ERGOMED

PRESS RELEASE

Interim results for the six months ended 30 June 2020

Services strategy drives revenue and profit growth
Order book growth underpins high forward visibility

- ***Total revenue growth of 14.8%***
- ***Service fee revenue growth of 25.9% (18.0% on a like-for-like basis)***
- ***Adjusted EBITDA £9.1 million up 40.0%***
- ***Order book up 22.0% since 1 January 2020 providing high visibility into H2 2020 and beyond***
- ***Strong net cash balance of £14.1 million***

Guildford, UK – 22 September 2020: Ergomed plc, (LSE: ERGO) ('Ergomed' or the 'Company'), a company focused on providing specialised services to the global pharmaceutical industry, announces its interim results for the six months ended 30 June 2020.

Financial Summary

Figures in £ millions, unless otherwise stated	**First Half 2020**	**First Half 2019**	***% change***
Total Revenue	**40.4**	**35.2**	*14.8*
Service Fee Revenue	*36.9*	*29.3*	*25.9*
Like-for-like Service Fee Revenue (Note 1)	*32.7*	*27.7*	*18.0*
Gross Profit	**18.5**	**14.5**	*27.6*
Gross Margin (%)	*45.8%*	*41.2%*	-
Adjusted EBITDA *(Note 2)*	**9.1**	**6.5**	*40.0*
Net cash at 30 June	**14.1**	**8.1**	*74.1*
Order book at 30 June	**151.4**	**118.3**	*28.0*
Basic adjusted earnings per share *(pence) (Note 3)*	**11.3p**	**9.6p**	*17.7*

Notes:
(1) Like-for-like Service Fee revenue excludes H1 2020 revenues of £4.2m in PrimeVigilance USA Inc acquired on 10 January 2020 and H1 2019 revenues of £1.6m arising from exceptional change orders.
(2) Adjusted EBITDA is defined as operating profit for the period plus depreciation and amortisation, share-based payment charge, acquisition related consideration and costs and exceptional items, less one-off receipts in the period comprising a prior year R&D tax credit and COVID-19 grants (Note 7 to the financial statements).
(3) Basic adjusted earnings per share is defined as earnings per share after adjustment for items referred to in Note 3 to the financial statements.

Dr Miroslav Reljanović, Executive Chairman of Ergomed, said: *"Ergomed has delivered exceptional progress both operationally and financially during the first half of the year, continuing to demonstrate our ability to drive sustained growth through a clear focus on our service model strategy. We responded robustly to the challenges of the COVID-19 pandemic with strong revenue and profit growth, a growing order book and sales momentum across the business. We will continue to invest for organic growth and efficiency, with a disciplined approach to strategic acquisition opportunities, and are firmly positioned to realise our potential as a leading global provider of specialist services to the pharmaceutical industry."*

Key Financial Highlights

- Revenue of £40.4 million, up 14.8% (H1 2019: £35.2 million)
- Adjusted EBITDA of £9.1 million, up 40.0% (H1 2019: £6.5 million)
- Basic adjusted earnings per share of 11.3p (H1 2019: 9.6p)
- Net cash of £14.1 million after £8.1 million acquisition costs paid in cash in H1 2020 (30 June 2019: £8.1 million)

Operational Highlights

- Robust sales performance with net new awards up 22.9%
- Order book of future contracted revenue up 28.0% to £151.4 million (30 June 2019: £118.3 million)
- PrimeVigilance revenues up 62.1% including major new awards and renewals
    - PrimeVigilance USA business now fully integrated
- Significant new clinical trial awards including COVID-19 related studies
- North America revenues up 79.3%
- Overall resilient response to COVID-19 challenges

Webcast and conference call for analysts:
A webcast and conference call for analysts will be held at 9.00am BST on 22 September 2020.

Webcast link: https://www.lsegissuerservices.com/spark/Ergomed/events/c9f781ec-c803-4029-87ac-1e0a87289ac9

Conference call details
UK Participant Local Dial-In: (0) 20 3107 0289
US Participant International Dial-In: +1 (918) 922-6506
International Dial-In: +44 (0) 80 0028 8438
Conference ID: 7053179

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About Ergomed plc
Ergomed provides specialist services to the pharmaceutical industry spanning all phases of clinical development, post-approval pharmacovigilance and medical information. Ergomed's fast-growing, profitable services business includes an industry leading suite of specialist pharmacovigilance (PV) solutions, integrated under the PrimeVigilance brand, a full range of high-quality clinical research and trial management services under the Ergomed brand (CRO), and an internationally recognised specialist expertise in orphan drug development, under PSR. For further information, visit: http://ergomedplc.com.

Forward-looking Statements

Certain statements contained within the announcement are forward-looking statements and are based on current expectations, estimates and projections about the potential results of Ergomed plc ("Ergomed") and the industry and markets in which Ergomed operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements or expectations. Among the *factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.*

These forward-looking statements speak only as of the date of this announcement. Ergomed expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in Ergomed's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

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INTERIM MANAGEMENT REPORT

OPERATIONAL AND FINANCIAL REVIEW

Introduction

Despite the challenges of the COVID-19 pandemic, the first half of 2020 has seen a further period of exceptional operational and financial performance for Ergomed, reinforcing the value of its services model and the strength of the foundations the company is building for long-term growth as a global provider of specialist services to the pharmaceutical industry.

Financial summary

Ergomed continued to deliver strong top-line growth and financial performance across the business in H1 2020. A strong order book at the beginning of the year, combined with significant new business won, helped drive revenue to £40.4 million, up by 14.8% (2019: £35.2 million). This included revenue growth in North America of 79.3% compared to H1 2019. Like-for-like service fee revenue grew 18.0%, excluding revenue from the recently acquired PrimeVigilance USA, pass-through revenues and H1 2019 one-off revenues of £1.6 million relating to change orders.

Adjusted EBITDA for the first half of 2020 was up 40.0% to £9.1 million compared to £6.5 million in H1 2019 (which included £0.9 million positive impact of the new leasing standard IFRS 16 and the £1.6 million one-off revenue uplift referred to above).

Cash generation in the first half of 2020 was strong. Net cash balances began the year at £14.3 million and after paying £8.1 million cash for the acquisition of PrimeVigilance USA, net cash at 30 June 2020 was £14.1 million. On 19 August 2020 the Company paid down the £15 million cash drawn down on its revolving credit facility at the beginning of the pandemic, without having used it, and from that date continues to be debt free with facilities of £30 million available to support expansion.

Operational summary

Building on the robust performance reported at the beginning of the year, Ergomed had an excellent first half, with overall growth in revenue driven by continued demand for its services across the integrated business.

A strong business development performance saw sales for H1 2020 increase by 22.9% to £60.2 million (H1 2019: £49.0 million), including significant levels of new awards due to effective cross-selling between the CRO and PV businesses. Key to new contract wins in both CRO and PV services was Ergomed's broader geographic footprint arising from organic expansion into the USA and Asia, as well as its ability to offer increased services and broader geographic coverage to the newly acquired PrimeVigilance USA client base. Examples include a Prime Vigilance USA client which had not planned to renew its contract but, following the acquisition, expanded its contract to include European capabilities and medical information services, and a PrimeVigilance USA client which took on a broader service under a three year contract benefitting from Ergomed's database technology, European presence and combination product safety experience. Ergomed's CRO business won awards with PV clients in the USA, Israel and Sweden in oncology and rare disease, and awards in Ergomed's existing PrimeVigilance business included PV support to a significant US based CRO client for four clinical oncology studies and to a PrimeVigilance USA client for late phase CRO services on an epidemiology study.

Ergomed's order book remains healthy at £151.4 million at the end of H1 2020, up 22.0% from £124.1 million at 31 December 2019 and up 28.0% on the prior year (H1 2019: £118.3 million), providing excellent visibility of contracted revenues for the second half of 2020 and beyond.

The CRO business was impacted by COVID-19 restrictions on its service provision and saw its underlying service fee revenue decline 6.7% from £11.9 million in H1 2019 to £11.1 million in H1 2020. Total CRO revenues decreased from £19.0 million in H1 2019 to £14.3 million in H1 2020 due to the COVID-19 impact on pass-through revenues and the inclusion in H1 2019 of the £1.6 million one-off revenue uplift referred to above.

The COVID-19 related impact was due to some delays on a small number of studies, however the majority of projects were largely unaffected thanks to the focus on essential research in rare disease and oncology. The business reacted rapidly to these delays by controlling costs, enabling margins to be maintained. The business won significant new awards in COVID-19 related trials, as well as in USA based projects. COVID-19 related restrictions began to ease towards the end of the period, and this has continued into H2 2020.

Revenues in PrimeVigilance, the pharmacovigilance (PV) business, increased by 62.1% to £26.1 million from £16.1 million in H1 2019. The underlying increase was 36.0%, excluding £4.2 million revenues from the now fully integrated PrimeVigilance USA business.

The increase in revenues was due in part to an increase in the number of adverse events reported as a result of the COVID-19 pandemic, as well as the establishment of safety services to support COVID-19 clinical studies within PrimeVigilance's existing customer base. This additional workload was absorbed by our existing teams without increasing headcount, contributing to the improved margins.

PrimeVigilance also won a number of significant new contracts in H1 2020, maintained a high renewal rate for existing client contracts reaching the end of their initial contract term, and transitioned several major clients from annually renewing contracts onto multi-year contracts. Development of the business in Asia accelerated, with increases in the number of clients in Asia and the implementation of a Japanese safety database. The integration of the PrimeVigilance USA business was completed successfully within the period, and new awards won in H1 2020 further contributed to the Group's overall substantial US growth in the period, with the PrimeVigilance business more than doubling its North America revenues to £14.4 million from £7.0 million in H1 2019. Further progress was made with automation initiatives, with the first applications planned to go live during the final quarter of 2020.

Proposed capital reduction

In light of the Company's operational and financial progress and to increase its ability to pay dividends, to facilitate any prospective buy back of shares and for any other general corporate purposes, the Board has determined that it will request shareholder and court approval for a capital reduction, whereby the balance on the share premium account and other reserves will be used to eliminate the deficit on the retained earnings reserve. No decision has yet been made by the Board on how the additional distributable reserves will be utilised and any such utilisation will always be subject to the financial position and prospects of the Company at the relevant time. A circular to shareholders requesting such approval is expected to be issued in the near future.

COVID-19 update

Ergomed continues to contribute to the global fight against the COVID-19 virus, facilitating a number of projects through both its CRO and PV businesses in Europe, North America and Asia and establishing itself as a recognised provider of COVID-19 research support.

Ergomed maintains a range of employee safety measures having successfully transferred to a fully remote working operation with no disruption to the business and no redundancies or furloughed staff at the beginning of the pandemic. However, with restrictions starting to lift, the Company is beginning to resume office-based working and regain access to client sites, whilst continuing to place the highest priority on the safety of staff and patients.

Board Change

Lewis Cameron has decided to resign his position as Ergomed's Chief Operating Officer and Board Director with immediate effect for personal reasons related to the COVID-19 pandemic. Ergomed has benefited from Lewis's experience in his time with the Company and we wish him well in the future.

Going concern

At 30 June 2020 the Group had £14.1 million in net cash and cash equivalents together with available financial facilities of £30.0 million and an order book of signed contracts of £151.4 million. The Directors expect Ergomed's services businesses to continue to be cash generative. Taking into account existing cash resources and after due consideration of cash flow forecasts, the Directors are of the view that the Group will continue to have access to adequate resources to allow it to continue trading on normal terms of business for no less than 12 months from the date of signing of the financial information for the six months ended 30 June 2020. The Directors have therefore prepared the financial information on a going concern basis.

Current trading and outlook

Ergomed has delivered exceptional progress both operationally and financially during the first half of 2020, continuing to demonstrate our ability to drive sustained growth through a clear focus on our service model strategy. We responded robustly to the challenges of the COVID-19 pandemic, with strong revenue and profit growth, a growing order book and sales momentum across the business. We expect to see this momentum continue into the second half of the year, driven by further demand for our PV and CRO services. We will continue to invest for organic growth and efficiency with a disciplined approach to strategic acquisition opportunities and are firmly positioned to realise our potential as a leading global provider of specialist services to the pharmaceutical industry.

Dr Miroslav Reljanović

Financial review

The primary financial statements of Ergomed plc for the six months ended 30 June 2020 are presented later in this announcement along with the key accounting policies, notes to the financial statements and the independent review report from KPMG.

Key performance indicators

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

£ million *(unless stated otherwise)*	**H1 2020**	**H1 2019**
Total Revenue	40.4	35.2
Gross profit	18.5	14.5
Gross margin %	45.8%	41.2%
Adjusted EBITDA *(Note 7)*	9.1	6.5
Cash and cash equivalents	14.1	8.1
Basic adjusted earnings per share (pence)	11.3p	9.6p

Consolidated income statement
Total revenue for the six months ended 30 June 2020 was £40.4 million (H1 2019: £35.2 million), an increase of 14.8%, driven by 62.1% growth in the PV business offset by a 6.7% decline in CRO service fees. Revenues grew by 79.3% in North America compared to H1 2019.

Gross profit was £18.5 million and gross margin was 45.8% (H1 2019: gross profit £14.5 million and gross margin 41.2%). Selling, general and administration expenses, including exceptional items and acquisition related costs were £11.3 million (H1 2019: £9.2 million). The potential risk of non-recoverability of certain trade receivables has been assessed and a provision for net impairment losses of £0.9 million (H1 2019: £0.8 million) has been made accordingly. During the period there were no exceptional items. Research and development costs expensed in the period were £0.1 million (H1 2019: £0.3 million) and continue to be reduced in line with the strategic withdrawal from co-development projects.

Adjusted EBITDA increased to £9.1 million in H1 2020 from £6.5 million in H1 2019, with profit after tax of £4.3 million (H1 2019: £3.6 million). Basic adjusted earnings per share were 11.3p, up from 9.6p per share in H1 2019.

Consolidated balance sheet
Net assets increased by £6.9 million during the first half of 2020 and amounted to £43.7 million at 30 June 2020 (31 December 2019: £36.8 million) including net cash and cash equivalents of £14.1 million (31 December 2019: £14.3 million).

The principal movements in the balance sheet in the first half of 2020 related to the acquisition of Ashfield Pharmacovigilance Inc. (now rebranded to PrimeVigilance USA Inc.) in January 2020 and included increases in goodwill (of £4.0 million), intangible assets (of £2.6 million) and property, plant and equipment and right-of-use assets (of £1.8 million).

Cash flow statement
At 30 June 2020, the Group's cash balance was £14.1 million, having paid £8.1 million in cash for the acquisition of Prime Vigilance USA Inc. (cash and cash equivalents 30 June 2019: £8.1 million, 31 December 2019: £14.2 million).

Cash generated from operating activities increased to £8.1 million (H1 2019: £3.3 million) primarily due to the increased revenues and profitability of the business. The Group has no long-term debt. The £15 million drawdown on the RCF was fully repaid on 19 August 2020.

Net outflows from investing activities increased to £7.9 million (net outflows from investing activities H1 2019: £1.3 million). Inflows from financing activities for the period predominantly related to £1.4 million from share issues arising from share option exercises less £1.2 million for lease costs and interest paid.

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INDEPENDENT REVIEW REPORT TO ERGOMED PLC

Introduction
We have been engaged by Ergomed plc ("the Company" or "the Group") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes. Our review was conducted in accordance with the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.*

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared in accordance with accounting policies the Group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St Stephen's Green,
Dublin 2,
Ireland

21 September 2020

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Consolidated Income Statement
For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
		£000s	£000s	£000s
REVENUE	2	40,379	35,179	68,255
Cost of sales		(18,343)	(14,783)	(29,790)
Reimbursable expenses		(3,498)	(5,907)	(8,940)
GROSS PROFIT		18,538	14,489	29,525
Selling, general and administrative expenses		(11,327)	(9,175)	(23,514)
Selling, general and administrative expenses comprises:				
Other selling, general and administrative expenses		(10,147)	(8,365)	(19,578)
Amortisation of acquired fair valued intangible assets		(675)	(449)	(671)
Share-based payment charge		(488)	(321)	(870)
Acquisition-related contingent compensation		-	(40)	(87)
Change in fair value of contingent consideration for acquisitions		-	-	512
Acquisition costs	5	(17)	-	(393)
Exceptional items	6	-	-	(2,427)
Research and development		(99)	(306)	(545)
Net impairment losses on trade receivable and contract assets		(937)	(833)	-
Other operating income		704	19	51
OPERATING PROFIT		6,879	4,194	5,517
Finance income		7	3	28
Change in fair value of equity investments		(686)	73	(286)
Finance costs	4	(234)	(124)	(273)
PROFIT BEFORE TAXATION		5,966	4,146	4,986
Taxation		(1,687)	(537)	583
PROFIT FOR THE PERIOD		4,279	3,609	5,569

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

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s	Audited Year ended 31 December 2019 £000s
OTHER COMPREHENSIVE INCOME				
Profit for the period		**4,279**	**3,609**	**5,569**
Items that may be classified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		291	240	(208)
Other comprehensive income for the period net of tax		291	240	(208)
Total comprehensive profit for the period		**4,570**	**3,849**	**5,361**
EARNINGS PER SHARE	3			
Basic		8.9p	7.8p	12.0p
Diluted		8.4p	7.5p	11.5p
ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (Adjusted EBITDA)	7	9,113	6,481	12,494
ADJUSTED EARNINGS PER SHARE	3			
Basic		11.3p	9.6p	19.9p
Diluted		10.7p	9.2p	19.1p

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

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Consolidated Balance Sheet
As at 30 June 2020

	Note	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019
		£000s	£000s	£000s
Non-current assets				
Goodwill	8	17,895	13,659	13,380
Other intangible assets	9	4,508	3,140	2,755
Property, plant and equipment		1,916	1,206	1,110
Right-of-use assets		5,630	5,393	5,171
Equity investments		-	2,697	-
Deferred tax asset		3,184	979	2,616
		33,133	27,074	25,032
Current assets				
Trade and other receivables	10	17,418	15,623	14,359
Accrued income		4,957	2,699	3,382
Cash and cash equivalents	11	29,116	8,128	14,259
		51,491	26,450	32,000
Total assets		84,624	53,524	57,032
Current liabilities				
Borrowings	11	(15,000)	-	-
Lease Liabilities		(2,000)	(1,642)	(1,718)
Trade and other payables	12	(11,549)	(8,955)	(10,373)
Contingent and deferred consideration		-	(61)	-
Deferred revenue		(5,139)	(3,105)	(2,957)
Current tax liability		(2,098)	(1,080)	(813)
		(35,786)	(14,843)	(15,861)
Net current assets		15,705	11,607	16,139
Non-current liabilities				
Lease Liabilities		(4,015)	(3,921)	(3,716)
Provisions		(353)	(377)	(341)
Contingent and deferred consideration		-	(541)	-
Deferred tax liability		(796)	(427)	(294)
		(5,164)	(5,266)	(4,351)
Total liabilities		(40,950)	(20,109)	(20,212)
Net assets		43,674	33,415	36,820
Equity				
Share capital	13	482	467	473
Share premium account		27,207	25,252	25,790
Merger reserve		11,088	11,088	11,088
Share-based payment reserve		4,788	3,751	4.300
Translation reserve		965	1,122	674
Retained earnings		(856)	(8,265)	(5,505)
Total equity		43,674	33,415	36,820

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Consolidated Statement of Changes in Equity
For the six months ended 30 June 2020

	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 1 January 2019	**452**	**24,384**	**11,088**	**3,430**	**882**	**(11,873)**	**28,363**
Profit for the period	-	-	-	-	-	3,609	3,609
Other comprehensive income for the period	-	-	-	-	240	-	240
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**240**	**3,609**	**3,849**
Share-issue during the period for cash (net of expenses)	15	868	-	-	-	-	883
Share-based payment charge for the period	-	-	-	321	-	-	321
Deferred tax credit taken directly to equity	-	-	-	-	-	(1)	(1)
Total transactions with shareholders in their capacity as shareholders	**15**	**868**	**-**	**321**	**-**	**(1)**	**1,203**
Balance at 30 June 2019	**467**	**25,252**	**11,088**	**3,751**	**1,122**	**(8,265)**	**33,415**
Profit for the period	-	-	-	-	-	1,961	1,961
Other comprehensive income for the period	-	-	-	-	(448)	-	(448)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(448)**	**1,961**	**1,513**
Share-issue during the period for cash (net of expenses)	6	538	-	-	-	-	544
Share-based payment charge for the year	-	-	-	549	-	-	549
Deferred tax credit taken directly to equity	-	-	-	-	-	799	799
Total transactions with shareholders in their capacity as shareholders	**6**	**538**	**-**	**549**	**-**	**799**	**1,892**
Balance at 31 December 2019	**473**	**25,790**	**11,088**	**4,300**	**674**	**(5,505)**	**36,820**

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Consolidated Statement of Changes in Equity *(Continued)*
For the six months ended 30 June 2020

	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2019	**473**	**25,790**	**11,088**	**4,300**	**674**	**(5,505)**	**36,820**
Profit for the period	-	-	-	-	-	4,279	4,279
Other comprehensive income for the period	-	-	-	-	291	-	291
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**291**	**4,279**	**4,570**
Share-issue during the period for cash (net of expenses)	9	1,417	-	-	-	-	1,426
Share-based payment charge for the period	-	-	-	488	-	-	488
Deferred tax credit taken directly to equity	-	-	-	-	-	370	370
Total transactions with shareholders in their capacity as shareholders	**9**	**1,417**	**-**	**488**	**-**	**370**	**2,284**
Balance at 30 June 2020	**482**	**27,207**	**11,088**	**4,788**	**965**	**(856)**	**43,674**

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Consolidated Cash Flow Statement
For the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	£000s	£000s	£000s
Cash flows from operating activities			
Profit before taxation	5,966	4,146	4,986
Adjustment for:			
Amortisation and depreciation	2,411	1,926	3,712
Impairment of goodwill, intangibles and other assets	-	-	2,427
Loss on disposal of fixed assets	4	2	25
Share-based payment charge	488	321	870
Change in fair value of equity investments	686	(567)	286
Change in fair value of contingent consideration for acquisition	-	-	(512)
R&D tax credit income	(527)	-	-
Finance income	(7)	(76)	(28)
Finance costs	234	124	273
Operating cash flow before changes in working capital and provisions	9,255	5,876	12,039
(Increase)/decrease in trade, other receivables and accrued revenue	(4,071)	1,831	1,878
Increase/(decrease) in trade, other payables and deferred revenue	3,039	(4,324)	(2,380)
Increase in provisions	19	162	126
Cash generated from operating activities	8,242	3,545	11,663
Taxation (paid)/received	(119)	(269)	124
Net cash from operating activities	8,123	3,276	11,787
Cash flows from investing activities			
Finance income received	7	2	7
Acquisition of intangible assets	(128)	(276)	(604)
Acquisition of property, plant and equipment	(261)	(143)	(392)
Receipts from sale of property, plant and equipment	12	4	8
Equity investments received in exchange for services provided	-	-	(1,904)
Disposal of equity investments	36	-	1,099
Acquisition of subsidiaries net of cash acquired	(7,613)	-	(115)
Acquisition related earn-out paid	-	(930)	(930)
Net cash used in investing activities	(7,947)	(1,343)	(2,831)
Cash flows from financing activities			
Issue of new shares	1,427	883	1,427
Operating lease interest paid		(123)	-
Finance costs paid	(103)	(1)	-
Payment of lease liabilities	(1,107)	(4)	(1,677)
Proceeds from borrowings	15,000	18	-
Net cash from financing activities	15,217	773	(250)
Net increase in cash and cash equivalents	15,393	2,706	8,706
Effect of foreign currency on cash balances	(536)	233	364
Cash and cash equivalents at start of the period	14,259	5,189	5,189
Cash and cash equivalents at end of period	29,116	8,128	14,259

Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union.

The interim financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting.

The condensed financial statements have been prepared under the historical cost convention, except for the fair value of certain financial instruments.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2019.

These condensed financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the Company's Annual Report which is available on the Company website (www.ergomedplc.com). The principle risks were: competition; cancellation or delay of clinical studies by customers; dependency on pharmaceutical industry; legislation and regulation of the pharmaceutical and biotechnology industries; quality and third party oversight, information security and data privacy; United Kingdom's exit from the European Union; access to capital; retention of senior and key employees and dependence on a limited number of key clients.

In addition to these key risks and uncertainties, management also consider the COVID-19 pandemic a key area of risk and uncertainty to Ergomed plc and its subsidiaries. Ergomed was able to successfully transition to a remote working model and has not seen a material impact on its financial performance or its ability to fulfil commercial obligations. As the majority of Ergomed's services in both clinical research and pharmacovigilance are provided under long-term contracts and in order to meet medical monitoring needs essential for medical research and to meet legally mandated pharmacovigilance requirements, we believe it is likely that this will continue to be the case for existing contracted services. However, whilst the duration of this crisis remains unclear, management recognise the following impact to the Groups' key critical judgements and accounting estimations:

Critical judgement area	Impact from COVID-19 Outbreak
Revenue recognition	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. Although the COVID-19 outbreak has not changed the process for recognising revenue, Management acknowledge that the COVID-19 outbreak will result in a delay to the completion of performance obligations of clinical trials, and as a result, the revenue from these contracts could be recognised later than originally anticipated.

Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

Risks and uncertainties *(Continued)*

Source of estimation uncertainty	Impact from COVID-19 Outbreak
Bad debt provision	In determining the level of provisioning for bad debts, the Directors have considered the expected credit loss over the lifetime of the trade receivables. In evaluating the expected credit loss, the company has considered a range of possible outcomes and their respective probabilities. The COVID-19 outbreak has increased the probability that customers will not be able to settle their receivable and as such an increased bad debt provision has been made. The Company had provisions against trade receivables and accrued revenue at the period end of £959,000.
Goodwill and Intangible Assets	The carrying amount of goodwill and intangible assets was reviewed at the reporting date to determine whether there was any indication that those assets have suffered an impairment loss as a result of COVID-19. To date, the company is performing at least in line with expectation and as such no impairment was required. Management will continue to monitor goodwill and intangible assets for any impairment indicators as a result of COVID-19 or otherwise.

Going concern

The Directors are continuing to closely monitor the impact of the COVID-19 virus outbreak as it develops across the markets and geographies that the Company operates, and assesses the financial and operational impacts so it can best mitigate these. To date, the COVID-19 outbreak has not had a material impact on the supply or demand of the Company's primary services or its financial results.

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing of this report. Having taken account of available information, the likely ongoing impact of COVID-19 and the availability of cash and credit resources, the Directors have a reasonable expectation that the Group and Company 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. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred on acquisition is the fair value at the date of transaction for assets and liabilities transferred. All acquisition related costs are expensed as incurred.

Goodwill arises as the excess of acquisition cost over the fair value of the assets transferred at the date of transaction. Goodwill is reviewed for impairment annually and is carried at cost less accumulated impairment losses. Impairment losses are not reversed in subsequent periods.

Goodwill arising on the acquisition of a foreign operation, including any fair value adjustments to the carrying amounts of assets or liabilities on the acquisition, are treated as assets and liabilities of that foreign operation in accordance with IAS 21 and as such are translated at the relevant foreign exchange rate at the statement of financial position date.

Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

2. REVENUE

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

30 June 2020 Geographical market and major service lines

	CRO services	PV services	Total services
	£000s	**£000s**	**£000s**
Geographical market by client location			
UK	2,043	4,477	6,520
Rest of Europe, Middle East and Africa	5,261	6,124	11,385
North America	6,379	14,410	20,789
Asia	582	1,103	1,685
	14,265	26,114	40,379

30 June 2019 Geographical market and major service lines

	CRO services	PV services	Total services
	£000s	**£000s**	**£000s**
Geographical market by client location			
UK	2,845	3,319	6,164
Rest of Europe, Middle East and Africa	11,307	5,680	16,987
North America	4,587	7,005	11,592
Asia	291	145	436
	19,030	16,149	35,179

31 December 2019 Geographical market and major service lines

	CRO services	PV services	Total services
	£000s	**£000s**	**£000s**
Geographical market by client location			
UK	5,096	7,590	12,686
Rest of Europe, Middle East and Africa	17,427	10,910	28,337
North America	9,245	16,337	25,582
Asia	1,074	576	1,650
	32,842	35,413	68,255

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Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

3. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	£000s	**£000s**	**£000s**
EARNINGS			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of the Company	**4,279**	**3,609**	**5,569**
Adjustments to earnings:			
Amortisation of acquired fair valued intangible assets	675	449	671
Share-based payment charge	488	321	870
Acquisition costs	17	-	393
Acquisition-related contingent consideration	-	-	87
Acquisition-related deferred consideration	-	40	-
Change in fair value of contingent consideration for acquisitions	-	-	(512)
Exceptional items (note 6)	-	-	2,427
Change in fair value of equity investments	686	-	286
R&D tax credit received in respect of prior years	(527)	-	-
COVID-19 grant	(155)	-	-
Tax effect of adjusting items	(34)	(8)	(509)
Adjusted earnings for the purposes of basic and diluted earnings per share	**5,429**	**4,411**	**9,282**
	No.	**No.**	**No.**
NUMBER OF SHARES			
Weighted average number of shares for the purposes of basic earnings per share	**48,050,454**	**46,184,074**	**46,599,917**
Dilution effect of:			
Share options	2,678,812	1,769,649	2,027,154
Shares to be issued in settlement of contingent consideration	-	115,514	-
Weighted average number of shares for the purposes of diluted earnings per share	**50,729,266**	**48,069,237**	**48,627,071**
EARNINGS PER SHARE			
Basic	8.9p	7.8p	12.0p
Diluted	8.4p	7.5p	11.5p
ADJUSTED EARNINGS PER SHARE			
Basic	11.3p	9.6p	19.9p
Diluted	10.7p	9.2p	19.1p

Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

4. FINANCE COSTS

	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s	Audited Year ended 31 December 2019 £000s
Operating lease interest	131	123	260
Other Interest payable	103	1	13
	234	124	273

5. ACQUISITION COSTS

	Unaudited Six months ended 30 June 2019 £000s	Unaudited Six months ended 30 June 2019 £000s	Audited Year ended 31 December 2019 £000s
Acquisition of Ashfield Pharmacovigilance	17	-	393
	17	-	393

6. EXCEPTIONAL ITEMS

	Unaudited Six months ended 30 June 2020 £000s	Unaudited Six months ended 30 June 2019 £000s	Audited Year ended 31 December 2019 £000s
Impairment of investment	-	-	2,427
	-	-	2,427

In line with the way the Board and chief operating decision makers review the business, large one-off exceptional costs are separately identified and shown as exceptional costs.

In the year to 31 December 2019, an impairment of £2,427,000 was taken in relation to Ergomed plc's investment in Modus Therapeutics Holdings AB after the initial results of their Phase II trial failed to show a meaningful benefit in the total study population. Given the results of the trial and the company's restricted funding, management impaired the value of the investment to £nil.

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Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

7. EBITDA and Adjusted EBITDA

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	£000s	£000s	£000s
Operating profit	**6,879**	**4,194**	**5,517**
Adjusted for:			
Depreciation and amortisation charges within Other selling, general & administration expenses	**1,736**	**1,477**	**3,041**
Amortisation of acquired fair valued intangible assets	**675**	**449**	**671**
EBITDA	**9,290**	**6,120**	**9,229**
Adjusted for:			
Share-based payment charge	**488**	**321**	**870**
Acquisition related contingent compensation	**-**	**40**	**87**
Change in fair value of contingent consideration for acquisitions	**-**	**-**	**(512)**
UK R&D tax credit income	**(527)**	**-**	**-**
Serbian COVID-19 grant	**(155)**	**-**	**-**
Acquisition costs (note 5)	**17**	**-**	**393**
Exceptional items (note 6)	**-**	**-**	**2,427**
Adjusted EBITDA	**9,113**	**6,481**	**12,494**

In line with the way the Board and chief operating decision makers review the business, large one-off exceptional costs are separately identified and shown as exceptional costs.

8. GOODWILL

Reconciliation of carrying amount:	**£000s**
Balance at 30 June 2019	**13,659**
Translation movement	(279)
Balance at 31 December 2019	**13,380**
Arising on acquisition of PrimeVigilance USA Inc. (note 14)	4,011
Translation movement	504
Balance at 30 June 2020	**17,895**

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Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

9. OTHER INTANGIBLE ASSETS

	Total Intangibles £000s
Cost	
At 1 July 2019	**24,329**
Additions	327
Translation movement	(89)
At 31 December 2019	**24,567**
Acquired with subsidiary	2,551
Additions	128
Translation movement	251
At 30 June 2020	**27,497**
Amortisation	
At 1 July 2019	**21,189**
Charge for the year	652
Translation movement	(29)
At 31 December 2019	**21,812**
Charge for the year	1,128
Translation movement	49
At 30 June 2020	**22,989**
Net Book Value	
At 30 June 2020	**4,508**
At 31 December 2019	**2,755**
At 30 June 2019	**3,140**

10. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2020 £000s	Unaudited 30 June 2019 £000s	Audited 31 December 2019 £000s
Trade receivables	14,791	11,235	11,235
Other receivables	901	2,331	1,609
Prepayments	1,475	1,134	1,144
Corporation tax receivable	251	923	371
	17,418	15,623	14,359

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Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

11. CASH AND CASH EQUIVALENTS AND BORROWINGS

On 23 March 2020, Ergomed Plc drew down £15 million against the multi-currency revolving credit facility ("RCF") available with the Company's bankers, HSBC. The drawdown was instructed as a precautionary response to the COVID-19 outbreak. The interest rate payable on this borrowing is LIBOR plus 2.1%. On the 19 August 2020 the entire drawdown of £15 million was repaid. The full RCF of £15 million remains available to Ergomed plc, along with an accordion option to increase this borrowing by an additional £15 million.

	Unaudited 30 June 2020 £000s	Unaudited 30 June 2019 £000s	Audited 31 December 2019 £000s
Total cash and cash equivalents	29,116	8,128	14,259
Borrowings	(15,000)	-	-
Cash and cash equivalents net of borrowings	14,116	8,128	14,259

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2020 £000s	Unaudited 30 June 2019 £000s	Audited 31 December 2019 £000s
Trade creditors	2,224	2,933	2,579
Amounts payable to related parties	123	55	58
Social security and other taxes	732	414	629
Other payables	596	1,049	1,086
Customer advances	490	648	537
Accruals	7,384	3,856	5,484
	11,549	8,955	10,373

13. ORDINARY SHARE CAPITAL

	Number	£000s
Ordinary shares of £0.01 each		
Balance at 30 June 2019	46,717,412	467
Exercise of share options	568,877	6
Balance at 31 December 2019	47,286,289	473
Exercise of share options	929,502	9
Balance at 30 June 2020	48,215,791	482

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Notes to the Consolidated Financial Statements
For the six months ended 30 June 2020

14. ACQUISITION OF SUBSIDIARY – PRIMEVIGILANCE USA INC.

On 13 January 2020, the Group acquired all of the issued share capital in Ashfield Pharmacovigilance Inc. for USD 10 million, 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 business was purchased to expand the geographical coverage of PrimeVigilance, the Pharmacovigilance brand of the Ergomed group, and further develop the Group's broader combined CRO and PV business globally.

	Book values £000s	Fair value adjustments £000s	Professional 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 equivalents	727	—	727
Current assets	2,189	(75)	2,114
Trade and other payables	(321)	—	(321)
Lease liability	(1,075)	—	(1,075)
Tax payable	—	—	—
Deferred tax liability	(1,945)	1,282	(663)
Financial liabilities	(3,341)	1,282	(2,059)
Total identifiable net assets	**773**	**3,599**	**4,372**
Goodwill	7,703	(3,692)	4,011
Total consideration	**8,476**	**(93)**	**8,383**
Satisfied by			
Cash			7,613
Cash – working capital advance			770
Total consideration			**8,383**
Net cash outflow arising on acquisition			
Cash consideration	8,476	—	8,476
Less: cash and cash equivalent balances acquired	(727)	—	(727)
Less: working capital adjustment	—	(93)	(93)
Transaction expenses	410	—	410
	8,159	(93)	8,066

The fair value of intangible assets relates to customer relationships of £1,998,000 and contracted order book of £553,000.

The Group incurred acquisition related cost of £393,000 related to due diligence and legal activities in the year ended 31 December 2019 and an additional £17,000 in the period to 30 June 2020. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement.

The fair value of acquired receivables was £1,250,000. The gross contractual amounts receivable were £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 will end on 13 January 2021.