5,859**	5,042
Translation reserve	27	**4,260**	4,270
Retained earnings		**30,316**	32,852
Total equity		**42,822**	44,005

The notes on pages 81 to 127 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 28 March 2022.

Richard Barfield

Chief Financial Officer

Company Registration No. 04081094

Company statement of changes in equity

For the year ended 31 December 2021

	Notes	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2020		473	25,790	11,088	4,300	3,447	(30,346)	14,752
Profit for the year		–	–	–	–	–	22,007	22,007
Other comprehensive income for the year		–	–	–	–	823	–	823
Total comprehensive loss		–	–	–	–	823	22,007	22,830
Transactions with shareholders								
Shares issued during the year for cash	26	14	1,855	–	–	–	–	1,869
Share-based payment charge for the year	28	–	–	–	742	–	–	742
Deferred tax credit taken directly to equity	13	–	–	–	–	–	2,461	2,461
Shares issued for non-cash consideration	27	2	–	1,349	–	–	–	1,351
Transactions with shareholders – capital reduction								
Capitalisation of Merger reserve to B Ordinary Shares	27	11,088	–	(11,088)	–	–	–	–
Cancellation of B Ordinary Shares	27	(11,088)	–	–	–	–	11,088	–
Cancellation of Share Premium	27	–	(27,642)	–	–	–	27,642	–
Total transactions with shareholders		16	(25,787)	(9,739)	742	–	41,191	6,423
Balance at 31 December 2020		**489**	**3**	**1,349**	**5,042**	**4,270**	**32,852**	**44,005**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(3,554)**	**(3,554)**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(10)**		**(10)**
Total comprehensive loss		**–**	**–**	**–**	**–**	**(10)**	**(3,554)**	**(3,564)**
Transactions with shareholders								
Shares issued during the year for cash	27	**4**	**542**	**–**	**–**	**–**	**–**	**546**
Share-based payment charge for the year	28	**–**	**–**	**–**	**817**	**–**	**–**	**817**
Deferred tax credit taken directly to equity	13	**–**	**–**	**–**	**–**	**–**	**1,018**	**1,018**
Total transactions with shareholders		**4**	**542**	**–**	**817**	**–**	**1,018**	**2,381**
Balance at 31 December 2021		**493**	**545**	**1,349**	**5,859**	**4,260**	**30,316**	**42,822**

The notes on pages 81 to 127 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

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

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

Ergomed plc and its wholly owned subsidiaries (together the 'Group') provide a full range of clinical trial planning, management and monitoring, as well as drug safety and medical information services. The Group has a worldwide presence with operations in the UK, Poland, Germany, Bosnia, Croatia, India, Serbia, the Netherlands, the Czech Republic, Russia, Switzerland, Ukraine, Japan, Bulgaria, Spain and the USA.

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

Basis of preparation

Group financial statements

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

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

Company financial statements

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

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

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

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group settled share-based payments;
- IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- IFRS 7 Financial Instrument Disclosures.

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

Basis of consolidation

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

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

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

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

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

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

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

Foreign currency translation

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

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

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

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

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group and Company will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing of the financial statements. The Directors have reviewed a cash flow forecast for the period to 31 December 2024, which is derived from the 2022 Board approved budget and a medium-term cash flow forecast through to 31 December 2024, which is an extrapolation of the approved budget under multiple scenarios and growth rates. The 2022 budget and medium-term forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues. The 2022 budget and medium-term forecast demonstrate that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

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

Changes in significant accounting policies

There have been no changes in significant accounting policies during the current or prior year.

Details regarding the impact of the change in accounting policy for *Interest Rate Benchmark Reform* can be found in note 29 – Financial Instruments.

Amendments to IFRS that are not yet effective

The following IFRSs have been issued, have an effective date for annual periods beginning after 31 December 2021 and have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 – Insurance Contracts
- IAS 1 – Classification of Liabilities as Current or Non-Current
- IFRS 3 – Reference to the Conceptual Framework
- IAS 16 – Property, Plant and Equipment – Procedures before intended use
- IAS 37 – Onerous Contracts – costs of fulfilling a contract
- IAS12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Annual Improvement to IFRS Standards 2018-2021
- IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- IAS 8 – Definition of Accounting Estimates

Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Critical judgements in applying the accounting policies

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

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

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

Key sources of estimation uncertainty

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

Source of estimation uncertainty	Description	Notes
Bad debt provision *(Group and Company)*	In determining the level of provisioning for bad debts, the Directors have considered the expected credit loss over the lifetime of the trade receivables. This analysis includes grouping the trade receivables based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical losses adjusted to reflect current and forward-looking information affecting the customers' ability to settle the receivable. The accrued revenue for unbilled work in progress has substantially the same risk characteristics as the trade receivables and similar expected loss rates have been applied. The Group had provisions against trade receivables and accrued revenue at the year-end of £627,000 (2020: £298,000) which resulted in a charge to the Income Statement in the year of £324,000 (2020: £257,000). The Company had provisions against trade receivables and accrued revenue at the year-end of £583,000 (2020: £271,000) which resulted in a charge to the Income Statement in the year of £317,000 (2020: charge £257,000).	29
Impairment of goodwill *(Group)*	Goodwill is reviewed for impairment at least annually at each reporting date. Goodwill is impaired if the carrying value of the cash-generating unit ('CGU') including the goodwill is in excess of the recoverable amount, which is the higher of the value in use and the fair value less costs to sell for that cash-generating unit. The calculation of the recoverable amount requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to determine whether the recoverable amount is greater than the carrying value. The recoverable amounts of the CGUs for the CRO, PV and R&D operating segments are determined from value-in-use calculations. The key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. The key inputs for estimating the future cash flows of operating businesses are revenue growth over the next five years, terminal revenue growth, working capital changes and discount rate. The Group prepares cash flow forecasts for the next five years for the cash-generating units, derived from the most recent financial budgets approved by the Board, and forecasts revenue for the following three years based on estimated growth rate. A standard margin based on historical experience is then applied to the revenue. The revenue growth rate used in the calculation was zero, which is significantly lower than the average long-term growth rate for the relevant market and management's estimate of growth for the PV and CRO business. This did not result in an impairment to goodwill. A discount rate of 8% (2020: 8%) has been used in the assessment, which reflects market assessments of the time-value of money and the risks specific to the CGUs. The discount rate used in the assessment has reduced in the year as a result of a reassessment of the Group's Weighted Average Cost of Capital ('WACC'). The reduction in the WACC and discount rate was primarily a result of the Group's profitability, forecast future profitability and the formalisation of the borrowing facility with the Group's banking partners during the year. The impairment provision against goodwill at the year-end was £2,143,000 (2020: £2,143,000) and related fully against the investment in Haemostatix Limited. £nil (2020: £nil) was charged to the Income Statement in the period.	16

Source of estimation uncertainty	Description	Notes
Fair value assessments *(Group and Company)*	Some of the Group and Company financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available, and management estimates of commercial and development risk where appropriate. Where Level 1 inputs are not available, the Group may engage third-party qualified valuation experts. Management work closely with valuation experts to establish the appropriate techniques and inputs to the valuation models. In previous year's the fair value of equity investments in Modus Therapeutics Holdings AB was impaired to £nil resulting in a charge to the Income Statement of £2,427,000. The impairment was the result of Modus announcing the initial results from its Phase II trial which revealed that the study failed to show a meaningful benefit in the total study population. Modus' shares were listed on the Nasdaq First North Growth Market on 20 July 2021, however, given the lack of liquidity in Modus' shares, management continued to hold the value of the investment at £nil. During the prior year the Group acquired Ashfield Pharmacovigilance Inc. ('Ashfield') and MS Clinical Services, LLC. and its subsidiaries ('MedSource'). At the acquisition date the Group is required to estimate the fair value of identifiable assets acquired and the liabilities assumed. Due to the substantial nature of the acquisitions, the Group engaged third-party qualified valuation experts to establish the appropriate techniques and inputs to complete this work. Contingent consideration is measured using a discounted cash flow approach, utilising management's forecasts to estimate the likely pay out and discounting these using a risk-adjusted weighted average cost of capital. The contingent consideration payable in respect MedSource is categorised as level 3 within the fair value hierarchy. The fair value of contingent consideration and has been assessed at £nil as no conditions, including the subsequent agreement of a revised earn-out and settlement agreement, existed at the reporting date. The Company has a 12-month measurement period from the date of acquisition, and therefore the measurement period will end on 11 December 2021. During the prior year the Company made a capital contribution to Haemostatix Limited, a 100% subsidiary of the Company, equal to their outstanding loan balance of £8,476,000. The Company immediately assessed the investment in Haemostatix to be impaired and reduced the carrying value of the investment to £nil.	21, 29, 30, 31

2. Revenue

Revenue and direct costs

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

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

Clinical Research Services ('CRO')

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

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

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

Changes in contract balances typically arise due to:

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

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

Pharmacovigilance ('PV') services

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

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

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

Costs to obtain a contract

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

2. Revenue continued

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

Geographical market and major service lines

2021

	Major service lines		
	CRO £000s	**PV £000s**	**Total £000s**
Geographical market by client location			
UK	**5,415**	**8,785**	**14,200**
Rest of Europe, Middle East and Africa	**9,585**	**12,981**	**22,566**
North America	**38,388**	**36,028**	**74,416**
Asia	**4,687**	**2,532**	**7,219**
Australia	**2**	**178**	**180**
	58,077	**60,504**	**118,581**

2020

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

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

	Note	**2021 £000s**	2020 £000s
Contract assets			
Trade receivables	22	**20,234**	19,079
Accrued revenue		**3,958**	5,553
		24,192	24,632
Contract liabilities			
Deferred revenue		**(17,752)**	(13,829)
Customer advances		**(47)**	(408)
		(17,799)	(14,237)

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

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

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

Revenue recognised that was included in the deferred revenue balance at the beginning of the period was £13,274,000 (2020: £2,504,000).

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

The carrying value of trade receivables and accrued revenue approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses for trade receivables and accrued revenue is included in note 29.

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

2021

	Accrued revenue £000s	Deferred revenue £000s
Opening asset/(liability):	**5,553**	**(13,829)**
Revenue recognised that was included in the contract liability balance at the beginning of the period	**–**	**13,274**
Increases due to cash received, excluding amounts recognised as revenue during the period	**–**	**(13,989)**
Fair value adjustment arising on business combinations	**–**	**(3,208)**
Transfers from contract assets recognised at the beginning of the period to receivables	**(5,465)**	**–**
Increases as a result of changes in the measure of progress	**3,870**	**–**
Closing asset/(liability):	**3,958**	**(17,752)**

2020

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

Order book

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

	2022 £000s	2023 £000s	2024 £000s	2025+ £000s	Total £000s
CRO services	**51,388**	**46,308**	20,095	11,515	129,256
PV services	**58,590**	**33,196**	14,687	3,965	110,438
	109,928	**79,504**	34,782	15,480	239,694

3. Operating segments

Products and services from which reportable segments derive their revenues

Information reported to the Company's Board, which is the chief operating decision maker ('CODM'), for the purpose of resource allocation and assessment of segment performance, is focused on the Group operating as two business segments, being Clinical Research Services ('CRO') and Pharmacovigilance ('PV'). All revenues arise from direct sales to customers. The segment information reported below all relates to continuing operations. The PV segment includes the revenues of Ashfield Pharmacovigilance Inc. ('Ashfield') following its acquisition by the Group in the year. The CRO segment includes the revenues of MS Clinical Services, LLC. and its subsidiaries ('MedSource') following its acquisition by the Group in the year.

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

3. Operating segments continued

2021

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	**58,077**	**60,504**	**118,581**
Cost of sales	**(22,906)**	**(29,285)**	**(52,191)**
Reimbursable expenses	**(17,621)**	**(407)**	**(18,028)**
Segment gross profit	**17,550**	**30,812**	**48,362**
Selling, general and administration expenses			**(34,877)**
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			**(27,736)**
Amortisation of acquired fair valued intangible assets			**(1,599)**
Share-based payment charge			**(817)**
Contingent consideration for acquisitions			**(2,949)**
Acquisition costs			**(1,776)**
Exceptional items			
Research and development expenses			**(130)**
Net impairment of trade receivables and contract assets			**(324)**
Other operating income			**1,593**
Operating profit			**14,624**
Finance income			**1**
Change in fair value of equity investments			**–**
Finance costs			**(361)**
Profit before tax			**14,264**

2020

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

3. Operating segments continued

Segment net assets

	2021 £000s	2020 £000s
CRO	**28,531**	24,156
PV	**38,708**	28,710
Consolidated total net assets	**67,239**	52,866

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

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
CRO	**2,238**	1,174	**863**	13,903
PV	**2,808**	3,669	**747**	9,307
	5,046	4,843	**1,610**	23,210

Information about major customers

The Group had no customers (2020: none) that contributed 10% or more to the Group's revenue. The largest CRO segment customer represents 9.6% of the Group's total revenue while the largest PV segment customer represents 3.9% of the Group's total revenue.

4. Profit before taxation

Operating Leases

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

Group

	2021 £000s	2020 £000s
Profit for the year is stated after charging:		
Depreciation of property, plant and equipment (note 18)	**629**	623
Depreciation of right-of-use assets (note 19)	**2,242**	1,954
Amortisation of intangible assets (note 17)	**576**	934
Amortisation of acquired intangible assets (note 17)	**1,599**	1,332
Depreciation and amortisation charges within selling, general and administration expenses	**5,046**	4,843
Expenses relating to the lease of short-term assets	**87**	120
Expenses relating to the lease of low-value assets (excluding short-term leases included above)	**13**	18
Net foreign exchange loss	**510**	1,176
Change in fair value of derivatives	**261**	–
(Gain)/Loss on disposals of non-current assets	**(413)**	16
Increase in bad debt provision (note 29)	**309**	257
Bad Debt w/off	**15**	28

Company

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Parent Company is not presented as part of these financial statements. The Parent Company's loss after tax for the financial year was £3,554,000 (2020: profit of £22,007,000).

5. Auditor remuneration

Services provided by the Group's auditor:

	2021 £000s	2020 £000s
Fees payable to the Company's auditor for the audit of Group, Company and subsidiary financial statements	**258**	241
Fees payable to the Company's auditor for other services:		
– audit related assurance services – interim financial information	**37**	35
	295	276

6. Contingent consideration for acquisitions

Where contingent consideration is deemed to be employment related the cost is recognised in the income statement as an employment related cost over the period which it is earned. Contingent consideration not classified on the remuneration basis is reported as acquisition consideration.

Contingent and deferred consideration recognised at the point of acquisition are included as a financial liability. Financial assets and liabilities are subsequently measured at fair value through the profit and loss. Further details regarding the measurement and classification of financial instruments measured at fair value are set out in note 29.

Contingent consideration in relation to MS Clinical Services LLC, was valued at £nil at the date of acquisition and as at 31 December 2020.

To facilitate the full integration of MS Clinical Services, LLC, the management of the Company and MedSource agreed a revised earn-out and settlement agreement on 23 July 2021. The revised earn-out and settlement agreement gave rise to a charge to the profit and loss of £2,949,000 ($3,800,000).

Contingent consideration charged to profit and loss

	2021 £000s	2020 £000s
Contingent Consideration for acquisitions – MedSource	**2,949**	–

Deferred consideration payable

	Group		Company	
	2021 £000s	2020 £000s	2021 £000s	2020 £000s
Due within one year:				
MedSource	–	328	–	–
	–	328	–	–

The deferred consideration payable for MS Clinical Services, LLC. and its subsidiaries ('MedSource') of £328,000 was due upon the verification of the net assets acquired by the Group at the acquisition date and was settled in cash during 2021.

7. Acquisition costs

	2021 £000s	2020 £000s
Acquisition of Ashfield Pharmacovigilance (note 30)	**–**	14
Acquisition of MedSource (note 31)	**406**	825
Acquisition of ADAMAS (note 34)	**240**	–
Aborted and other acquisition costs	**1,130**	14
	1,776	853

In line with company strategy, Ergomed has considered a number of potential acquisitions in 2021. Costs of £406,000 were incurred in relation to the acquisition of MedSource in 2021 (2020: £825,000) and £240,000 were incurred in 2021 in relation to the acquisition of ADAMAS which completed on 7 February 2022. Ergomed incurred costs of £1,130,000 in relation to aborted acquisitions.

8. Other operating income

Research and Development Expenditure Credit ('RDEC')

The Group is eligible, within the UK, to claim tax credits against certain R&D expenditure under the Research and Development Expenditure Credit ('RDEC') scheme. During the year the Group submitted claims in respect of the 2019 and 2020 financial years and recognised the related profit and loss charge within other operating income in the current financial year.

	2021 £000s	2020 £000s
Foreign grant income	**629**	574
RDEC income	**956**	1,188
Other income	**8**	77
	1,593	1,839

9. Finance income

Interest income

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

	2021 £000s	2020 £000s
Interest income	**1**	8

10. Finance costs

	2021 £000s	2020 £000s
Loan and other interest payable	**170**	158
Interest on lease liabilities	**191**	245
	361	403

11. Employees

Number of employees

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

	2021 Number	2020 Number
Administration	**119**	101
Project staff	**1,107**	875
Management	**27**	30
Directors	**2**	3
	1,255	1,009

Employment costs

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

	2021 £000s	2020 £000s
Wages and salaries	**47,511**	32,243
Social security costs	**8,618**	6,622
Other pension costs (note 13)	**988**	703
Acquisition-related contingent compensation (note 6)	**2,949**	–
Employee Costs included in exceptional items	**537**	–
Share-based payments (note 30)	**817**	742
	61,420	40,310

11. Employees continued

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

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

	Cost of Sales		Selling, general and administration expenses	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
Wages and salaries	**34,509**	23,611	**13,003**	8,632
Social security costs	**5,970**	4,146	**2,648**	2,476
Other pension costs	**659**	483	**328**	220
	41,138	28,240	**15,979**	11,328

12. Pension costs

Pensions

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

The pension cost represents contributions payable by the Group to the plans and amounted to £988,000 (2020: £703,000). Contributions payable to the plans at 31 December 2021 were £132,000 (2020: £97,000).

One Director (2020: one Director) has retirement benefits accruing under defined contribution pension schemes.

13. Taxation and deferred taxation

Taxation

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

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

Deferred taxation

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

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

Research and Development Expenditure Credit (RDEC)

The Group is eligible, within the UK, to claim tax credits against certain R&D expenditure under the RDEC scheme. During the year the Group submitted claims in respect of the 2019 and 2020 financial years and recognised the asset and related profit and loss charge in the 2021 year. Further claims for past years will be completed and submitted in due course and the respective asset and profit and loss charge recognised when submitted, until such time as the Group has established sufficient precedent to recognise claims on an accruals basis.

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

13. Taxation and deferred taxation continued

	2021 £000s	2020 £000s
Current tax		
Current year	**2,832**	2,252
Adjustment in respect of prior years	**262**	(160)
Current tax charge for the year	**3,094**	2,092
Deferred tax		
Origination and reversal of temporary differences	**(293)**	377
Adjustment in respect of prior years	**(1,083)**	693
Effect of changes in tax rates	**(127)**	(216)
Total deferred tax (credit)/charge	**(1,503)**	854
Total tax charge for the year	**1,591**	2,946

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:

	2021 £000s	2020 £000s
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**(1,018)**	(2,461)
Total income tax credit recognised directly in equity	**(1,018)**	(2,461)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2020: 19%). The actual tax charges for the years differ from the standard rate for the reasons set out in the following reconciliation:

	2021 £000s	2020 £000s
Profit before taxation	**14,264**	12,628
Tax on profit before tax at standard UK rate of 19% (2020: 19%)	**2,710**	2,399
Non-deductible expenses	**997**	900
Additional allowable expenses	**(1,106)**	(853)
Adjustments to previous periods	**(1,003)**	59
Effect of tax rates in foreign jurisdictions	**135**	138
Change in future corporate tax rate	**(127)**	–
Utilisation of tax losses	**–**	(513)
Increase in unrecognised tax losses	**10**	–
Movement in deferred tax	**–**	854
Translation effect	**(26)**	(38)
Total tax charge/(credit) for the year	**1,590**	2,946

Deferred taxation

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

The Government announced an increase in the UK corporation tax rate from 19 to 25 percent with effect from 1 April 2023. Rates of between 19 and 25 percent have been applied in the deferred tax valuations based on the expected timing of when such assets and liabilities will be realised.

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

13. Taxation and deferred taxation continued

Deferred tax assets

	Group				Company		
	Intangible asset £000s	Tax losses £000s	Other temporary differences £000s	Total £000s	Tax losses £000s	Other temporary differences £000s	Total £000s
1 January 2020	–	1,224	1,392	2,616	1,224	1,389	2,613
Change in future corporate tax rates	–	61	172	233	61	171	232
Recognised in profit and loss	–	(329)	(83)	(412)	(329)	(131)	(460)
Recognised in equity	–	–	2,461	2,461	–	2,461	2,461
At 31 December 2020	**–**	**956**	**3,942**	**4,898**	**956**	**3,890**	**4,846**
Transfer to corporation tax receivable	–	(780)	–	(780)	(780)	–	(780)
Adjustments relating to prior years	1,033	(8)	–	1,025	(8)	–	(8)
Acquired in business combinations	3,393	–	–	3,393	–	–	–
Recognised in profit and loss	(298)	(47)	220	(125)	(109)	228	119
Recognised in equity	–	–	1,017	1,017	–	1,017	1,017
Translation	6	–	(1)	5	–	–	–
At 31 December 2021	**4,134**	**121**	**5,178**	**9,433**	**59**	**5,135**	**5,194**

Of the deferred tax movements in the year, £1,487,000 was credited to profit and loss (2020: charge £854,000), £1,018,000 in relation to share-based payments was credited to equity (2020: £2,451,000), £3,316,000 was recognised as a net deferred tax asset in relation to business combinations (2020: net deferred tax liability £2,239,000) and £780,000 was transferred from deferred tax assets to corporation tax receivable (2020: £nil).

Deferred tax liabilities

	Group			Company	
	Annual capital allowances £000s	Other temporary differences £000s	Total £000s	Annual capital allowances £000s	
1 January 2020	(101)	(193)	(294)	–	
Change in future corporate tax rates	(17)	–	(17)	(5)	
Acquired in business combinations	–	(2,239)	(2,239)	–	
(Recognised in profit and loss)	(197)	321	124	(95)	
At 31 December 2020	**(315)**	**(2,111)**	**(2,426)**	**(100)**	
Adjustments relating to prior years	61	(3)	58	61	
Change in future corporate tax rates	–	127	127	–	
Acquired in business combinations	–	(77)	(77)	–	
Recognised in profit and loss	11	389	400	39	
Translation	(3)	1	(2)	–	
At 31 December 2021	**(246)**	**(1,674)**	**(1,920)**	**–**	

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

	Group		Company	
	2021 £000s	2020 £000s	2021 £000s	2020 £000s
Deferred tax assets	7,772	4,898	5,194	4,846
Deferred tax liabilities	(259)	(2,426)	–	(100)
Net deferred tax assets/(liabilities)	7,513	2,472	5,194	4,746

At 31 December 2021, the Group had unused trading tax losses of £6,300,000 (2020: £6,584,000) available for offset against future profits. A deferred tax asset has been recognised in respect of £612,000 (2020: £926,000) in respect of these losses.

14. Earnings per share

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

Earnings

	2021 £000s	2020 £000s
Profit for the purposes of earnings per share – net profit attributable to owners of the Company	**12,674**	9,682
Adjust for:		
Amortisation of acquired fair valued intangible assets	**1,605**	1,332
Share-based payment charge	**817**	742
Acquisition-related contingent consideration	**2,949**	–
Acquisition costs	**1,776**	853
Pay in lieu and non-compete compensation	**211**	232
Change in fair value of equity investments	**–**	511
RDEC income (2017)	**–**	(527)
Grants in recognition of employment creation in Serbia	**–**	(307)
Tax effect of adjusting items	**(102)**	(41)
Adjusted earnings for the purposes of adjusted earnings per share (unaudited)	**19,930**	12,477

Number of shares

	2021 Number	2020 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**48,466,740**	48,323,814
Incremental shares in respect of employee share schemes	**2,102,588**	2,176,170
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**50,569,328**	50,499,984

Earnings per share (EPS)

	2021 pence	2020 pence
Basic	**26.1**	20.0
Diluted	**25.1**	19.2

Adjusted earnings per share (Adjusted EPS)

Unaudited	2021 pence	2020 pence
Basic	**41.1**	25.8
Diluted	**39.4**	24.7

15. EBITDA and Adjusted EBITDA

Unaudited	2021 £000's	2020 £000's
Operating profit	**14,624**	13,534
Adjusted for:		
Depreciation and amortisation charges within selling, general & administration expenses (note 4)	**3,447**	3,511
Amortisation of acquired fair valued intangible assets (note 4)	**1,599**	1,332
EBITDA	**19,670**	18,377
Adjusted for:		
Share-based payment charge (note 28)	**817**	742
Acquisition related contingent compensation (note 6)	**2,949**	–
RDEC income (2017)	**–**	(527)
Grants in recognition of employment creation in Serbia	**–**	(307)
Acquisition costs (note 7)	**1,776**	853
Pay in lieu and non-compete compensation	**211**	232
Adjusted EBITDA	**25,423**	19,370

16. Goodwill

Business combinations

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

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

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

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

Goodwill

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

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

16. Goodwill continued

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Group

Goodwill	£000s
Cost	
At 1 January 2020	15,523
Arising on business combinations	11,261
Translation movement	(36)
At 31 December 2020	26,748
Fair value adjustment arising on business combinations	(477)
Translation movement	(225)
At 31 December 2021	**26,046**
Impairment losses	
At 1 January 2020 and 2021	2,143
At 31 December 2020 and 2021	**2,143**
Net book value	
At 31 December 2021	**23,903**
At 31 December 2020	24,605

The fair value adjustment arising on business combinations during the year ended 31 December 2021 relates to the acquisitions of MS Clinical Services, LLC. ('MedSource') (note 31).

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

Cash-generating unit	**2021 £000s**	2020 £000s
CRO	**10,190**	10,859
PV	**13,713**	13,746
	23,903	24,605

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

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

Impairment testing for CGUs

PV and CRO

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

The Group prepares cash flow forecasts for the next five years for the cash-generating units, derived from the most recent financial budgets approved by the Board, and forecasts revenue for the following four years based on estimated growth rate. A standard margin based on historical experience is then applied to the revenue. The revenue growth rate used in the calculation was 3%, which is significantly lower than the average long-term growth rate for the relevant market and management's estimate of growth for the PV and CRO business. This did not result in an impairment to goodwill.

16. Goodwill continued

The discount rate, which reflects market assessments of the time-value of money and the risks specific to the CGUs is 8% representing the Group's Weighted Average Cost of Capital ('WACC').

The key assumptions underlying the impairment testing of CGUs are:

	2021	2020
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond forecast period – PV and CRO	**3%**	0%
Discount rate	**8%**	8%

17. Other intangible assets

Intangible assets acquired separately

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

Software	10–33.3% straight line

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

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

The asset will subsequently be carried at cost less accumulated amortisation and accumulated impairment losses. These costs will be amortised to profit or loss using the straight-line method over their estimated useful lives of five years, once the asset is in use.

Intangible assets acquired in a business combination

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

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

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

Impairment

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

17. Other intangible assets continued

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.

Group

	Software £000s	Customer contracts £000s	Customer relationships £000s	Brands £000s	In-process R&D £000s	Technology £000s	Total £000s
Cost							
At 1 January 2020	3,478	1,258	3,395	817	15,200	419	24,567
Acquisitions through business combinations	–	1,739	6,075	916	–	–	8,730
Additions	542	–	–	–	–	–	542
Translation movement	120	(23)	(149)	(11)	–	–	(63)
At 31 December 2020	4,140	2,974	9,321	1,722	15,200	419	33,776
IFRS 3 revaluation	–	90	240	38	–	–	368
Additions	30	–	–	–	–	–	30
Disposals	(211)	–	–	–	–	–	(211)
Translation movement	(7)	6	2	(21)	–	–	(20)
At 31 December 2021	3,952	3,070	9,563	1,739	15,200	419	33,943
Amortisation							
At 1 January 2020	1,675	1,258	2,826	434	15,200	419	21,812
Charge for the year	934	553	675	104	–	–	2,266
Translation movement	42	–	33	5	–	–	80
At 31 December 2020	2,651	1,811	3,534	543	15,200	419	24,158
Charge for the year	577	425	906	267	–	–	2175
Translation movement	(6)	(5)	(20)	(12)	–	–	(43)
At 31 December 2021	3,222	2,231	4,420	798	15,200	419	26,290
Net book value							
At 31 December 2021	730	839	5,143	941	–	–	7,653
At 31 December 2020	1,489	1,163	5,787	1,179	–	–	9,618

Included within Software is software under development with an asset value of £195,000 (2020: £512,000). The software is currently still under construction and so no amortisation has been recognised in the current year.

Customer contracts, Customer relationships and Brands are intangible assets which are acquired through business combinations. The amortisation of acquired fair valued intangible assets is £1,598,000 (2020: £1,332,000).

The IFRS3 revaluation in 2021 represents the fair value adjustment of MedSource intangibles within the measurement period. The final valuation of MedSource intangibles are as follows; customer relationships of £4,317,000, brand of £954,000 and contracted order book of £1,276,000.

17. Other intangible assets continued

The IFRS3 Revaluation in 2021 represents the fair value adjustment of MedSource Intangibles within the measurement period. The final valuation of MedSource intangibles are as follows; customer relationships of £4,317,000, brand of £954,000 and contracted order book of £1,276,000.

Company

	Software £000s
Cost	
At 1 January 2020	1,421
Translation movement	84
Additions	61
At 31 December 2020	1,566
Translation movement	–
Additions	–
At 31 December 2021	**1,566**
Amortisation	
At 1 January 2020	**539**
Charge for the year	**351**
Translation movement	**37**
At 31 December 2020	**927**
Charge for the year	**365**
Translation movement	**–**
At 31 December 2021	**1,292**
Net book value	
At 31 December 2021	**274**
At 31 December 2020	**639**

18. Property, plant and equipment

Property, plant and equipment and depreciation

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

Depreciation is provided on assets at rates calculated to write off the cost, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	2.5% straight line or over the remaining lease term, whichever is shorter
Motor vehicles	10 – 33.3% straight line
Computer equipment	11 – 50% straight line
Fixtures and fittings	10 – 33.3% straight line
Laboratory equipment	10 – 33.3% straight line

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

18. Property, plant and equipment continued

Group

	Leasehold improvements £000s	Fixtures and fittings £000s	Motor vehicles £000s	Computer equipment £000s	Laboratory equipment £000s	Total £000s
Cost						
At 1 January 2020	255	451	332	1,890	55	2,983
Acquisitions through business combinations	42	24	–	797	–	863
Additions	2	27	8	395	–	432
Disposals	–	(15)	(199)	(77)	(43)	(334)
Re-allocation between categories	–	(3)	–	3	–	–
Translation movement	3	22	6	51	–	82
At 31 December 2020	302	506	147	3,059	12	4,026
Acquisitions through business combinations	–	–	–	–	–	–
Additions	52	23	64	814	–	953
Disposals	(1)	(5)	(91)	(216)	–	(313)
Re-allocation between categories	–	–	–	–	–	–
Translation movement	(6)	(28)	(10)	(111)	–	(155)
At 31 December 2021	**347**	**496**	**110**	**3,546**	**12**	**4,511**
Depreciation						
At 1 January 2020	**65**	**216**	**200**	**1,337**	**55**	**1,873**
Charge for the year	**24**	**77**	**44**	**478**	**–**	**623**
Disposals	**–**	**(13)**	**(166)**	**(48)**	**(43)**	**(270)**
Translation movement	**1**	**9**	**(2)**	**50**	**–**	**58**
At 31 December 2020	**90**	**289**	**76**	**1,817**	**12**	**2,284**
Charge for the year	**37**	**58**	**31**	**503**	**–**	**629**
Disposals	**–**	**(3)**	**(70)**	**(194)**	**–**	**(267)**
Translation movement	**(3)**	**(17)**	**(4)**	**(77)**	**–**	**(101)**
At 31 December 2021	**124**	**327**	**33**	**2,049**	**12**	**2,545**
Net book value						
At 31 December 2021	**223**	**169**	**77**	**1,497**	**–**	**1,966**
At 31 December 2020	**212**	**217**	**71**	**1,242**	**–**	**1,742**

18. Property, plant and equipment continued

Company

	Fixtures and fittings £000s	Computer equipment £000s	Total £000s
Cost			
1 January 2020	30	152	182
Additions	–	87	87
Disposals	–	–	–
Translation movement	2	12	14
At 31 December 2020	32	251	283
Additions	–	90	90
Disposals	–	–	–
Translation movement	–	–	–
At 31 December 2021	**32**	**341**	**373**
Depreciation			
1 January 2020	**25**	**114**	**139**
Charge for the year	**2**	**19**	**21**
Disposals	**–**	**–**	**–**
Translation movement	**2**	**8**	**10**
At 31 December 2020	**29**	**141**	**170**
Charge for the year	**2**	**38**	**40**
Disposals	**–**	**–**	**–**
Translation movement	**–**	**–**	**–**
At 31 December 2021	**31**	**179**	**210**
Net book value			
At 31 December 2021	**1**	**162**	**163**
At 31 December 2020	**3**	**110**	**113**

19. Right-of-use assets and lease liabilities

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

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

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

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

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

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

Information about the Group's lease liability exposure to foreign exchange and liquidity risks are included in note 29.

19. Right-of-use assets and lease liabilities continued

Right-of-use assets

	Group £000s	Company £000s
Cost		
1 January 2020	6,802	135
Acquisitions through business combinations	1,112	–
Additions	270	–
Disposals	–	–
Modification	(33)	–
Translation movement	199	12
At 31 December 2020	**8,350**	**147**
Acquisitions through business combinations	**–**	
Additions	**657**	**43**
Disposals	**(1,230)**	**(140)**
Modification	**(901)**	**–**
Translation movement	**(219)**	**–**
At 31 December 2021	**6,558**	**51**
Depreciation		
1 January 2020	**1,631**	**22**
Charge for the year	**1,954**	**93**
Translation movement	**50**	**6**
At 31 December 2020	**3,635**	**121**
Charge for the year	**2,242**	**48**
Disposals	**(603)**	**(140)**
Modifications	**(1,212)**	
Translation movement	**(166)**	**(6)**
At 31 December 2021	**3,896**	**23**
Net book value		
At December 2021	**2,691**	**28**
At 31 December 2020	**4,715**	**26**

Lease liabilities

2021

	Group £000s	Company £000s
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**1,345**	22
One to five years	**1,558**	3
Total undiscounted lease liabilities at 31 December	**2,903**	25
Lease liabilities included in the balance sheet at 31 December	**2,681**	27
Current	**1,249**	25
Non-current	**1,432**	2

2020

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

20. Subsidiaries

The Ergomed Group consists of a Parent Company, Ergomed plc, incorporated in the UK, and a number of subsidiaries held directly and indirectly by Ergomed plc which operate and are incorporated around the world.

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

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries 2021	2020
CRO services	Germany	**2**	2
CRO services	Poland	**1**	1
CRO services	Serbia	**1**	1
CRO services[5]	USA	**2**	2
CRO services[5]	United Kingdom	**2**	1
CRO services[5]	Canada	**1**	1
CRO services	Croatia	**1**	1
CRO services	Russia	**1**	1
CRO services[4]	Spain	**1**	1
CRO services	Bosnia	**1**	1
CRO services[1]	Bulgaria	**1**	–
CRO and PV services	Switzerland	**1**	1
CRO services	Netherlands	**1**	1
PV services	India	**1**	1
PV services	United Kingdom	**3**	3
PV services	Germany	**1**	1
PV services	Croatia	**1**	1
PV services	Serbia	**1**	1
PV services[2]	USA	**2**	2
PV services	Czech Republic	**2**	2
PV services[2]	Japan	**1**	–
Research and development	United Kingdom	**1**	1
Dormant	United Kingdom	**1**	2

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

Company	Registered address
Ergomed GmbH	Herriotstraße 1, 60528 Frankfurt am Main, Germany
Ergomed CDS GmbH	Im Mediapark 2, D-50670 Cologne, Germany
Ergomed Sp. z o.o.	U.I.Armii Krajowej 18, 30-150 Krakow, Poland
Ergomed d.o.o. Beograd	Belgrade Office Park, Djordja Stanojevica 12, 5th Floor, Belgrade – New Belgrade, 11070 Serbia
Ergomed Clinical Research Inc.	5430 Wade Park Blvd, Suite 208, Raleigh, NC 27607, USA
MS Clinical Services, LLC[5]	5430 Wade Park Blvd, Suite 208, Raleigh, NC 27607, USA
Ergomed Clinical Research Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
MedSource UK Ltd[5]	1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL, UK
MS Clinical Services (Canada) Inc.[5]	40 University Avenue, Suite 904, Toronto, Ontario, M5J 1T1, Canada
Ergomed Istraživanja Zagreb d.o.o.	Oreškovićeva 20a, 10 020 Zagreb, Croatia
Ergomed Clinical Research LLC	125040, Moscow, 17 Skakovaya Street, Building 2, Office 2714, The Russian Federation
Ergomed Clinical Research Spain, S.L.[4]	C/ Príncipe de Vergara 112, 4a, 28002, Madrid, Spain
Ergomed d.o.o. Sarajevo	Zmaja od Bosne 7-7a, Sarajevo, Bosnia and Herzegovina
Ergomed EOOD[1]	Vazrazhdane District, 28 Todor Aleksandrov Blvd, 1303 Sofia, Bulgaria
Ergomed Virtuoso Sarl	18, Avenue Lois-Casai, 1209 Geneva, Switzerland
PSR Group BV	Antareslaan 41, 2132 JE Hoofddorp, The Netherlands
Ergomed Clinical Research Private Limited	Wing A, Level 4, Dynasty Business Park, Andheri-Kurla Road, Andheri (East) Mumbai – 400059, Maharashtra, India
PrimeVigilance Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
Harefield Pharmacovigilance Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
Pharmacovigilance Services Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
PrimeVigilance GmbH	Herriotstraße 1, 60528 Frankfurt am Main, Germany
PrimeVigilance Zagreb d.o.o.	Oreškovićeva 20a, 10 020 Zagreb, Croatia

20. Subsidiaries continued

Company	Registered address
PrimeVigilance d.o.o. Beograd	Đorđa Stanojevića 14, Beograd – Novi Beograd, Serbia
PrimeVigilance Inc.	5430 Wade Park Blvd, Suite 208, Raleigh, NC 27607, USA
PrimeVigilance USA Inc.[3]	5430 Wade Park Blvd, Suite 208, Raleigh, NC 27607, USA
PrimeVigilance s.r.o.	Prague 3 – Vinohrady, Slezska 856/74, 13000, Czech Republic
PharmInvent regulatory s.r.o.	Prague 3 – Vinohrady, Slezska 856/74, 13000, Czech Republic
PrimeVigilance Japan K.K.[2]	3-1-6 Motoazabu, Minato-ku, Tokyo, Japan
Haemostatix Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK
Sound Opinion Limited	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, UK

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

Principal activity – CRO services	Place of incorporation and operation	Class	Holding
Ergomed GmbH	Germany	Ordinary	100%
Ergomed CDS GmbH	Germany	Ordinary	100%
Ergomed Spolka z o.o[6]	Poland	Ordinary	99%
Ergomed d.o.o. Novi Sad	Serbia	Ordinary	100%
Ergomed Clinical Research Inc.	USA	Not specified	100%
Ergomed Clinical Research Ltd	United Kingdom	Ordinary	100%
Ergomed Istrazivanja Zagreb d.o.o.	Croatia	Ordinary	100%
Ergomed Clinical Research LLC	Russia	Ordinary	100%
Ergomed Clinical Research Spain, S.L.[4]	Spain	Ordinary	100%
Ergomed d.o.o. Sarajevo	Bosnia	Ordinary	100%
Ergomed Bulgaria EOOD	Bulgaria	Ordinary	100%
Ergomed Virtuoso Sarl	Switzerland	Ordinary	100%
PSR Group BV	Netherlands	Ordinary	100%

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

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

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

1 Ergomed Bulgaria EOOD was incorporated on 2 April 2021.

2 PrimeVigilance Japan K.K was incorporated on 26 April 2021.

3 PrimeVigilance USA Inc., formerly known as Ashfield Pharmacovigilance Inc., was acquired on 13 January 2021.

4 Ergomed Clinical Research Spain, S.L. was incorporated on 26 February 2021.

5 MS Clinical Services, LLC incorporated in the USA and its subsidiaries, MS Clinical Services (Canada) Inc. and MedSource UK Ltd (incorporated in Canada and the UK respectively), was acquired on 11 December 2021.

6 The non-controlling interest is not disclosed as it is not material and does not take a benefit from the holding.

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

The accounting year end for all Group subsidiaries is coterminous.

21. Equity investments

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

Group and Company

2021	Carrying amount at 1 January 2021 £000s	Equity received in exchange for services provided £000s	Change in fair value recognised in the income statement £000s	Impairment of investments £000s	Disposals £000s	Translation movement £000s	Carrying amount at 31 December 2021 £000s
Asarina Pharma AB	–	–	–	–	–	–	–
Modus Therapeutics Holdings AB	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

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

Asarina Pharma AB ('Asarina')

In 2018, Asarina completed a public offering and listing on the Nasdaq First North Exchange and the investment in equity was publicly traded. Under the co-development agreement with Asarina, the Group receives shares in Asarina in return for services provided to them under the co-development programme. During the year ended 31 December 2020, shares valued at £699,000 (2019: £567,000) were issued to the Group in exchange for services provided. All the shares received were sold in 2020 for proceeds of £175,000 (2019: £1,099,000). The Group held no shares in Asarina as at 31 December 2021.

Modus Therapeutics Holding AB ('Modus')

Modus announced the initial results from its Phase II trial on 13 May 2019. Data from the study failed to show a meaningful benefit in the total study population. On 20 July 2021, Modus was listed on the Nasdaq First North Growth Market exchange and Ergomed received 145,590 shares which were proportional to its ownership at that time.

The carrying value of the investment at the reporting date is £nil. See note 29 (Financial Instruments) for further details of the fair value of the equity investment.

Investments in subsidiaries

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

21. Equity investments continued

Company

	Shares in subsidiary undertakings £000s
Cost	
At 1 January 2020	22,592
Investment in Haemostatix Limited	8,476
Capital contribution to subsidiary undertakings	128
Impairment of investment in Haemostatix Limited	(8,476)
Disposal of investment in subsidiaries	(50)
Translation movement	1,058
At 31 December 2020	23,728
Investment in Ergomed Clinical Research Inc	10,194
Capital contribution to subsidiary undertakings	204
Impairment of investment in Sound Opinion	(168)
At 31 December 2021	33,958

In 2021 the Company capitalised historic loans to Ergomed Clinical Research Inc, a 100% subsidiary of the company, equal to the outstanding loan balance of £10,194,000.

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

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

22. Trade and other receivables

	Group		Company	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
Trade receivables	**20,234**	19,079	**3,309**	4,632
Amounts receivable from Group companies	**–**	–	**13,478**	18,920
Other receivables	**2,869**	1,241	**1,303**	203
Prepayments	**1,818**	1,482	**966**	698
Corporation tax receivable	**2,222**	422	**30**	–
	25,143	22,224	**19,086**	24,453

The carrying value of trade receivables approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses for trade and receivables is included in note 29.

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

23. Cash and cash equivalents

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

	Group		Company	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
Cash at bank	**31,243**	18,994	**15,245**	6,151
Cash net of borrowings	**31,243**	18,994	**15,245**	6,151

23. Cash and cash equivalents continued

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

	Group		Company	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
GBP	**15,083**	1,598	**13,009**	385
Euro	**3,118**	5,732	**738**	2,956
USD	**11,757**	10,213	**1,492**	2,802
Other	**1,285**	1,451	**6**	8
	31,243	18,994	**15,245**	6,151

Information about the Group's exposure to foreign exchange and interest rate risks are included in note 29.

24. Provisions

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

Onerous contracts

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

Group

	2021			2020		
	Onerous contract £000s	**Other £000s**	**Total £000s**	Onerous contract £000s	Other £000s	Total £000s
At 1 January	**19**	**298**	**317**	67	274	341
Increase in provision	**–**	**–**	**–**	–	298	298
Utilised	**–**	**(298)**	**(298)**	(48)	(268)	(316)
Translation	**–**	**–**	**–**	–	(6)	(6)
At 31 December	**19**	**–**	**19**	19	298	317

Onerous contract

During 2018, the Group shifted strategy away from co-development arrangements and development of Haemostatix to focus on provision of services. The Group has continued to incur incremental expenditure in Haemostatix during 2021 so as to protect the intellectual property and to maintain readiness for Phase III trials. As a consequence of the change in strategy, contractual costs committed at the year ended 2018 amounting to £216,000 were provided for as onerous and the charge included in exceptional items. During 2021, £nil (2020: £48,000) of this provision was utilised.

Other

During the year ended 2020, a provision was recognised in respect of Serbian grant income received. In the year ended 2021, this provision was released.

25. Trade and other payables

	Group		Company	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
Trade payables	**3,102**	4,197	**1,466**	612
Amounts payable to related parties	**3**	55	**–**	52
Amounts payable to Group companies	**–**	–	**19,115**	8,076
Social security and other taxes	**1,302**	1,112	**1,017**	144
Other payables	**1,802**	1,295	**309**	70
Customer advances	**47**	408	**–**	–
Accruals	**8,951**	8,635	**5,482**	5,508
	15,207	15,702	**27,389**	14,462

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

Information about the Group's exposure to foreign exchange and liquidity risks are included in note 29.

26. Ordinary share capital

Group and Company

	2021		2020	
	Number	**£000s**	Number	£000s
Ordinary shares of £0.01 each				
At 1 January	**48,719,526**	**487**	47,286,289	473
Exercise of share options	**418,545**	**4**	1,433,237	14
Shares to be issued for non-cash consideration	**155,558**	**2**	155,558	2
At 31 December	**49,263,629**	**493**	48,875,084	489

	2021		2020	
	Number	**£000s**	Number	£000s
B ordinary shares of £0.23 each	**–**	**–**		
At 1 January	**–**	**–**	–	–
Capitalisation of merger reserve to B ordinary shares	**–**	**–**	48,717,776	11,088
Cancellation of B ordinary shares	**–**	**–**	(48,717,776)	(11,088)
At 31 December	**–**	**–**	–	–

Options over 418,545 (2020: 1,433,237) ordinary shares were exercised for proceeds of £541,146 (2020: £1,869,000).

Shares to be issued for non-cash consideration

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

Capital reduction

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

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

26. Ordinary share capital continued

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

27. Reserves

Share premium

In the prior year, as a result of the Capital Reduction (see note 28), the entire amount standing to the credit of the Company's Share premium (£27,642,000) was cancelled on 17 November 2021.

Merger reserve

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

As a result of the Capital Reduction in 2020 (see note 28), the entire amount standing to the credit of the Company's Merger reserve (£11,088,000) was capitalised on 9 November 2021 by issuing 48,717,776 B ordinary shares of £0.23 each in the capital of the Company. The B ordinary shares were subsequently cancelled on 17 November 2020.

On 11 December 2020, 155,558 Ordinary Shares were offered as part consideration for MS Clinical Services LLC, MedSource UK Ltd and MS Clinical Services (Canada) Inc. ('MedSource') at an agreed market price of £8.76 per share. The excess of the fair value over the nominal value of £1,349,000 was credited to the merger reserve. The shares are subject to the satisfaction of certain representations and warranties and will be issued during the 2022 financial year.

Translation reserve

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

28. Share-based payments

Share-based payments

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

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

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

The Company operates two share option schemes:

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

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

28. Share-based payments continued

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

	2021 £000s	2020 £000s
Ergomed plc Long Term Incentive Plan	**655**	580
Non-dilutive share options	**162**	162
	817	742

Included in the above share-based payment charge is £457,000 (2020: £457,000) which relates to share option awards made to Directors who served during the year.

Ergomed plc Long Term Incentive Plan ('LTIP')

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

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

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

	2021		2020	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**2,181,010**	**£0.55**	2,623,442	£0.67
Granted	**31,401**	**£0.01**	537,250	£0.01
Exercised	**(257,545)**	**£1.12**	(568,237)	£0.85
Lapsed	**(57,167)**	**£1.32**	(411,445)	£0.20
Outstanding at 31 December	**1,897,699**	**£0.44**	2,181,010	£0.55
Exercisable at 31 December	**782,936**	**£0.61**	654,117	£1.69

	2021	2020
Weighted average fair value of options granted during the year	**£7.11**	£3.54
Weighted average share price at the date of exercise of options exercised during the year	**£12.04**	£5.57
Weighted average remaining contractual life of options	**6.7 years**	7.5 years

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

		2021		2020	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2015	2025	**205,000**	**£1.63**	235,000	£1.63
2016	2026	**120,000**	**£1.39**	150,000	£1.39
2018	2028	**439,050**	**£0.64**	–	–
2019	2029	**1,029,998**	**£0.01**	678,762	£0.81
2020	2030	**79,750**	**£0.01**	829,998	£0.05
2021	2031	**23,901**	**£0.01**	287,250	£0.01

Unapproved Executive Share Option Agreement made with Rolf Stahel

On 18 April 2014, an award of unapproved share options was made to Rolf Stahel, the Chairman at the time, under a separate option agreement. The award comprised options over 1,260,000 Ordinary Shares. The exercise of the options is linked to the timing of the Admission of the Group to trading on AIM at an exercise price of £1.60 per share. The option becomes exercisable in respect of 1/36th of the options one month from the date of the share option agreement and on the same date in each subsequent calendar month over 1/36th of the options.

28. Share-based payments continued

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

	2021		2020	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**395,000**	**£1.60**	1,260,000	£1.60
Exercised	**(161,000)**	**£1.60**	(865,000)	£1.60
Outstanding at 31 December	**234,000**	**£1.60**	395,000	£1.60
Exercisable at 31 December	**234,000**	**£1.60**	395,000	£1.60

	2021	2020
Weighted average share price at the date of exercise of options exercised during the year	**£14.01**	£4.31
Weighted average remaining contractual life of options	**2.3 years**	3.3 years

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

		2021		2020	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2014	2024	**234,000**	**£1.60**	395,000	£1.60

Non-dilutive share options

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

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

	2021		2020	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**550,000**	**£0.01**	550,000	£0.01
Awarded	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Outstanding at 31 December	**550,000**	**£0.01**	550,000	£0.01
Exercisable at 31 December	**150,000**	**£0.01**	150,000	£0.01

	2021	2020
Weighted average fair value of options granted during the year	**n/a**	n/a
Weighted average share price at the date of exercise of options exercised during the year	**n/a**	n/a
Weighted average remaining contractual life of options	**6.7 years**	7.7 years

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

		2021		2020	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2016	2026	**150,000**	**£0.01**	150,000	£0.01
2020	2029	**400,000**	**£0.01**	400,000	£0.01

28. Share-based payments continued

Assumptions

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

Award date	2021	2020
Share price	**£11.00 – £13.75**	£10.00
Exercise price	**£0.01**	£0.01
Volatility	**34.3% – 36.1%**	33.5%
Expected life	**5 years**	5 years
Expected dividends	**0%**	0%
Risk free rate	**0.10%**	0.10%

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

Award date	2021	2020
Share price	**£11.00 – £13.75**	£1.80 – £10.00
Exercise price	**£0.01**	£0.01
Volatility	**34.3% – 36.1%**	24.6% – 33.5%
Expected life	**3 years**	3 years
Expected dividends	**0%**	0%
Risk free rate	**0.10%**	0.10% – 0.87%

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.

29. Financial instruments

Recognition and initial measurement

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

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

Classification

Financial assets

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

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

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

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

29. Financial instruments continued

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

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

Financial liabilities

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

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

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

Subsequent measurement

Financial assets

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

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

Financial liabilities

Amortised cost: These liabilities are initially measured at fair value, net of transaction costs. Subsequently they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Impairment

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

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

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

Measurement of ECLs

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

29. Financial instruments continued

Credit-impaired financial assets

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

Write-offs

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

Fair value measurements

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

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

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

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

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

Categories of financial instruments

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

	Carrying amount				Fair value	
31 December 2021	Financial assets at fair value through profit and loss £000s	Financial assets at amortised cost £000s	Financial liabilities at amortised cost £000s	Financial liabilities at fair value through profit and loss £000s	Total £000s	Total £000s
Financial assets						
Equity investments	–	–	–	–	–	45
Trade receivables	–	20,234	–	–	20,171	20,171
Accrued revenue (contract asset)	–	3,958	–	–	3,958	3,958
Other receivables	–	692	–	–	692	692
Cash and cash equivalents	–	31,243	–	–	31,243	31,243
	–	56,127	–	–	56,127	56,127
Financial liabilities						
Lease liabilities	–	–	2,681	–	2,681	2,681
Trade payables	–	–	3,102	–	3,102	3,102
Amounts payable to related parties	–	–	3	–	3	3
Other payables	–	–	1,540	–	1,540	1,540
Derivative liability – Foreign currency forward contracts	–	–	–	261	261	261
Customer advances	–	–	47	–	47	47
Accruals	–	–	8,951	–	8,951	8,951
	–	–	16,324	261	16,585	16,585

29. Financial instruments continued

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

Financial instruments measured at fair value

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

	31 December 2021 £000s	31 December 2020 £000s
Financial assets		
Equity investments – Level 1	**45**	–
Equity investments – Level 3	**–**	–
Foreign currency forward contracts used for hedging – Level 2	**–**	–
Financial assets measured at fair value	**45**	–
Financial liabilities		–
Foreign currency forward contracts used for hedging – Level 2	**261**	–
Deferred consideration – Level 3	**–**	328
Financial liabilities measured at fair value	**261**	328

Deferred and contingent consideration (Level 3)

Deferred and contingent consideration is measured using a discounted cash flow approach, utilising management's forecasts to estimate the likely pay out and discounting of these using a risk-adjusted weighted average cost of capital, both of which are significant unobservable inputs. The contingent consideration payable in respect of MS Clinical Services, LLC. and its subsidiaries ('MedSource') is categorised as level 3 within the fair value hierarchy. The fair value of contingent consideration has been assessed at £nil as no conditions, including the subsequent agreement of a revised earn-out and settlement agreement, existed at the reporting date. The deferred consideration for MedSource at 31 December 2020 of £328,000 is categorised as level 3 within the fair value hierarchy and is due upon the verification of the net assets acquired by the Group at the acquisition date and was settled in cash during in H1 2021.

Foreign currency forward contracts (Level 2)

The Group's foreign currency forward contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

29. Financial instruments continued

Equity investments (Level 1 and 3)

Equity investments which are publicly quoted are measured based on the quoted market price. Unlisted equity investments are measured based on the market price of recent share issuances or, where not available, management's best estimate of the realisable value of those investments.

The level 1 investment held in Asarina Pharma AB and was disposed of in H2 2020 for proceeds (net of sale costs) of £175,000.

The level 3 investment in Modus Therapeutics Holding AB was transferred to level 1 on 20 July 2021 when the shares were listed on the Nasdaq First North Growth Market. Given the lack of liquidity in Modus' stock, management continue to hold the value of the investment at £nil (the fair value at the reporting date was £45,000). The Modus investment was fully impaired during prior financial periods after the results of completed clinical trials in those periods were published.

Transfers between Levels 1 and 3

In July 2021, Modus Therapeutics Holding AB listed on the NASDAQ First North GM Sweden. At this time Ergomed's entire investment in Modus was converted into 145,590 shares in the newly listed stock.

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Deferred and contingent consideration £000s	Equity investments £000s
At 1 January 2020	–	–
Fair value of deferred and contingent consideration arising on business combinations	(328)	–
At 31 December 2020	**(328)**	**–**
FV of contingent consideration arising on business combinations	**(2,949)**	
Cash settled in the period	**3,267**	**–**
Translation movement	**10**	**–**
At 31 December 2021	**–**	**–**

29. Financial instruments continued

Financial risk management objectives

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

i) Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Where appropriate, the Group uses derivatives to manage market risks within the parameters set out by the Audit and Risk committee within the Group Treasury Policy.

Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the value of income and expenses denominated in foreign currencies. The functional currencies of the Group Companies are primarily pounds Sterling, Euros and US Dollars. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further activity is undertaken. Where the amounts to be paid and received in a specific currency result in a net surplus or exposure, the net surplus or exposure is hedged by selling or buying the foreign currency and holding in currency accounts or through the use of foreign currency forward contracts.

The carrying amounts of the Group's financial assets and financial liabilities by currency at the reporting date are as follows:

	2021					2020				
	GBP £000s	**EUR £000s**	**USD £000s**	**Other £000s**	**Total £000s**	GBP £000s	EUR £000s	USD £000s	Other £000s	Total £000s
Financial assets										
Equity investments	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Trade receivables	**2,720**	**2,238**	**12,707**	**2,569**	**20,234**	2,858	3,741	12,231	249	19,079
Accrued revenue (contract asset)	**1,122**	**631**	**1,920**	**285**	**3,958**	106	770	4,677	–	5,553
Other receivables	**148**	**119**	**38**	**387**	**692**	497	131	86	527	1,241
Cash and cash equivalents	**15,083**	**3,118**	**11,757**	**1,285**	**31,243**	1,598	5,732	10,213	1,451	18,994
Financial liabilities										
Lease liabilities	**814**	**1,555**	**187**	**125**	**2,681**	1,421	2,492	1,138	55	5,106
Trade payables	**747**	**1,443**	**588**	**324**	**3,102**	596	981	2,030	590	4,197
Amounts payable to related parties	**–**	**–**		**3**	**3**	–	–	–	55	55
Other payables	**230**	**31**	**56**	**1,221**	**1,538**	198	5	28	1,064	1,295
Customer advances	**–**	**47**	**–**	**–**	**47**	–	408	–	–	408
Accruals	**6,695**	**354**	**831**	**1,071**	**8,951**	5,861	1,540	573	661	8,635
Derivative liability – Foreign currency forward contracts	**261**	**–**	**–**	**–**	**261**	–	–	–	–	–
Deferred consideration	**–**	**–**	**–**	**–**	**–**	–	–	328	–	328
Net financial asset/(liability)	**10,326**	**2,676**	**24,760**	**1,782**	**39,544**	(3,017)	4,948	23,110	(198)	24,843

29. Financial instruments continued

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported the management of the Group is as follows:

	2021			2020		
	GBP £000s	**EUR £000s**	**USD £000s**	GBP £000s	EUR £000s	USD £000s
Financial assets						
Trade receivables	**2,720**	**2,238**	**12,707**	2,858	3,741	12,231
Other receivables	**148**	**119**	**38**	497	131	86
Cash and cash equivalents	**15,083**	**3,118**	**11,757**	1,598	5,732	10,213
Lease liabilities	**814**	**1,555**	**187**	1,421	2,492	1,138
Trade payables	**747**	**1,443**	**588**	596	981	2,030
Other payables	**230**	**31**	**56**	198	5	28
Deferred consideration	**–**	**–**	**–**	–	–	–
Net financial asset/(liability)	**16,160**	**2,446**	**23,671**	(3,017)	4,948	23,110
Foreign currency forward contracts	**8,901**	**–**	**(9,191)**	–	–	328
Net exposure to currency	**8,901**	**–**	**(9,191)**	–	–	–

Sensitivity analysis

The following table demonstrates the Group's sensitivity to a 10% strengthening or weakening in Sterling, being the reporting currency of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	Profit or (loss) 2021		Profit or (loss) 2020	
	Strengthen +10% £000s	**Weaken -10% £000s**	Strengthen +10% £000s	Weaken -10% £000s
Euro	**(267)**	**267**	(450)	550
USD	**(2,476)**	**2,476**	(2,101)	2,568
Other	**(215)**	**215**	(38)	47

Interest rate risk

The Group is primarily exposed to the interest rate risks associated with its holdings of cash and cash equivalents and borrowings. Interest rate risk associated with financial liabilities is minimal and the Group does not have any borrowing facilities at the year end (2020: £nil).

29. Financial instruments continued

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Nominal amount	
	2021 £000s	2020 £000s
Variable-rate instruments		
Cash and cash equivalents	**31,243**	18,994

Cash flow sensitivity analysis

The following table demonstrates the Group's cash flow sensitivity to a change of 100 basis points (1%) on the profit or loss during the reporting period would result in an increase or decrease in interest-bearing financial instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for comparative period.

	Profit or (loss) 2021		Profit or (loss) 2020	
Variable-rate instruments	**Strengthen +1% £000s**	**Weaken -1% £000s**	Strengthen +1% £000s	Weaken -1% £000s
Cash and cash equivalents	**245**	**(245)**	211	(211)
Cash flow sensitivity (net)	**245**	**(245)**	211	(211)

The effective interest rate at the balance sheet date on cash and cash equivalents was 0.01% (2020: 0.04%).

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has a limited exposure to IBORs in its existing financial instruments which will be reformed as part of these market-wide initiatives.

The Group's main financial instrument IBOR exposure at the reporting date is its borrowing facility (revolving credit and accordion facility) with HSBC. This facility was undrawn at the reporting date.

On 5 March 2021, the Financial Conduct Authority announced that panel bank submissions for all LIBOR settings will cease as at 31 December 2021, after which representative LIBOR rates will no longer be available. The alternative reference rate for sterling LIBOR is the Sterling Overnight Index Average (SONIA) and for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR).

The Group anticipates that the IBOR reform will not have a significant financial or operational impact on the business.

Other market risk

The primary goal of the Group's equity investments is to hold the investments for the long term for strategic purposes. Equity investments have been designated as FVPL because their performance is actively monitored and they are managed on a fair value basis.

29. Financial instruments continued

Equity investments which are publicly quoted are measured based on the quoted market price. Unlisted equity investments are measured based on the market price of recent share issuances.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and contracts with customers.

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

The credit risk on cash and cash equivalents is limited because the counterparties are banks or sovereign governments with high credit ratings assigned by international credit rating agencies.

The credit risk on other receivables is limited as it primarily consists of rental deposits and recoverable sale tax.

Trade receivables and accrued revenue (contract assets) consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

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

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

The concentration of credit risk for trade receivables and accrued revenue (contract assets) at the balance sheet date by geographic region and service line was:

	Carrying amount 2021			Carrying amount 2020		
	CRO £000s	**PV £000s**	**Total £000s**	CRO £000s	PV £000s	Total £000s
UK	**1,266**	**1,675**	**2,941**	639	1,890	2,529
Rest of Europe, Middle East and Africa	**1,773**	**2,766**	**4,539**	2,611	2,559	5,170
North America	**6,778**	**8,858**	**15,636**	8,253	8,010	16,263
Asia	**487**	**455**	**942**	158	465	623
Australia	**69**	**65**	**134**	–	47	47
	10,373	**13,819**	**24,192**	11,661	12,971	24,632

Amounts due from Group companies primarily relate to trading balances with no significant financing element. The simplified approach for assessing credit losses was used for these balances and is immaterial as the probability of default is insignificant.

Included in trade receivables and accrued revenue (contract assets) are the following amounts after deducting allowance for losses that are past due at the reporting date by the following periods:

	2021 £000s	2020 £000s
Less than 30 days overdue	**2,894**	2,696
31 to 60 days overdue	**1,122**	808
61 to 90 days overdue	**429**	231
More than 90 days overdue	**132**	–
	4,577	3,735

29. Financial instruments continued

The allowance for losses as a result of the exposure to credit risk at the reporting date was determined as follows for trade receivables and accrued revenue (contract assets):

	2021			2020		
	Expected credit losses	**Balance before allowance for losses £000s**	**Allowance for losses £000s**	Expected credit losses	Balance before allowance for losses £000s	Allowance for losses £000s
Current	**0.0%**	**19,994**	**(379)**	0.0%	20,599	–
Less than 30 days overdue	**0.0%**	**3,018**	**(124)**	0.0%	2,701	(4)
31 to 60 days overdue	**0.5%**	**1,198**	**(76)**	0.5%	812	(4)
61 to 90 days overdue	**0.5%**	**431**	**(2)**	0.5%	283	(53)
90 to 120 days overdue	**1.0%**	**133**	**(1)**	1.0%	101	(101)
More than 120 days overdue	**100%**	**45**	**(45)**	100.0%	136	(136)
		24,819	**(627)**		24,632	(298)

The allowance for losses includes losses as a result of expected and identified credit losses.

Movements in the allowance for losses in trade receivables and accrued revenue (contract assets) during the year were as follows:

	2021 £000s	2020 £000s
At 1 January	**298**	67
Impairment losses recognised	**(3)**	(37)
Provision for specific credit losses identified	**–**	26
Translation	**1**	11
Change in expected credit loss provision during the year	**331**	231
At 31 December	**627**	298

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

29. Financial instruments continued

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements at the reporting date:

	2021 Contractual cash outflow					2020 Contractual cash outflow				
Non-derivative financial liabilities	**Carrying amount £000s**	**Less than one year £000s**	**Between one and five years £000s**	**More than five years £000s**	**Total £000s**	Carrying amount £000s	Less than one year £000s	Between one and five years £000s	More than five years £000s	Total £000s
Trade payables	**3,102**	**3,102**	**–**	**–**	**3,102**	4,197	4,197	–	–	4,197
Amounts payable to related parties	**3**	**3**	**–**	**–**	**3**	55	55	–	–	55
Other payables	**1,538**	**1,538**	**–**	**–**	**1,538**	1,295	1,295	–	–	1,295
Customer advances	**47**	**47**	**–**	**–**	**47**	408	408	–	–	408
Accruals	**8,951**	**8,951**	**–**	**–**	**8,951**	8,635	8,635	–	–	8,635
Deferred consideration	**–**	**–**	**–**	**–**	**–**	328	328	–	–	328
Lease liability	**2,681**	**1,249**	**1,432**	**–**	**2,681**	5,106	1,978	3,077	51	5,106
	16,322	**14,890**	**1,432**	**–**	**16,322**	20,024	16,896	3,077	51	20,024

	2021 Contractual cash outflow					2020 Contractual cash outflow				
Derivative financial liabilities	**Carrying amount £000s**	**Less than one year £000s**	**Between one and five years £000s**	**More than five years £000s**	**Total £000s**	Carrying amount £000s	Less than one year £000s	Between one and five years £000s	More than five years £000s	Total £000s
Forward exchange contracts used for hedging:										
- Outflow	**261**	**(9,192)**	**–**	**–**	**(8,930)**	–	–	–	–	–
- Inflow	**–**	**8,901**	**–**	**–**	**8,901**	–	–	–	–	–
	261	**(291)**	**–**	**–**	**(29)**	–	–	–	–	–

The inflows/(outflows) disclosed for forward exchange contracts represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. The disclosure shows the net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Capital risk management

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

30. Acquisition of subsidiary – PrimeVigilance USA Inc.

On 13 January 2020, the Group acquired all the issued share capital in Ashfield Pharmacovigilance Inc. for $10,000,000, satisfied in cash. Immediately after acquisition the subsidiary changed its name to PrimeVigilance USA Inc. The company is a specialist pharmacovigilance provider based in the US. The acquisition expands the geographical coverage of PV, the pharmacovigilance brand of the Ergomed group, and further develops the Group's broader combined CRO and PV business globally.

	Book value £000s	Fair value adjustments £000s	Final valuation £000s
Intangible assets	159	2,392	2,551
Property, plant and equipment	779	–	779
Right-of-use assets	987	–	987
Total non-current assets	1,925	2,392	4,317
Trade and other receivables	1,462	(75)	1,387
Cash and cash equivalents	727	–	727
Current assets	2,189	(75)	2,114
Trade and other payables	(321)	–	(321)
Lease liability	(1,075)	–	(1,075)
Tax payable	–	–	–
Deferred tax liability	(1,945)	1,282	(663)
Financial liabilities	(3,341)	1,282	(2,059)
Total identifiable net assets	773	3,599	4,372
Goodwill			4,011
Total consideration			8,383
Satisfied by:			
Cash			7,613
Cash – working capital advance			770
Total consideration			8,383
Net cash outflow arising on acquisition			
Cash consideration			8,433
Less: cash and cash equivalent balances acquired			(727)
Less: working capital adjustment			(93)
Transaction expenses			407
			8,020

The fair value of intangible assets relates to customer relationships of £1,998,000 and contracted order book of £553,000. The Group incurred acquisition related cost of £393,000 related to due diligence and legal activities in the year ended 31 December 2020 and an additional £14,000 in the year to 31 December 2021. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement.

The fair value of acquired receivables was £1,250,000. The gross contractual amount receivable is £1,325,000 and, at the acquisition date, £75,000 of contractual cash flows were not expected to be received.

Ergomed plc has a 12-month measurement period from the date of acquisition, and therefore the measurement period ended on 13 January 2021. No changes to the valuation of PrimeVigilance USA Inc were made in 2021.

31. Acquisition of subsidiary – MedSource

On 11 December 2020, the Group acquired all of the issued share capital in MS Clinical Services, LLC, MedSource UK Ltd and MS Clinical Services (Canada) Inc ('MedSource') for $16,200,000 in cash, adjusted for net debt, and paid at the closing of the transaction, with further consideration of $1,800,000 payable in Ergomed plc equity issued at a price based on the average daily closing price for 30 days preceding the acquisition (155,558 shares at a price of £8.76) upon the satisfaction of certain representations and warranties.

In order to facilitate the full integration of all CRO activities under the Ergomed CRO brand and management, and fully realise the benefit of a wider CRO operational base in North America before the originally planned and anticipated earn-out and handover period at the end of 2021, the management of the Company and MedSource agreed a revised earn-out and settlement agreement on 23 July 2021. The revised earn-out and settlement agreement gave rise to final payments totalling £2,949,000 ($3,800,000) in 2021 (note 6).

MedSource is a full-service CRO with a focus on complex diseases and study designs. The acquisition greatly expands the geographical presence of Ergomed's CRO service offering in the US whilst complementing the current business specialism in oncology and rare disease.

	Book value £000s	Fair value adjustments £000s	Provisional valuation £000s
Intangible assets	475	6,072	6,547
Property, plant and equipment	89	–	89
Right-of-use assets	–	131	131
Deferred tax asset	–	3,393	3,393
Total non-current assets	564	9,596	10,160
Trade and other receivables	3,062	–	3,062
Cash and cash equivalents	4,346	–	4,346
Current assets	7,408	–	7,408
Trade and other payables	(2,348)	–	(2,348)
Lease liability	–	(131)	(131)
Deferred Revenue	(6,528)	(3,208)	(9,736)
Deferred tax liability	–	(1,683)	(1,683)
Financial liabilities	(8,876)	(5,022)	(13,898)
Total identifiable net assets	(904)	4,574	3,670
Goodwill			6,773
Total consideration			10,443
Satisfied by:			
Cash			9,092
Equity			1,351
Total consideration			10,443
Net cash outflow arising on acquisition			
Cash consideration			8,764
Less: cash and cash equivalent balances acquired			(4,346)
Add: deferred consideration			328
Add: Earn-Out and settlement agreement			2,949
Transaction expenses			1,231
			8,926

The fair value of intangible assets relates to customer relationships of £4,317,000, brand of £954,000 and contracted order book of £1,276,000. The Group incurred acquisition related costs of £825,000 related to due diligence and legal activities in the year ended 31 December 2020 and £406,000 in the period to 31 December 2021. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement.

The Company has a 12-month measurement period from the date of acquisition, and therefore the measurement period ended on 11 December 2021.

32. Operating leases

As a result of the adoption of IFRS 16 all leases, except those classified as either low-value assets or short-term, have been recognised on the balance sheet as a right-of-use asset and lease liability and are no longer included in the non-cancellable operating lease disclosure below.

At the year end, the Group and Company had the following future aggregate minimum lease payments under non-cancellable operating leases which are not included in 'Lease liabilities':

Group

	Land and buildings		Other	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
No later than one year	**12**	9	**31**	60
Later than one year and no later than five years	**–**	–	**11**	40
	12	9	**42**	100

Company

	Land and buildings		Other	
	2021 £000s	2020 £000s	**2021 £000s**	2020 £000s
No later than one year	**3**	3	**–**	–

33. Related party transactions

Ergomed d.o.o., a company registered in Croatia, is under the control of Miroslav Reljanović, who is a Director and shareholder of the Company. During the year, the Group was charged £25,000 (2020: £152,000) by Ergomed d.o.o. in respect of clinical research consultancy and other administration costs. At the year-end, a balance of £3,000 was owed by the Group to Ergomed d.o.o. in respect of these costs (2020: £55,000).

Gordana Tonkovic, President of CRO, a related party of Miroslav Reljanović. During the year, the Group was charged £225,000 in respect of her services as key management personnel for the CRO business. At the year-end, a balance of £nil was owed by the Group to Gordana Tonkovic.

Asarina Pharma AB., a company registered in Sweden of which Miroslav Reljanović was a Director until his resignation on 5 May 2020, was invoiced £nil during the year to 31 December 2021 (2020: £1,484,000) in respect of the provision of clinical research services. At the year-end a balance of £nil was due from Asarina Pharma AB (2020: amounts due 402,000).

Modus Therapeutics Holding AB., a company registered in Sweden of which Miroslav Reljanović was a Director until his resignation on 5 June 2021, was invoiced £nil during the year to 31 December 2021 (2020: £9,000) in respect of provision of clinical research services. At the year-end, there were no outstanding amounts (2020: £nil) due from Modus Therapeutics Holding AB.

In 2020, Esinhart LLC, a company registered in the USA and under the control of James Esinhart, a Non-Executive Director of the Company in the year provided consultancy services to the Company and its subsidiaries during the year for which they were charged £10,000. At the year end, there were no outstanding amounts (2020: £nil) owed by the Company and its subsidiaries to Esinhart LLC in respect of these services.

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.

34. Post year end acquisition of subsidiary - ADAMAS

On 9 February 2022, the Group acquired all of the issued share capital in ADAMAS Consulting Group Limited. The acquisition has been completed for a cash consideration of £25.6 million, representing an enterprise value of £24.2 million and cash acquired of £1.4 million. Ergomed Plc drew down on its £15 million multi-currency rolling credit facility ('RCF) on 1 February 2022 and utilised the funds and existing Group cash reserves to fund the acquisition.

ADAMAS is an international specialist consultancy offering a full range of independent quality assurance services and specialising in the audit of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems. The subsidiary acquisition was post year end and has not contributed to the consolidated profit of the Group for the year ended 31 December 2021.

Ergomed plc has a 12-month measurement period from the date of acquisition ending on 9 February 2023.

Company information

Directors

Miroslav Reljanović
Richard Barfield
Michael Spiteri
Llew Keltner
Mark Enyedy
John Dawson

Company Secretary

Joanne Bletcher

Registered office

1 Occam Court
Surrey Research Park
Guildford
Surrey
GU2 7HJ

Auditor

KPMG
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Lawyer

Covington & Burling LLP
22 Bishopsgate
London
EC2N 4BQ

Bankers

HSBC UK Bank plc
1 Centenary Square
Birmingham
B1 1HQ

Nominated Advisory and Broker ('NOMAD')

Numis Securities Ltd
45 Gresham Street
London
EC2V 7BF

Registrar

Share Registrars Ltd
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

Public Relations

Consilium Strategic Communications Ltd
85 Gresham Street
London
EC2V 7NQ

Ergomed plc

www.ergomedplc.com
info@ergomedplc.com

Designed and produced by emperor
Visit us at **emperor.works**

Ergomed plc

1 Occam Court
Surrey Research Park
Guildford
Surrey GU2 7HJ

www.ergomedplc.com