ERGOMED

# ADMISSION DOCUMENT

Placing by Oriel Securities Limited

Oriel SECURITIES

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This Document, which comprises an admission document required by the rules of AIM, a market operated by the London Stock Exchange plc ("AIM"), has been drawn up in compliance with the AIM Rules. This Document does not contain an offer of transferable securities to the public within the meaning of the Financial Services and Markets Act 2000 (as amended) ("FSMA") and therefore no prospectus within the meaning of s.85 FSMA is required. Accordingly this Document has not been pre-approved by the Financial Conduct Authority ("FCA") pursuant to s.85 of FSMA and the Document does not comprise a prospectus for the purposes of the EU Prospectus Directive (2013/71/EC) or for the purposes of the Prospectus Rules of the FCA.

**Application has been made to the London Stock Exchange for the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings for normal settlement on AIM will commence in the Ordinary Shares on 15 July 2014.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Your attention is drawn to the risk factors set out in Part II of this Document but the whole of this Document should be read. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this Document.**

**Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers**.

**The London Stock Exchange plc has not itself examined or approved the contents of this Document.**

The Directors and the Proposed Director of Ergomed plc (the "Company"), whose names appear on page 4 of this Document, and the Company accept responsibility for the information contained in this Document, including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, the Proposed Director and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

# Ergomed plc

*(Incorporated and registered in England and Wales with registered number 04081094)*

## Placing of 6,875,000 Ordinary Shares at 160p per Ordinary Share
## Admission to trading on AIM
## Acquisition of PrimeVigilance Limited

**Oriel Securities Limited**
***Nominated Adviser and Broker***

Share capital (immediately following Admission)

**Issued and fully paid**

| Amount | Number of Ordinary Shares |
|---|---|
| £287,500 | 28,750,000 |

This Document does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any securities other than the shares to which it relates, or any offer or invitation to sell, or any solicitation of any offer to purchase, such shares by any person in any circumstances or jurisdiction in which such offer or solicitation is unlawful.

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Oriel, which is authorised and regulated in the United Kingdom by the FCA, is acting as Nominated Adviser and Broker to the Company in connection with the Fundraising and Admission and is advising no one else in relation to the Placing and Admission and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person in relation to the Placing or Admission or otherwise.

The responsibilities of Oriel, as Nominated Adviser under the AIM Rules and the AIM Rules for Nominated Advisers, are owed solely to the London Stock Exchange and are not owed to the Company or any Director of the Company or to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Oriel as to the contents of this Document, or for the omission of any material from this Document.

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# CONTENTS


**KEY STATISTICS** 3

**DIRECTORS, PROPOSED DIRECTOR AND ADVISERS** 4

**DEFINITIONS** 6

**GLOSSARY OF TECHNICAL TERMS** 9

**PART I – INFORMATION ON ERGOMED** 11

1. INTRODUCTION 11
2. ERGOMED'S SERVICES BUSINESS 13
3. CRO MARKET AND ERGOMED'S POSITIONING 19
4. ERGOMED'S CO-DEVELOPMENT BUSINESS 20
5. PRIMEVIGILANCE 24
6. CURRENT TRADING UPDATE 28
7. REGULATORY ENVIRONMENT 28
8. THE FUNDRAISING AND USE OF PROCEEDS 29
9. DIRECTORS, PROPOSED DIRECTOR AND SENIOR MANAGEMENT 30
10. TAX RELIEFS AVAILABLE TO INVESTORS 32
11. ADMISSION, SETTLEMENT AND DEALING 32
12. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS 32
13. CORPORATE GOVERNANCE 33
14. BOARD COMMITTEES 33
15. MANAGEMENT INCENTIVE 33
16. DIVIDEND POLICY 34
17. RISK FACTORS 34
18. APPLICABILITY OF THE TAKEOVER CODE 34
19. TAXATION 34
20. ADDITIONAL INFORMATION 34

**PART II – RISK FACTORS** 35

**PART III – HISTORICAL FINANCIAL INFORMATION** 40

**PART IV – PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP** 107

**PART V – ADDITIONAL INFORMATION** 112

**PART VI – TERMS AND CONDITIONS OF APPLICATION UNDER THE PLACING** 138

## KEY STATISTICS

| | |
|---|---|
| **Existing Share Capital** | |
| Number of Existing Ordinary Shares | 20,000,000 |
| **Fundraising Shares** | |
| Number of New Ordinary Shares to be issued by the Company pursuant to the Fundraising | 6,875,000 |
| Gross Proceeds of the Fundraising | £11.0m |
| Estimated net proceeds of the Fundraising | £9.7m |
| **Acquisition** | |
| Cash consideration for the Acquisition | £6.0m |
| Number of Consideration Shares | 1,875,000 |
| **Upon Admission** | |
| Number of Ordinary Shares in issue at Admission | 28,750,000 |
| Approximate market capitalisation of the Company at Admission | £46.0m |
| AIM symbol | **ERGO** |
| ISIN number | GB00BN7ZCY67 |

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | **2014** |
|---|---|
| Publication of this Admission Document | 9 July |
| Issue of the Eligible Placing Shares | 14 July |
| Admission and commencement of dealings in the Enlarged Share Capital on AIM | 8.00 a.m. on 15 July |
| CREST accounts to be credited (where applicable) | 15 July |
| Despatch of definitive share certificates (where applicable) | 22 July |

**Notes**

**References to time in this Document are to British Summer Time.**

**Each of the dates in the above timetable is subject to change. Any such change will be notified by an announcement through a Regulatory Information Service.**

## DIRECTORS, PROPOSED DIRECTOR AND ADVISORS

| | |
|---|---|
| **Directors** | Rolf Stahel (Chairman)<br>Dr. Miroslav Reljanovic (Chief Executive Officer)<br>Neil Clark (Chief Financial Officer)<br>Peter George (Non-Executive Director) |
| **Proposed Director** | Christopher Collins (Non-Executive Director) |
| **Company Secretary** | Neil Clark |
| **Registered Office** | Ergomed plc<br>26-28 Frederick Sanger Road<br>Surrey Research Park<br>Guildford<br>Surrey<br>GU2 7YD |
| **Company website** | www.ergomedgroup.com |
| **Nominated Adviser and Broker** | Oriel Securities Limited<br>150 Cheapside<br>London<br>EC2V 6ET |
| **Reporting Accountants** | Deloitte LLP<br>City House<br>126-130 Hills Road<br>Cambridge<br>CB2 1RY |
| **Proposed Auditors** | Deloitte LLP<br>City House<br>126-130 Hills Road<br>Cambridge<br>CB2 1RY |
| **Current Auditors** | Riches & Company<br>34 Anyards Road<br>Cobham<br>Surrey<br>KT11 2LA |
| **Solicitors to the Company** | Covington & Burling LLP<br>265 Strand<br>London<br>WC2R 1BH |
| **Solicitors to the Nominated Adviser and Broker** | Field Fisher Waterhouse LLP<br>35 Vine Street<br>London<br>EC3N 2PX |
| **Financial PR** | Hume Brophy Limited<br>One Fetter Lane<br>London<br>EC4A 1BR |

| | |
|---|---|
| **Registrars** | Share Registrars Limited<br>Suite 6<br>First Floor<br>9 Lion & Lamb Yard<br>Farnham<br>Surrey<br>GU9 7LL |

# DEFINITIONS

| | |
|---|---|
| **"Act"** | the Companies Act 2006 (as amended) |
| **"Acquisition"** | the proposed acquisition by Ergomed of the entire issued and to be issued share capital of PVL to be effected pursuant to the Acquisition Agreement |
| **"Acquisition Agreement"** | the agreement dated 12 June 2014, between (1) the Vendors and (2) the Company, as amended by a deed of variation dated 9 July 2014, under which the Company has conditionally agreed to acquire the entire issued and to be issued share capital of PVL on Admission, further details of which are contained in paragraph 11.1(E) of Part V of this Document |
| **"Admission"** | admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules |
| **"Admission Document"** or **"Document"** | this document dated 9 July 2014 |
| **"AIM"** | the market of that name operated by the London Stock Exchange |
| **"AIM Rules"** | the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practise) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM |
| **"AIM Rules for Nominated Advisers"** | the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time |
| **"Articles"** or **"New Articles"** | the articles of association of the Company, a summary of which is set out in paragraph 4.1 of Part V of this Document |
| **"Board"** | the Directors of the Company from time to time, including, with effect from Admission, the Proposed Director |
| **"CAGR"** | compound annual growth rate |
| **"Certificated"** or **"in certificated form"** | recorded on the relevant register of the share or security concerned as being held in certificated form (that is not in CREST) |
| **"Co-Development Business"** | the Ergomed business which provides drug development services as a contribution in kind in exchange for an interest in the revenues attributable to the drug assets |
| **"Company"** or **"Ergomed"** | Ergomed plc, a company incorporated in England and Wales with company number 04081094 |
| **"Consideration Shares"** | the 1,875,000 New Ordinary Shares to be issued and allotted to the Vendors pursuant to the Acquisition Agreement |
| **"Corporate Governance Code"** | the UK Corporate Governance Code published in May 2010 by the Financial Reporting Council |
| **"Corporate Governance Guidelines"** | the Corporate Governance Guidelines for AIM Companies published by the QCA in May 2013 |
| **"CREST"** | the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland |
| **"CREST Regulations"** | the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended from time to time) |
| **"Directors"** | the directors of the Company as at the date of this Document, whose details are set out on page 4 of this Document |
| **"EBITDA"** | earnings before interest, taxes, depreciation and amortisation |
| **"EIS"** | Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007 (as amended) |

| | |
|---|---|
| **"Eligible Placing"** | the placing of the Eligible Placing Shares by Oriel Securities pursuant to the Placing Agreement |
| **"Eligible Placing Shares"** | means the 3,124,662 New Ordinary shares to be issued and allotted pursuant to the Eligible Placing to those Placees comprising certain VCTs and other investors seeking EIS reliefs |
| **"Enlarged Group"** | the Group including PrimeVigilance (PVL) |
| **"Enlarged Share Capital"** | the entire issued Ordinary Share capital of the Company on Admission being the Existing Ordinary Shares and the New Ordinary Shares |
| **"Euroclear UK & Ireland"** | Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 02878738 and the operator of CREST |
| **"Executive Directors"** | Dr. Miroslav Reljanovic and Neil Clark |
| **"Existing Ordinary Shares"** | the 20,000,000 Ordinary Shares in issue at Admission, excluding the New Ordinary Shares |
| **"Existing Plan"** | the Company's Unapproved Executive Share Option Scheme 2007, as amended |
| **"FCA"** | Financial Conduct Authority |
| **"FSMA"** | the Financial Services and Markets Act 2000 (as amended) |
| **"Fundraising"** | together the Placing and the Private Placement |
| **"Fundraising Shares"** | together Placing Shares and the Private Placement Shares |
| **"General Placing"** | the placing of the General Placing Shares by Oriel Securities pursuant to the Placing Agreement |
| **"General Placing Shares"** | means the 3,156,588 New Ordinary Shares to be issued and allotted pursuant to the General Placing |
| **"Group"** | the Company and its subsidiaries, not including PVL |
| **"Lock in Deeds"** | the deeds each dated 9 July 2014, between (1) the Company, (2) Oriel and (3) each of the Locked-in Persons, relating to the terms on which Ordinary Shares held following Admission by such Locked-in Persons can be sold |
| **"Locked-in Persons"** | Miroslav Reljanovic, Neil Clark, Rolf Stahel, Christopher Collins and Peter George |
| **"London Stock Exchange"** | London Stock Exchange plc |
| **"Long Term Incentive Plan"** or **"LTIP"** or **"New Plan"** | the Long Term Incentive Plan adopted by the Company on 11 June 2014 |
| **"New Ordinary Shares"** | together the 6,281,250 new Ordinary Shares to be issued by the Company to Placees pursuant to the Placing, the 593,750 new Ordinary Shares to be issued by the Company to the Private Placement Subscribers pursuant to the Private Placement and the 1,875,000 new Ordinary Shares to be issued by the Company to the Vendors pursuant to the Acquisition Agreement |
| **"Non-Executive Directors"** | Rolf Stahel, Peter George and, following Admission, Christopher Collins |
| **"Ordinary Shares"** | ordinary shares of £0.01 each in the capital of the Company |
| **"Oriel Securities", "Oriel"** or **"Nomad"** | Oriel Securities Limited |
| **"Panel"** | the Panel on Takeovers and Mergers, the regulatory body that administers the Takeover Code |
| **"Placees"** | those persons who have agreed to subscribe for Placing Shares pursuant to the Placing |
| **"Placing"** | together the General Placing and the Eligible Placing |

| | |
|---|---|
| **"Placing Agreement"** | the conditional agreement dated 9 July 2014 between (1) the Company, (2) the Directors, (3) the Proposed Director and (4) Oriel relating to the Placing |
| **"Placing Price"** | 160p per Fundraising Share |
| **"Placing Shares"** | means, together, the General Placing Shares and the Eligible Placing Shares |
| **"Proposed Director"** | Christopher Collins |
| **"Prospectus Rules"** | the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and 4 of FSMA |
| **"PrimeVigilance"** or **"PVL"** | PrimeVigilance Limited, a company incorporated in England and Wales with company number 06740849 |
| **"Private Placement"** | the subscription for Private Placement Shares pursuant to the Private Placement Agreement |
| **"Private Placement Agreements"** | the subscription agreements dated 9 July 2014 between (1) the Company and (2) each of the Private Placement Subscribers |
| **"Private Placement Shares"** | the 593,750 New Ordinary Shares to be issued and allotted pursuant to the Private Placement |
| **"Private Placement Subscribers"** | the subscribers for Private Placement Shares under the Private Placement Agreements |
| **"QCA"** | Quoted Companies Alliance |
| **"Registrars"** | Share Registrars Limited |
| **"RIS"** | Regulatory Information Service |
| **"Services Business"** | the Ergomed business providing services to the pharmaceutical and biotechnology industry |
| **"Shareholder(s)"** | holders of Ordinary Shares |
| **"Takeover Code"** | the City Code on Takeovers and Mergers, published by the Panel |
| **"UK"** | the United Kingdom of Great Britain and Northern Ireland |
| **"UK Listing Authority"** | the FCA, acting in its capacity as the competent authority for the purposes of FSMA |
| **"uncertificated"** or **"in uncertificated form"** | recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| **"US"** | the United States of America and all of its territories and possessions |
| **"VCT"** | a Venture Capital Trust under the provisions of Part 6 of the Income Tax Act 2007 (as amended) |
| **"Vendors"** | Miroslav Reljanovic, Neil Clark, Elliot Brown, Stephen Douglas and Natalie Smith as vendors of the issued and to be issued share capital of PVL |
| **"Waiver"** | the waiver by the Panel of Rule 9 of the Takeover Code as described in this Document |
| **"£"** or **"Sterling"** | British pounds sterling |
| **"€"** | Euro |
| **"US$"** | US Dollar |

# GLOSSARY OF TECHNICAL TERMS

| | |
|---|---|
| Adverse Reaction Information System (ARISg) | a web-based adverse event software (developed by ARIS Global) that enables the collection, assessment and reporting of adverse event information to the global regulatory agencies |
| agInquirer | a web-based medical information software (developed by ARIS Global) which facilitates and automates the intake, handling, routing and fulfilment of medical inquiries |
| Backlog | work contracted but yet to be completed |
| Blind Data Review Meeting | a meeting undertaken to check and assess data before un-blinding the data and finalising the planned analysis |
| Case Report Form | document designed to record all of the information required by the study protocol to be reported to the sponsor on each trial subject |
| Clinical Data Management (CDM) | tasks associated with the entry, transfer, and/or preparation of source data and derived items for entry into a clinical trial database. Data management could include database creation, data entry, review, coding, data editing, data quality control, locking or archiving |
| Clinical Research Organisation (CRO) | a person or an organisation (commercial, academic, or other) contracted by the Sponsor to perform one or more of a Sponsor's trial-related duties and functions |
| Clinical Study Report (CSR) | a written description of a trial/study of any therapeutic, prophylactic, or diagnostic agent conducted in human subjects, in which the clinical and statistical description, presentations and analyses are fully integrated into a single report |
| Data Safety Monitoring Board (DSMB) | an independent data monitoring committee established to assess at intervals the progress of a clinical trial, the safety data and the critical efficacy endpoints with the mandate to recommend whether to continue, modify, or stop a clinical trial |
| Data Validation Plan (DVP) | checking data for correctness and/or compliance with applicable standards, rules, and conventions. Process used to determine if data are inaccurate, incomplete, or unreasonable |
| Developmental Safety Update Report | an annual review and evaluation of pertinent safety information collected during a defined reporting period |
| Electronic Case Report Form (eCRF) | an electronic document designed to record all of the information required by the study protocol to be reported to the Sponsor on each trial subject |
| Food and Drug Administration (FDA) | the United States regulatory authority charged with, among other responsibilities, granting new drug approvals |
| Good Clinical Practice (GCP) | a standard for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials that provides assurance that the data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial subjects are protected |
| Middle East and North Africa (MENA) | the MENA region includes: Algeria, Bahrain, Djibouti, Egypt, Gaza, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Yemen |
| New Drug Application (NDA) | the vehicle through which Sponsors formally propose that the FDA approve a new pharmaceutical for sale and marketing in the US |
| Orphan Drug | a pharmaceutical product that has been developed to treat a rare medical condition, which itself is known as an orphan disease |
| Periodic Adverse Drug Experience Report | a periodic report on adverse events to a particular drug made to the regulatory authorities |

| | |
|---|---|
| Periodic Safety Update Report | a pharmacovigilance document intended to provide an evaluation of the risk-benefit balance of a medicinal product. It is submitted by marketing authorisation holders at defined time points during the post-authorisation phase |
| Pharmacovigliance | science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other medicine-related problem |
| Pharmacovigilance System Master File (PSMF) | a detailed description of the pharmacovigilance system used by the marketing authorisation holder with respect to one or more authorised medicinal products |
| Qualified Person Pharmacovigilance (QPPV) | as part of the pharmacovigilance system, the marketing authorisation holder shall have permanently and continuously at its disposal an appropriately qualified person responsible for pharmacovigilance in the European Union |
| Sponsor | an individual, company, institution, or organisation which takes responsibility for the initiation, management, and/or financing of a clinical trial |
| Standard Operating Procedure (SOP) | detailed, written instructions to achieve uniformity of the performance of a specific function |
| Study Site Management (SSM) | the Ergomed model of study site management which provides assistance to investigating physicians and site study co-ordinators with administrative and logistic aspects of the trial in order to maximise utilisation of resources |
| Study Physician Team (SPT) | an Ergomed team engaged in feasibility, preparation and consultancy of those clinical studies that require medical consultancy support |

# PART I

# INFORMATION ON ERGOMED

## 1. INTRODUCTION

***Overview***

Ergomed is a profitable UK-based company, dedicated to the provision of specialised services to the pharmaceutical industry and the development of new drugs. Ergomed operates in over 40 countries engaging more than 200 people across five continents.

Ergomed has two complementary businesses:

(1) **The Services Business** – a well-established, clinical research business providing services to the pharmaceutical and biotechnology industry; and

(2) **The Co-Development Business** – a growing portfolio of partnerships with pharmaceutical and biotech companies, providing its drug development services as a contribution in kind in exchange for a carried interest in any revenues attributable to the drug asset, including out-licensing milestones as well as sales of the product

The Directors believe that this model has the attractive financial profile of a high growth, low risk service business combined with co-development partnerships which offer the potential for substantial capital returns from an expanding portfolio of drug development assets. For three of the active projects, the maximum potential upside is in the region of US$100m in aggregate.

Since its inception, Ergomed's revenue has grown consistently and for the three years ending December 2013 had a 12 per cent CAGR. For the year ending December 2013 the Ergomed had sales of £15.1m and EBITDA of £1.8m. This EBITDA includes the £2.6m of Ergomed's contribution to co-development projects demonstrating that the profitability of the core business allows it to make a significant commitment to co-development.

Ergomed currently has a contracted backlog of £47m which includes over 92 per cent and 65 per cent of budgeted revenue for 2014 and 2015 respectively.

As part of the IPO strategy, Ergomed will incorporate PrimeVigilance (PVL), a sister company employing over 100 people, into the Enlarged Group. The acquisition of PVL will allow the Enlarged Group to offer pharmacovigilance and medical information services as part of a broader offering to healthcare companies. PVL has grown consistently, with revenue increasing 53 per cent in 2013 to £4.1m and EBITDA for the year totalling £0.5m.

PVL has a backlog of £12m which includes approximately 90 per cent of budgeted revenue for 2014 and 73 per cent of budgeted revenue for 2015. On a *pro forma* basis, including the acquisition of PVL, the Enlarged Group would have had sales of £19.2m in 2013 (CAGR of 15.5 per cent over the previous three years) and EBITDA of £2.2m (See page 24).

***Background***

Ergomed's clinical research operations were started in 1997 by Dr. Miroslav Reljanovic, a medical doctor and neurologist. Today, Ergomed has more than 30 clients ranging from five of the top 20 pharma companies (including Genzyme, Sanofi and Merck Serono) to small, virtual biotechnology companies and is currently managing 42 trials. In 2006, Ergomed signed its first co-development agreement and has been involved in seven projects (of which four remain active – one Phase II and three Phase III). PVL was founded in 2008 by Dr. Miroslav Reljanovic, Dr. Elliot Brown, Stephen Douglas and Neil Clark.

***Business Strategy***

Ergomed has particular expertise in oncology, neurology, immunology and the development of orphan drugs. Ergomed believes its approach to clinical trials is differentiated from that of other providers by its innovative Study Site Management model and the use of Study Physician Teams, which results in a close relationship between Ergomed and the physicians involved in clinical trials.

Ergomed's Service Business is well positioned to exploit the opportunity created by the growing move towards outsourcing of drug development services and the demand for specialist services by the pharmaceutical industry (including, for instance, pharmacovigilance and orphan drug development). The market for drug development outsourcing services is estimated to be US$24bn and is expected to grow five to 10 per cent per annum over the next five years (source: Credit Suisse). Similarly, the Co-Development Business benefits from the continued need for alternative sources of funding for drug development by both mid-cap pharmaceutical and biotech companies.

***Ergomed's Strategic Goals***

Ergomed has identified key strategic goals to grow the business:

*To become one of the leading global providers for orphan/rare disease drug development*

Ergomed will seek to expand its rare disease franchise to become one of the leading global providers of clinical trials and consultancy services for these indications. Ergomed's medically led approach to the planning and execution of clinical studies is particularly suited to orphan drug development studies because of the difficulty in recruiting patients and the complexity of these trials.

*To become a leading global provider of pharmacovigilance, medical information and other post-marketing services*

Ergomed plans to expand further into post-marketing services as the Directors believe that the Enlarged Group will be well positioned to take advantage of this rapidly growing market with its high barriers to entry. It also diversifies risk for the Enlarged Group by accessing the product/marketing budgets as well as the research and development budgets of pharmaceutical and biotech companies. To achieve this goal, the Enlarged Group will seek to build additional expertise in regulatory, clinical and post-marketing services.

*To expand the portfolio of co-development partnerships*

The Directors plan to sign, on average, two co-development agreements a year with the aim of building a portfolio of ten active partnerships in the mid-term.

Over the longer term, the Directors will also look to acquire larger carried interests in selected assets through the acquisition of regional rights or similar arrangements whereby Ergomed can gain greater control over the commercialisation of the drug. However, the Directors' intention is to ensure that the co-development projects are fully funded by the profits of the Services Business and they will continue to target an attractive profit before tax margin of greater than 15 per cent for the overall business.

*To complete key acquisitions*

The Directors believe that the Services Business is well positioned to win more clients from mid-sized pharma and biotechnology companies across the world and a planned increase in activity in North America and in particular in Asia is a fundamental part of the strategy.

In order to accelerate the expansion of the Service Business, the Directors plan to use the proceeds of the Fundraising to complete a select number of strategic acquisitions of service businesses and have initiated discussions with several possible targets. These may include existing partners with strong brand presence or other small CROs and data management providers enabling Ergomed to expand rapidly both its geographical footprint and service capabilities.

The planned expansion of the Services Business will also increase the number of opportunities for co-development agreements as both Ergomed's access to partners in new markets and its ability to undertake a greater number of partnerships from a financial and operational perspective increase.

## 2. ERGOMED'S SERVICES BUSINESS

***Introduction***

Based in the UK, Ergomed's Services Business is a global provider of the full range of clinical development services with a focus on small/mid-cap pharmaceutical and biotechnology companies. This market is forecast to grow at five to 10 per cent CAGR over the next five years (source: Credit Suisse) as more Life Sciences companies outsource trials to clinical research organisations such as Ergomed. Ergomed does not undertake animal studies or other discovery or pre-clinical activities.

The Services Business has been trading profitably for over 15 years and has grown organically to deliver sales of £15.1m and EBITDA of £1.8m in 2013. Ergomed currently has a backlog of £47m with over 92 per cent and 65 per cent of budgeted revenue for 2014 and 2015 respectively already contracted. Ergomed has been entirely self-funded while remaining free of third party debt and has focused on building long-term relationships.

| **£m (Year-end 31 December)** | **2011** | **2012** | **2013** |
|---|---|---|---|
| Sales | 12.1 | 14.6 | 15.1 |
| EBITDA | 0.7 | 0.5 | 1.8 |

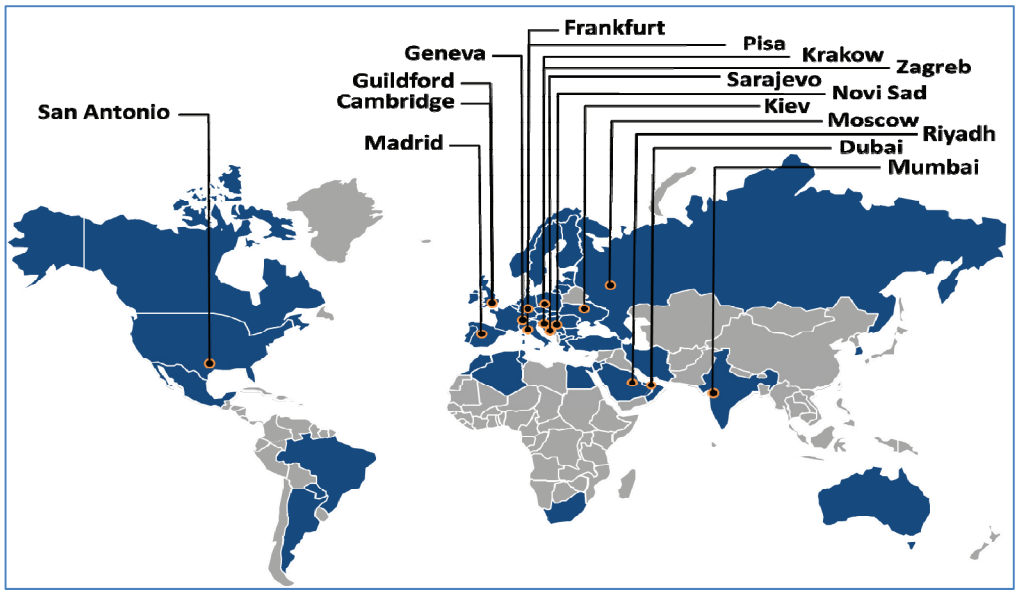
(Figure 1).

The above EBITDA figures include the cost of Ergomed's contribution in kind to co-development projects of £1.0m, £2.3m and £2.6m in 2011, 2012 and 2013 respectively. If the co-development contributions associated with co-development had not been included, the operational margins would have been significantly higher.

***Ergomed's Operational Network***

Since its formation the Service Business has grown to 150 staff and a network of 56 consultants providing expertise in clinical development/trial management to five of the 20 largest pharmaceutical companies in the world, as well as many small and mid-sized drug development companies. The team consists of highly qualified personnel of which 85 are either physicians, PhDs or have other medically related qualifications. Ergomed seeks to provide high quality services and a significant portion of its business has been developed through referrals and repeat business from existing clients. Examples of Ergomed's current clients include Merck Serono, Genzyme/Sanofi, Hikma and Oxthera.

Outside of the UK headquarters, Ergomed has additional operational offices in Frankfurt, Germany; Zagreb, Croatia; Krakow, Poland; Novi Sad, Serbia; Moscow, Russia; Sarajevo, Bosnia and Herzegovina; Geneva, Switzerland; Kiev, Ukraine and San Antonio, USA as well as an office in Dubai that supports services in the Middle East, Turkey and North Africa. Ergomed has also recently established a company and operational office in Mumbai, India and is planning to enter into a joint venture in Saudi Arabia. Ergomed also has a CRO partner in Pisa, Italy.




(Figure 2).

Through its operational network, Ergomed provides the full range of clinical development services in North and South America, Europe, Asia, India and Australia, although in certain territories, where it has neither an office nor the appropriate hospital contacts, Ergomed sub-contracts to smaller, country specific service providers as the most effective way of operating in those countries and ensuring timelines and quality targets are met. In certain regions, such as North America and Asia, Ergomed plans to expand its footprint to meet customer demand.

***Ergomed Experience***

Ergomed has planned, managed, monitored, and reported clinical trials (from Phase I to IV) across a broad spectrum of treatment types including small molecule drugs, monoclonal antibodies, soluble receptors, cancer vaccines/immunotherapies, radioactive agents and photodynamic therapies.

| **Phase** | **Number of Studies** |
|---|---|
| I | 22 |
| II | 47 |
| III | 44 |
| IV | 27 |
| Compassionate | 3 |
| **TOTAL** | **143** |

(Figure 3).

While experienced in a wide variety of indications, Ergomed's key expertise lies in the areas of oncology, neurology, immunology and orphan drugs/rare diseases.

Ergomed has managed the clinical development programmes of over 80 products and product candidates involving 31,000 patients at over 2,100 study sites.

***Business Development***

Ergomed has a team of three business development directors, all of whom are scientifically qualified, and two managers who are responsible for seeking new business. Ergomed attends selected medical and partnering conferences to meet potential customers working in the key areas of interest. In addition to securing business from new clients, the team seeks to retain existing clients by providing a high quality service and succeeds in winning a high proportion of repeat business from satisfied customers. Ergomed has also benefited from preferred provider arrangements whereby larger clients agree to automatically select Ergomed for certain outsourced clinical development services.

***Drug Development Services***

Many of the trials undertaken by pharmaceutical and biotech companies are outsourced to third party providers in order to reduce costs and increase efficiency of the trials. Ergomed is able to offer a number of core and specialised services to such companies and also participates in a number of specialised consultancy projects that draw on its many years of experience in drug development across the world. Teams are assembled as required from Ergomed's resources for such projects.

Ergomed's core drug development services are:

- Study Site Management
- Study Physician Team Support
- Late Phase Development
- Orphan Drugs/Rare Disease
- Regulatory Affairs
- Project Management and Monitoring
- Safety Management
- Data Management
- Biostatistics

*Study Site Management and Study Physician Team Support*

Over its fifteen year history, Ergomed has developed two innovative approaches to the management of clinical trials, which the Directors believe differentiate it from other service providers and enables the efficient completion of clinical trials. These are the Study Site Management and Study Physician Support services which ensure effective patient recruitment whilst assisting in reducing the time and cost of clinical trials.

The Study Site Management (SSM) model is integral to the way Ergomed runs clinical studies and has received significant positive feedback from Sponsors as well as site medical investigators. The model seeks to optimise the investigator site contribution by:

- Increasing the efficiency of patient recruitment
- Improving the quality of the data collection
- Supporting the investigators as they manage their many administrative and logistical responsibilities such as scheduling of patient visits and the shipment of blood or tissue samples

Ergomed utilises over 300 trained Study Site Co-ordinators (SSC) who are based at multiple sites across Europe and the MENA region. SSCs are identified, recruited and managed by the Ergomed site management team in the hospitals. They are usually nurses or co-investigators who, while remaining in their role in the hospital, are trained by Ergomed on site co-ordination procedures. The role of the SSC is to provide an initial assessment of the suitability of a particular site (in terms of nursing support, the clinical facilities, the pharmacy and laboratory service) and the potential level of recruitment for a trial. The SSCs accurately identify both the most suitable sites and the optimal number to undertake a study thereby significantly improving the chances of delivering a successful and efficient clinical trial. Once a trial starts, the SSC provides on-site support for the investigator and the rest of the clinical team involved with the study. Using this model, Ergomed has demonstrated high 'patient-per-site' ratios as compared with other service providers.

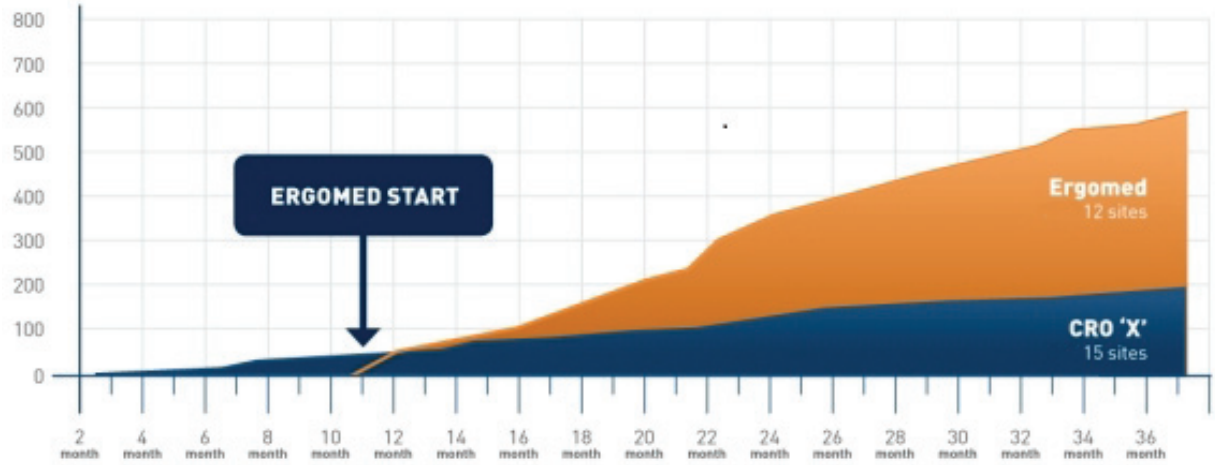
In summary, the Directors believe that SSC support for investigators results in reduced costs due to:

- **Better patient recruitment and retention** – faster recruitment, more patients per site, fewer sites used and fewer drop-outs
- **Better data** – more timely data entry, improved quality and fewer data queries which are resolved faster
- **Better compliance** – improved compliance by trial investigators with Good Clinical Practice (GCP)

According to a study published in early 2013 by the Tufts Center for the Study of Drug Development (CSDD), based on 150 clinical studies involving nearly 16,000 sites, 11 per cent of sites in a given trial fail to enrol a single patient, 37 per cent under-enrol, 39 per cent meet their enrolment targets and only 13 per cent exceed their targets. By its intensified site management approach, Ergomed not only succeeds in recognising 'good' sites but also identifies which sites may perform less well, providing more intensive support to ensure good recruitment from the start of a study.

The value of the SSM model has been demonstrated by Ergomed's ability to successfully rescue complex, under-performing and failing trials across a variety of therapeutic indications. These successes are due to the implementation of the SSM model combined with local knowledge and established relationships with investigators and sites. Ergomed advises on the best country-specific strategy for rapid study set-up and trial execution to deliver a successful turn-around of a failing study.

In the example illustrated by the chart below, Ergomed was brought into the study 11 months after it started. It recruited 571 out of a total of 762 patients and facilitated the study finishing five months ahead of schedule.




(Figure 4).

In addition to the SSM model, Ergomed's other differentiating feature is the use of a Study Physician Team (SPT): a specialised group of physicians that deal with the supervision of complicated or demanding therapeutic or diagnostic trials/procedures. All of the doctors that are part of the SPT have extensive previous clinical practice experience as well as experience in clinical research and drug development.

The presence of an experienced clinician representing the Sponsor on a study site improves the understanding by the local investigator of the protocol requirements and improves overall compliance. This can potentially speed up recruitment and lower the drop-out rate. The SPT model has proven to be particularly effective in trials with demanding protocols or study procedures, or low recruitment rates where maintenance of high motivation of the principal investigator is of key importance.

Tasks of the SPT include:

- Performing study specific site training
- Representing Sponsor's clinical interest at the sites
- Maintaining good medic-to-medic relationships with the on-site physicians
- Supporting investigators in appropriate patient selection
- Encouraging the sites to seek new study subjects, thereby enhancing recruitment
- Sharing the most recent experiences from other sites
- Resolving all other potential medical issues that arise in a timely fashion

*Late Phase Development*

Ergomed Late Phase is a unit that was set up by Ergomed to meet the specific requirements of post-marketing studies (i.e. studies following regulatory approval of products such as Phase IV studies). The Late Phase unit is responsible for the setting up and management of such studies, including tasks such as study design, regulatory submission, patient outcome assessments, pharmacovigilance, publication planning and medical writing support. In addition, PrimeVigilance (see page 24) specialises in the supply of product-related pharmacovigilance services, linking with the Late Phase team as required by clients to provide a comprehensive service.

Late phase studies often require different skills to a pre-approval clinical trial and encompass a broad spectrum of study types from observational marketing studies to interventional studies. The most common example of a late phase study is a Post Approval Safety Study (PASS) required by the regulatory authorities in order to assess the safety of a product in a broader population. The Late Phase team understands the range of issues to be considered in the conduct of such studies and observational registries. It applies a bespoke 'fit for purpose' operational strategy for such studies, utilising individuals with late phase trial experience who can focus on the specific regulatory requirements.

Ergomed Late Phase experience includes:

- Local and global observational trials
- Patient registries
- Disease and treatment registries
- Disease management programmes

Ergomed has worked in many therapeutic areas in late phase trials involving over 20,000 patients.

| Therapeutic area | Number of Studies | Total Number of Patients |
|---|---|---|
| **Oncology** | **5** | **1,040** |
| **Immunology** | **2** | **6,315** |
| **Cardiovascular** | **6** | **5,550** |
| **Metabolic** | **2** | **2,235** |
| **Other** | **10** | **5,289** |
| **Total** | **25** | **20,429** |

(Figure 5).

*Orphan Drugs/Rare Disease*

Ergomed has substantial experience of conducting trials in designated rare indications. Through its Study Site Management and Study Physician Team services, Ergomed has shown that it can locate and support sites in studies of ultra-rare diseases for which recruitment can be highly problematic. Ergomed has successfully prepared Orphan Designation applications and has established links with physician networks, key opinion leaders, government bodies and patient groups in many therapeutic areas allowing smooth interaction between the trial sites and other interested parties. As part of the process, Ergomed provides regulatory and scientific expertise, which helps to ensure the optimal designs for rare disease clinical programs and registries.

Natural history studies that follow the progression of a disease are an important tool for understanding the etiology and progression of rare and orphan diseases, as they play a crucial role in setting up endpoints for future clinical drug development. Consequently, Ergomed offers expertise in the design and conduct of such studies and evaluation of the data from them as part of its service to orphan drug development companies.

To date, Ergomed has managed 28 rare disease projects and trials:

| Therapeutic area | Number of Studies | Total Number of Patients | Sites |
|---|---|---|---|
| Oncology | 18 | 1,883 | 234 |
| Genetic syndromes | 6 | 47 | 15 |
| Other | 4 | 83 | 23 |
| **Total** | **28** | **2,013** | **272** |

(Figure 6).

*Regulatory Affairs*

Ergomed's regulatory affairs team is headquartered in Guildford and co-ordinates the regional regulatory infrastructure on a global basis. The team is able to provide a full regulatory service, including the preparation of all documentation and the provision of advice on:

- Registration strategies
- Regulatory support of clinical trials
- Orphan Drug Applications
- New Drug Applications (NDA)
- Compilation and maintenance of Marketing Authorisation Applications

Ergomed provides regulatory coverage in each European, North and South American, Asian and MENA territory through a network of local regulatory affiliates, ensuring full compliance with current national and international regulations.

*Project Management and Monitoring*

Ergomed project management teams consist of project directors, project managers, project managers assistants, monitors (or clinical research associates) and clinical trial administrators which together form the core of the Ergomed operational organisation. The team includes many highly qualified personnel who are either physicians, PhDs or have other medically-related qualifications.

Besides being highly trained, Ergomed study monitors are recruited locally and based close to the sites they visit. They therefore understand the local culture and are fluent in the local language as well as English which, the Directors believe, allows them to resolve local issues faster and provide a more efficient service. Project directors and project managers are highly important in the overall international management of clinical studies across countries and also manage the interaction with the client team and other third party providers such as central laboratories and drug importers.

*Safety Management*

All clinical studies have to be planned and carried out so that the relevant safety information is collected and reported effectively while maintaining the highest levels of patient safety at all times. There is an international system of reporting of important safety information so that local government bodies and international regulators can examine events to ensure that patients in studies and eventual users of the drug (as and when it is approved) are correctly informed and protected. This is an environment that requires the highest quality of diligence and necessitates the involvement of physicians with experience of safety monitoring of clinical trials.

Ergomed established its clinical safety system in 2004 based on the industry's gold standard ARISg safety database combined with the strong medical expertise already within the business. Clinical safety assignments for more than 30 clinical trials have been managed across multiple indications.

*Data Management*

Clinical data collected from studies that Ergomed manages for clients need to be collected and analysed utilising a highly controlled, regulated and 'blinded' process. Ergomed is able to provide a full Clinical Data Management service for clinical trials and non-interventional studies as well as retrospective data collection. Ergomed's services cover the complete range of trial requirements from Data Management Plan and Data Validation Plan development through to Case Report Form development.

*Biostatistics*

Ergomed is also able to provide a full biostatistics services for clinical trials (Phase I to IV) and non-interventional studies as well as performing retrospective data analysis.

Ergomed's services cover the complete range of clinical trial requirements including statistical input to protocol design through to randomisation, Statistical Analysis Plan development, independent statistical support for Data Safety Monitoring Boards, Blind Data Review Meetings, blinded or unblinded interim analyses, final data analysis, creation of tables, listings and figures and statistical input for the Clinical Study Report.

## 3. CRO MARKET AND ERGOMED'S POSITIONING

### *The CRO Market*

The market for drug development outsourcing services is estimated to be c.US$24bn per annum and is expected to grow at five to 10 per cent CAGR over the next five years (source: Credit Suisse). This growth is expected to be driven not only by expansion of the Life Sciences sector but also by companies outsourcing their trials to clinical research organisations, either to access capabilities not found in-house, or to shift from a fixed to a variable cost model, or to achieve greater global reach and scale.

The clinical research services market (Phase II-IV, central laboratory and consulting services), which is where Ergomed is largely focused, is estimated to have a size of US$15.5-16.5bn and is projected to be the strongest area of growth (source: Results Healthcare).

The CRO market consists of a number of participants ranging from small, one country regional players to vast international businesses. The top 10 players are estimated to hold 45 per cent of the market (source: Credit Suisse) but the rest of the market is highly fragmented. The market has seen an increasing trend of strategic and private equity backed M&A and exits in order to add scale and broaden geographic footprint and therapeutic capabilities. More recently, the profile of the CRO market has been raised amongst investors by the flotation of companies such as Quintiles which listed in the US in May 2013.

| Company | Headquarters | Staff | 2013 revenue (US$m) |
|---|---|---|---|
| **Major public CROs** | | | |
| Quintiles | US | >27,000 | 3,808 |
| Paraxel | US | 14,700 | 1,734 |
| Covance | US | >12,000 | 2,402 |
| ICON | Ireland | 10,400 | 1,336 |
| Charles River Labs | US | c.7,700 | 1,167 |
| WuXi | China | >7,400 | 578 |
| **Major private CROs** | | | |
| PPD | US | 13,000 | NA |
| inVentiv Health | US | 12,000 | NA |
| PRA | US | >10,000 | NA |
| Chiltern | UK | >1,600 | NA |
| INC | US | 5,000 | NA |
| Aptuit | US | 800 | NA |

(Figure 7, source: company data).

*Key Competitive Strengths*

Ergomed is well established as a CRO and has more than a 15 year track record of providing services on time, on budget and to the highest quality. Ergomed's approach to carrying out a clinical trial is that the investigator and the investigator's hospital site are vital to the success of any particular trial and by providing the support through its innovative SSM and SPT model Ergomed can ensure that patient recruitment, quality and retention are higher than the industry norm.

- **Study Site Management**

  The Study Site Management model has been demonstrated to improve the recruitment as well as the retention of patients at sites, which is one of the key challenges in any clinical study. The SSM and SPT services have also proven to be a powerful tool for setting up studies and maintaining quality at hospital sites in new territories such as Central/Eastern Europe and MENA and will be a valuable marketing asset as Ergomed looks to expand its clinical operations into additional countries.

- **Study Physician Teams**

  Ergomed has an in-house team of medical doctors who can assist in all studies to ensure that the physicians participating in the study are given all the support required to ensure that the study protocol is followed and any medical issues or concerns are addressed swiftly on a doctor-to-doctor basis.

- **Therapeutic expertise**

  Ergomed has a significant track record in oncology, neurology, pain, immunology/allergy and orphan drugs/rare diseases. It can therefore demonstrate to potential clients and co-development partners that it has specific experience in these indications and it is well placed to deliver high quality clinical trials on time and on budget.

- **Orphan drugs/rare diseases**

  Ergomed has established teams focused on servicing the expanding orphan drugs/rare diseases market. It has established a network of orphan drug specialist consultants who can assist clients in the specific challenges of drug development in this area.

- **Geography**

  Ergomed has established a global footprint, enabling it to run large international studies with no territorial restrictions. As part of the proposed listing the operational resources in certain key areas (North America and Asia) will be further strengthened to assist in the growth of the business.

- **MENA region**

  Operating out of the Dubai office, Ergomed is one of the few international drug development service companies operating in the MENA region, which is an expanding market for drug development, marketing and associated consultancy services.

## 4. ERGOMED'S CO-DEVELOPMENT BUSINESS

*Introduction*

Ergomed differentiates itself from most CROs by undertaking co-development agreements around drug development assets. The model involves Ergomed providing its drug development services as a contribution in kind in exchange for revenues attributable to the drug asset, including near-term out-licensing milestones as well as sales of the product. Currently, Ergomed has four active agreements and three legacy agreements (see pages 23 and 24 for details). The Directors believe that subject to positive clinical trial data, two of its partners will aim to out-license their products leading to milestone payments for Ergomed in the next 12 to 24 months.

The co-development proposition is attractive to large and mid-size pharmaceutical companies who have more clinical stage products than their constrained drug development budgets can manage. The co-development model can also provide an alternative source of funding for biotechnology companies with limited resources.

Ergomed's contribution is funded by the provision of services to the co-development partner at a reduced price compared with Ergomed's normal commercial terms. Typically this contribution is negotiated as a set reduction of 30 per cent to 50 per cent of the full price of the project. Across all active co-development projects this contribution totalled £2.6m in 2013.

The co-development model therefore allows Ergomed to share with its partners in the substantial potential upside of successful drug development without the taking on the entire risk or requiring any cash investment while the partner benefits from a significant reduction in the total cost of the trial. This structure provides the leverage to build a large and diverse portfolio at low cost; spreading the risk and avoiding the binary outcomes of individual drug development companies. The Directors believe that the portfolio is likely to track industry averages for clinical trial success which for Phase II is 32 per cent and for Phase III is 60 per cent (source: 2014 Nature Biotechnology – volume 32 number 1, January 2014).

To date, Ergomed has negotiated terms of between five and 17.5 percent of all revenues (including milestones and royalties) for its co-development deals. For the three active projects in Phase III this is up to an agreed maximum which could total in the region of US$100m, while the revenue share on the fourth is a proportion of all the revenues that the partner receives. Ergomed's aim is to build a portfolio of carried interests by entering into an average of two co-development agreements each year with an expectation that most deals will generate first revenues, if the relevant trial is successful, within 24-36 months from signing of the agreement.

The Directors believe that the approach of the Co-Development Business is synergistic with the Services Business as it leverages Ergomed's drug development skills as well as enabling more collaborative discussions with potential clients at a senior management level.

The two key principles underpinning each deal are:

- Both Ergomed and partner remain actively involved operationally
- The partner continues to invest cash in the project, paying Ergomed for the non-invested portion of the total project cost

The fact that the partner is required to invest significant levels of cash ensures that Ergomed is neither asked to invest in second tier or low priority projects by companies who no longer wish to invest in them nor does Ergomed take on board the full development risk or cost of any single product.

Ergomed aims to create value from these partnerships by:

- Sharing in the potentially substantial upside of successful projects through a contractual interest in the product revenues generated by the partner. This includes a share in partnering and development milestones as well as revenues generated from product sales
- Undertaking drug development contracts which would have otherwise not been possible as the partner did not have sufficient capacity to initiate the project
- Generating an alternative marketing route through which to engage with customers for its services

***Co-Development Strategy***

To maximise the potential for success Ergomed has focused on its core therapeutic areas in which it has previous experience, namely oncology, neurology and immunology. The experienced due diligence team assesses 40 to 50 potential co-development opportunities per year. The Co-Development Business restricts its activities to clinical development stage products which complement the skills and infrastructure of the Services Business thereby ensuring the efficient and accurate delivery of the services under the co-development agreement.

The Directors have noted the success of the business strategy of the specialist oncology CRO, Ilex Oncology Inc, which established its own oncology pipeline funded in part by its service division. Ilex was bought by Genzyme for US$1bn in 2004 based largely on the portfolio of drug assets it had developed. Similarly in April 2014, Forest Labs announced its intention to acquire Furiex for US$1.1bn to expand its product portfolio.

Initially part of the large CRO, PPD, Furiex was set-up to develop risk-sharing partnerships similar in nature to those undertaken by Ergomed. In 2010 Furiex became a separate entity, raising capital to build a larger and later stage portfolio in which it had significantly greater interests.

The successful value creation by Furiex and Ilex demonstrates that as the Ergomed co-development model develops and its portfolio matures, it also has the potential to build significant value over the next few years.

Ergomed plans to continue expanding the co-development portfolio with the mid-term aim of establishing a portfolio of up to ten assets under such partnerships. As the Co-Development Business matures, Ergomed may look to take a greater share of the potential upside of such agreements through structured partnerships with regional players in territories such as Asia. Ergomed will continue to focus on indications where it has particular expertise and in particular is targeting the orphan drug/rare disease sector as a key area of expansion for its Co-Development Business.

New co-development partnerships are sought by Ergomed's senior management, supplemented by a network of industry expert advisers, who both help the team identify potential opportunities and also carry out due diligence. Leads are generated through attendance at partnering conferences, through recommendations from Ergomed's network of past and existing clients as well as through the team's own personal network.

***Financial Terms and Project Management***

The commercial details of each co-development deal are kept confidential as they are commercially sensitive. However, to date, the range of deal terms have been:

- Ergomed contributes services in kind to the value of between 30 to 50 per cent of the clinical and regulatory costs of the partner
- Ergomed receives five to 17.5 per cent share of the product revenues received by the partner (including milestones and royalties)

Once the principles of a potential collaboration are agreed with a potential partner, Ergomed undertakes detailed due diligence on the product candidate and a feasibility study on the clinical programme being contemplated. This enables Ergomed and the potential partner to estimate the overall budget for development (benchmarked against industry averages), allocate duties and formulate how the potential revenues may be shared. Following the completion of the deal, each project is managed by a Joint Steering Committee.

The partner remains responsible for the production of the clinical trial supplies, maintenance of the intellectual property rights and development of the supporting non-clinical data which may be needed (such as toxicology studies). The partner or licensing partner also leads the commercialisation of the drug asset.

***Co-development Current Portfolio***

Ergomed is currently actively engaged in the following co-development projects:

| **Synta Pharmaceuticals Corp. (NASDAQ: SNTA)** |
|---|
| **Product** – Ganetespib for multiple cancer indications |
| **Stage** – Phase II/III |
| **Product Description** – Ergomed conducted the Phase II study in non-small cell lung cancer for Ganetespib as a co-development project after which Synta raised further funds and is currently conducting a Phase III trial. The Directors would expect Synta to seek a licensing partner post the final Phase IIb results in H2 2014. |
| **Deal Overview** – The companies jointly established the protocol for the phase IIb study which is currently in its final stages of recruitment. Ergomed will share in a proportion of all product revenues on all indications received by Synta up to an agreed maximum. |
| **Analysts Forecasts** – Annual sales five years after launch US$1.5bn (source: MLV&Co.) |
| **Next Events** – Phase IIb readout H2 2014, Phase III readout in 2016 |

| **Aeterna Zentaris (TSX: AEZ, NASDAQ: AEZS)** |
|---|
| **Product** – AEZS 108 for the treatment of endometrial cancer |
| **Stage** – Phase III |
| **Product Description** – For the treatment of endometrial cancer, AEZS 108 is doxorubicin (an established chemotherapy drug) conjugated with a hormone which both improves the targeting of the drug to the tumour and the duration of action by improving the pharmaco-kinetic profile. |
| **Deal Overview** – The companies jointly established the protocol for a Phase III which Ergomed initiated in 2013 and recruitment is currently on-going. Ergomed will share in a proportion of all product revenues received by Aeterna Zentaris in relation to the treatment of endometrial cancer up to an agreed maximum. |
| **Analysts Forecasts** – Annual peak sales US$500m (source: Maxim Group) |
| **Next Event** – Phase III readout in 2016 |

| **CEL-SCI Corporation (NYSE MKT: CVM)** |
|---|
| **Product** – Multikine for the treatment of cancer and certain viral disorders |
| **Stage** – Phase III |
| **Product Description** – Multikine is a combination of 14 cytokines and chemokines which stimulate the immune system to encourage anti-tumour and anti-viral activity. |
| **Deal Overview** – The collaboration covers three indications head & neck cancer, anal warts and cervical dysplasia associated with HIV/HPV co-infection. Ergomed took over the management of an on-going Phase III study in 2013. Ergomed will share in a proportion of all product revenues received by Cel-Sci relating to these indications up to an agreed maximum. |
| **Analysts Forecasts** – Annual peak sales US$1.75bn (source: Laidlaw & Co.) |
| **Next Event** – Phase III head & neck cancer read out 2018 |

| **Grupo Ferrer Internacional, S.A.** |
|---|
| **Product** – Lorediplon for the treatment of insomnia |
| **Stage** – Phase II |
| **Product Description** – Lorediplon is a GABAa receptor antagonist with an improved pharmaco-kinetic profile compared with the marketed alternatives, which should enable patients to remain asleep throughout the night. |
| **Deal Overview** – Agreement between Ergomed, Ferrer and Il dong. A Phase II proof of concept study is to be conducted, after which a marketing partner may be sought. Ergomed will share in product revenues in all territories. |
| **Analysts Forecasts** – Not available |
| **Next Event** – Phase II readout H1 2016 |

***Legacy Programmes***

Three of the seven drugs covered by co-development agreements are no longer being actively developed, namely Sanofi/Genzyme's cancer treatment tasidotin, Paion/CeNeS's neuropathic pain treatment, CNS5161 and Avlar Bioventures/Excalibur's diabetic neuropathic pain treatment BVT115959. Following corporate acquisitions by Paion and Sanofi respectively, the development of both CNS5161 and tasidotin were terminated. Ergomed however received a US$2m milestone payment from Genzyme following the termination of the tasidotin programme. The results from the BVT115959 study were not sufficiently compelling to enable Avlar to partner the product and the companies were not willing to fund an additional study. While the fact that development of these candidates was ceased before reaching the market highlights the risks of drug development, it also demonstrates the benefit of the co-development model where Ergomed can spread the risk by having interests in a portfolio of programmes and gain early revenues from a share in milestones prior to a product's launch.

## 5. PRIMEVIGILANCE

***Introduction and Background***

PrimeVigilance Limited (PVL) is a UK-based pharmacovigilance (PV) and medical information (MI) services company with an established international footprint. PVL was established in the UK in November 2008 and has grown rapidly to offer a comprehensive range of high quality and cost-effective safety services. In April 2014, PVL was awarded a Queen's Award for Enterprise Recognition of Substantial Growth and Commercial Success.

The development and marketing of medicines by pharmaceutical companies is heavily regulated by multiple national and international government bodies such as the EU European Medicines Agency, the UK Medicines and Healthcare Products Regulatory Authority and the US Food and Drug Administration (FDA). In particular, there are complex laws and regulations governing the way that the safety of medicines, including adverse effects and medication errors, is monitored both during clinical trials and once a product is launched. This process of monitoring is called pharmacovigilance, which has been defined by the World Health Organisation as, *''the science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other drug-related problem.''*

PV reporting and safety monitoring is therefore a legal requirement and both national and regional regulatory bodies issue guidance and update legislation on a regular basis to continually improve patient safety. All drug development and product companies have to comply with the relevant regulations in the countries in which they operate and they often outsource the responsibility for this compliance to third party service providers such as PVL.

PVL's main clients are mid-tier pharma, generic and biotech companies from North America, Europe, Australia and Asia (including Japan). It has benefited from having a clear focus on providing PV and MI services and by using one of the major computerised safety data bases, namely ARISg.

PVL has grown organically since formation and now has over 100 staff providing services covering over 100 countries and monitoring many different product types. As well as an international network of consultants, PVL has a non-exclusive collaboration with a North American PV service provider whose services and advice can be accessed if required for specific projects in that territory. PVL is 69.5 per cent owned by the Directors of Ergomed and, with effect from Admission, it will become a wholly owned subsidiary of Ergomed pursuant to the terms of the Acquisition Agreement, further details of which are set out in paragraph 11.1(E) of Part V.

PVL revenue has grown consistently, increasing revenues 53 per cent in 2013 to £4.1m, with EBITDA for the year totalling £0.5m. PVL has a backlog of £12m with approximately 90 per cent of budgeted revenue for 2014 and 73 per cent of budgeted revenue for 2015 already contracted.

| **£m (Year-end December 31)** | **2011** | **2012** | **2013** |
|---|---|---|---|
| Sales | 2.3 | 2.7 | 4.1 |
| EBITDA | 0.3 | 0.3 | 0.5 |

(Figure 8).

***Business Strategy for PVL***

The strategy for PVL is to continue to grow the pharmacovigilance and medical information businesses both organically and through acquisition and to expand the geographical coverage in North America and Asia. The Board may also add additional post-marketing services to exploit synergies and cross selling opportunities.

The current services offered by PVL include:

- The regulatory and scientific elements of PV required to obtain and maintain a product licence within Europe and across the world
- Assisting emerging companies to comply with the safety related regulations, from developing the initial detailed description of a PV system and risk management plan to the full management of safety operations
- Support of clinical safety projects related to clinical studies
- A medical information service that provides responses to enquiries from patients and healthcare professionals concerning the products that each company markets. The service also receives reports of adverse effects and complaints about product quality or defects in manufacture. PVL provides a multi-lingual medical information service for its customers in many countries, with life science graduates speaking various languages available for direct responses to enquirers
- Specific consultancy projects such as audits of client safety or medical writing of reports required by regulatory authorities

***PrimeVigilance Business Development***

PVL has a Business Development Director supported by a Marketing Manager and a Proposals and Contracts Manager. Since commencing operations, PVL has secured over 30 customers (some with multiple contracts) for its clinical and post marketing PV services. The customers are spread throughout Europe, United States, Australia and Asia (including Japan) and, due to the distribution of their products and study sites, PVL is responsible for PV services for over 150 medicinal products distributed in more than 100 countries. PVL currently processes in the region of 35,000 Individual Case Study Reports per year and multiple Developmental Safety Update Reports/Periodic Safety Update Reports and Periodic Adverse Drug Experience Reports. PVL also reviews more than 100,000 literature abstracts and provides EU and local QPPV support for many companies.

***Pharmacovigilance Regulations and Customer Requirements***

The regulations differ from country to country but common legal requirements for the pharmacovigilance of pharmaceutical companies include the following:

- Having an established safety system, overseen in Europe by an experienced QPPV
- Providing a validated safety database, trained personnel and adequate facilities and resources
- Recording and evaluating reports received from patients and healthcare professionals, entering this information on to validated safety databases, submitting details of each report to regulatory authorities nationally and/or internationally
- Analysing reports of adverse reactions and compiling periodic safety update reports for each product and submitting these to the regulatory authorities
- Regularly reviewing aggregate data on adverse effects from the safety database, looking for signals of new, unanticipated adverse effects and continually monitoring the balance of benefits and risks for each marketed product
- Performing weekly searches on the worldwide published medical and scientific literature for new publications about the safety of their products
- Communicating to the authorities any changes to either the safety profile of a drug or the balance of its benefits and risks
- Maintaining and updating the standard product information for patients and healthcare professionals
- Submitting to independent audits of the entire system worldwide at intervals and inspections by regulatory authorities

*PV Market Size*

The global pharmacovigilance market is expected to reach US$5.0bn globally in 2019 (source: Transparency Market Research).

Key drivers of the PV market are:

- Increased level of regulatory expectations
- Tougher inspection regimes
- A need for timely reporting
- An increase in the number of acute and chronic diseases leading to a rise of drug consumption, which has led to an increase in the number of adverse drug events and drug toxicity cases
- A number of high-profile safety issues and regulatory warnings
- A general high volume of events to be reviewed, compelling the pharmaceutical players to increase their usage of outsourcing services

*PVL Positioning*

In the complex and mandatory environment of PV, many companies outsource services to specialists such as PVL who can host clients' case processing on dedicated computerised safety data bases (such as ARISg) and can also provide the necessary support in providing the required periodic reporting of events related to products as well as other specialist services. Similarly, PVL can provide full support to product companies who need to set up a medical information service to support products that they sell into specific markets.

The key competitive advantages of PVL are:

- **Leading European pharmacovigilance provider**

  PVL has grown over five years to be one of the largest specialist European based service companies and can therefore attract top tier clients as well as continue to deliver tailored solutions to smaller businesses

- **Geographical coverage**

  PVL can provide a service worldwide either through its own infrastructure or through local partners. This allows PVL to work with clients from across the globe that have products distributed in multiple territories

- **Integrated service offering**

  PVL offers the full range of drug safety services combined with medical information services using a linked, common database (ARISg plus agInquirer)

- **Market focus**

  PVL was established with a clear focus on the PV sector and its branding and operational structure is made up of PV specialists and training systems

*Competition*

The PV market primarily consists of some of the larger CROs who have in-house case processing facilities and smaller regional groups that are restricted to limited geographical regions and who have limited capacity and smaller numbers of staff than PVL. Recently, there has been a trend for the larger PV service providers and pharmaceutical companies to move high volume case processing to lower cost offshore centres in India. These centres have both large numbers of staff and the information technology capacity to cope with very high volumes of data that can be generated by certain larger products. In some of these centres, the price per case is lower than PVL. However, PVL is not targeting this market and focuses on the mid-market pharma companies and North American/Asian companies bringing products into the European market for the first time. These customers often retain certain senior medical functions within their company and outsource other services to PVL and appreciate the high quality and easy access to the PVL European operating bases.

***PVL Core Services***

*EU Pharmacovigilance Systems*

It is a regulatory requirement to develop a PV System Master File (PSMF), for both new and older products. PVL works closely with clients to develop an overview of the PV roles and responsibilities and controlled documentation and list them in the PSMF. A clear overview of the PV system is critical, especially when complicated by multiple products, partners and diverse geographical distribution.

*Hosting a Client's Safety Database*

PVL uses a fully validated ARISg safety database which is a comprehensive software package for reporting clinical and post marketing adverse events and is widely used across the industry. ARISg is used for the recording, managing and reporting of individual case safety reports and can be utilised for case querying and report generation. In addition, it can be used to produce case narratives and various standard forms and reports for submission to regulatory authorities. It also provides a full audit trail, which tracks the user, time and date of any change made to the data.

A compliant and practical safety database is an essential part of Good Pharmacovigilance Practice. An accurate and accessible database allows rapid assessment of data for signal detection, Periodic Safety Update Report production and statutory electronic reporting of cases to the regulatory authorities. The physical location of the database is at PVL offices in Zagreb but it can be accessed from anywhere in the world by PVL staff and clients.

*Medical Information Service*

A medical information service is the front line between pharmaceutical companies and their customers, including doctors, pharmacists and patients who may all have reason to contact the company which is supplying a particular drug. This service can be provided either in-house by the pharmaceutical company or outsourced to third party suppliers such as PVL.

PVL provides a customer focused service which provides a fast and consistent response to medical information enquiries and adheres to both external regulatory requirements and its own stringent internal standards. The PVL call centre utilises state-of-the-art technology to ensure calls are transferred to call handling agents with the correct product training and required language skills.

The medical information team is a group of customer focused, professional individuals all with a Life Sciences degree background (including some with a pharmacology qualification) and usually the ability to speak two or more languages. The team is fully supported by experienced physicians and QPPVs from PVL's pharmacovigilance team where appropriate.

PVL uses its wide geographical reach to provide multi-lingual support with a minimum of English, German, French, Croatian, Polish and Spanish for each product. Other languages can be added depending on the contract, call volume and availability of multi-lingual personnel. Additionally, PVL can use an in-line translation service to support up to 100 other languages, which involves a professional interpreter joining the call and providing real time translation.

The strong link between the medical information and pharmacovigilance teams and the ability to share databases is not found in many of the competitors, enabling PVL to present a suite of services in a combined package.

## 6. CURRENT TRADING UPDATE

Ergomed has made good progress in 2014. Trading is in-line with expectations and the remainder of 2014 is on budget. Ergomed signed a co-development contract with Ferrer earlier in 2014 and has also seen very positive activity in the drug development services market resulting in a very strong set of new business leads to add to the current strong backlog of signed contracts.

PVL is also trading to plan and has continued to win new contracts. PVL is also in the process of completing a major 12 month project to upgrade to the latest 2014 version of the ARIS-global safety and medical information data base and this system is on track to go live in June 2014.

The Enlarged Group currently has a backlog of £59m representing over 90 per cent and 60 per cent of forecast revenue for 2014 and 2015 respectively.

## 7. REGULATORY ENVIRONMENT

The clinical research services and post-marketing pharmacovigilance activities conducted by Ergomed and PVL are subject to significant regulation by governmental authorities. The conduct of clinical trials for medicines of human use is regulated in the EU by the Clinical Trials Directive 2001/20/EC, Directive 2005/28/EC and national implementations of both directives. Ergomed does not typically act as the Sponsor of the clinical trials it conducts but instead acts on behalf of a sponsor in accordance with the clinical trial protocol and Sponsor's instructions. Ergomed also conducts its clinical research services in accordance with internationally recognised principles of good clinical practice (GCP) and the Declaration of Helsinki (1996 version). Clinical trials of medicinal products in human subjects require notification to, or authorisation by, the relevant Member State's competent authority. In addition, a clinical trial of a medicinal product requires a favourable opinion by an ethics committee.

The conduct of post-marketing pharmacovigilance services, including medical information services, is regulated principally by Directive 2001/83/EC and Regulation (EC) No. 726/2004. EU law requires a Qualified Person Responsible for Pharmacovigilance (QPPV) located within the EU to be responsible for, among other things, ensuring the establishment and maintenance of a system that ensures that information about all suspected adverse reactions that are reported to the personnel of the marketing authorisation holder is collected and collated in order to be accessible at least at one point within the EU. Ergomed's and PVL's activities must also comply with the Data Protection Directive 95/46/EC.

Ergomed also conducts activities in a number of jurisdictions outside of the EU, such as in the Middle East and North Africa. Any activities conducted by Ergomed and PVL outside of the EU are subject to applicable national laws and regulations in the jurisdictions where the activities are performed.

Regulatory requirements are increasingly important in the markets in which Ergomed operates. For example, legislation regarding clinical trials is changing within the EU as a result of the adoption of the EU Clinical Trials Regulation (EU) No. 536/2014, which will replace the Clinical Trials Directive 2001/20/EC, although the earliest that the Regulation will take effect is 28 May 2016. The Clinical Trials Regulation aims to increase harmonisation of the clinical trial rules across the EU, with a simplified application process, but it will also result in increased transparency obligations on the companies involved in the conduct of clinical trials.

Ergomed has been audited many times by both partners and regulatory authorities (such as the FDA) during which Ergomed's compliance with best practice, its internal procedures and the regulations discussed above have been reviewed. In all cases, Ergomed has met the required standards and no material issues have been reported.

Similarly, in line with common practice in the safety industry, PVL has also been audited many times. Since 2011, through its client contracts, it has been inspected three times by the MHRA and once by Health Canada. There were no critical findings identified in these three inspections.

In addition, over time same time frame, PVL has been audited by its clients 11 times and no critical issues were highlighted. A routine full system audit of PVL was conducted in July 2013 by an independent auditor and there were no critical or major findings.

## 8. THE FUNDRAISING AND USE OF PROCEEDS

The Fundraising comprises the issue of the 7,500,000 New Ordinary Shares at the Placing Price pursuant to the Placing and the Private Placement, raising approximately £9.7 million for the Company net of estimated Fundraising expenses of £1.3 million (excluding VAT). The £0.2 million of expenses in relation to the Acquisition were paid using existing cash.

Pursuant to the Placing, Oriel has, as agent for the Company, conditionally agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price. The Placing Shares will be placed with institutional investors introduced by Oriel. The Placing Agreement contains provisions entitling Oriel to terminate the Placing prior to Admission becoming effective. If this right is exercised, the Placing will lapse. The Placing has not been underwritten by Oriel. Further details of the Placing Agreement can be found at paragraph 6.1 of Part V.

Of those New Ordinary Share being placed in the Placing, a number will be Eligible Placing Shares issued to those seeking to benefit from tax advantages pursuant to the VCT and EIS legislation. The Eligible Placing Shares will be issued to the relevant Placees on 14 July 2014, being one business day prior to Admission, so that such Placees will be able to benefit from these tax advantages. The issue of the Eligible Placing Shares shall not therefore be conditional upon Admission.

On Admission, which is expected to take place on 15 July 2014, subject to the conditions in the Acquisition Agreement and the Placing Agreement being satisfied and/or waived, the Company will acquire PVL and shall issue the balance of the New Ordinary Shares which are the subject of the General Placing. This acquisition will be conditional upon the Company raising minimum gross proceeds of £12m. Both the Eligible Placing Shares and the General Placing Shares are therefore expected to be admitted to trading on AIM on 15 July 2014.

In addition to the Placing, the Company has, conditional upon Admission, agreed to issue and allot a further 593,750 New Ordinary Shares at the Placing Price to the Private Placement Subscribers pursuant to the terms of the Private Placement Agreements. The Private Placement Shares have been subscribed for by private individuals, including Christopher Collins and Peter George, directors of the Company.

The net funds raised by the Company from the Fundraising will be used as follows:

£6.0 million of the proceeds will be used to acquire PrimeVigilance, which is described in detail on page 24.

The balance of the net proceeds raised will be used to fund general working capital purposes. This will therefore enable existing cash and funds generated by the business to facilitate the completion of targeted acquisitions in selected territories to increase the geographical footprint of Ergomed operations. Specifically, Ergomed intends to increase capability in North America and Asia. Ergomed also plans to use funds raised to acquire a proven data management/biostatistics platform to increase the data management capability of its Services Business.

The PrimeVigilance business can also be expanded by the strategic acquisitions of similar businesses that would increase the geographical footprint and also broaden the service offering to companies seeking support for their post-approval activities.

Ergomed will also invest in development of its orphan/rare disease services including the recruitment of specialised senior staff, expansion of its service offering and increased investment in business development activities.

The New Ordinary Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Enlarged Share Capital. Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 15 July 2014.

## 9. DIRECTORS, PROPOSED DIRECTOR AND SENIOR MANAGEMENT

The Board currently comprises Rolf Stahel as Chairman, Miroslav Reljanovic as Chief Executive Officer, Neil Clark as Chief Financial Officer and Peter George as Non-Executive Director.

Upon Admission, Christopher Collins will become a Non-Executive Director. Details of the Board, including the Proposed Director to be appointed upon Admission, are set out below:

**Rolf Stahel – Non-Executive Chairman (aged 70)**

Rolf Stahel brings over 30 years' experience in the global pharmaceutical industry. He led Shire Pharmaceuticals Group plc as Chief Executive Officer from 1994 to 2003. When he joined Shire, it was privately held and had an estimated value of approximately US$30m, revenues of US$3m and 50 employees. Nine years later, he had implemented six mergers and acquisitions building Shire into a FTSE 100 Company with a market capitalisation of approximately US$3.2bn, revenues of US$1.1bn and 1,800 employees.

Rolf worked for 27 years with Wellcome plc in Switzerland, Italy, Thailand, Singapore and the UK. As Regional Director based in Singapore, Rolf was responsible for 18 Pacific Rim countries. His last position with Wellcome was Director of Group Marketing, based in the UK covering Group Strategy, R&D portfolio evaluation, marketing of existing and new products and business development. In this position, Rolf reported to the Chief Executive of Wellcome. Rolf sits on the Advisory Board of Imperial Business School (Imperial College London). He has been non-executive Chairman of several companies including: Newron Pharmaceuticals; Cosmo Pharmaceuticals; PowderMed; EUSA Pharma. He is currently Non-Executive Chairman of Connexios Life Sciences and Midatech.

Rolf, a Swiss national, is a graduate in Business Studies (KSL, CH) and attended 97th AMP (Harvard).

**Dr. Miroslav Reljanovic – Founder and Chief Executive Officer (aged 55)**

Dr. Miroslav Reljanovic is a medical doctor and a board-certified neurologist. Whilst practicing as a physician in a large WHO Collaborating Centre in Zagreb, he was the clinical investigator in numerous Phase II and III studies in the field of neurology and a consultant to various pharmaceutical companies. In 1997 Miro founded Ergomed and he introduced the novel Study Site Coordination model as an intrinsic part of the conduct of clinical studies. This model became a landmark of the Ergomed approach to clinical research, which is paramount to provide high quality trial data in very demanding areas like oncology, neurology and orphan diseases, including rare cancers.

Miro successfully introduced the first European innovative co-development business model and he has completed several transactions with European and North American listed biopharmaceutical companies. Together with co-founder Elliot Brown, MB, MRCGP, FFPM, a well-known international expert in drug safety, Miro started PrimeVigilance in 2008, which soon became a leading specialist vendor of contracted pharmacovigilance services to the pharmaceutical industry.

**Neil Clark – Chief Financial Officer (aged 52)**

Neil Clark joined Ergomed as Chief Finance Officer in January 2009. Prior to joining Ergomed, Neil was Chief Executive Officer of CeNeS Pharmaceuticals plc, a UK biotech company listed in London. CeNeS was acquired by the German biotech company Paion in 2008.

Neil joined CeNeS in 1997 when it was a venture capital backed private biotech company and later became Chief Financial Officer. CeNeS was listed in 1999 and Neil was appointed Chief Executive Officer in 2001. Prior to joining CeNeS, Neil worked for PWC in Cambridge, UK for over ten years on a variety of local, national and international assignments in audit, corporate finance and consultancy. Neil is a qualified chartered accountant (FCA).

**Peter George – Non-Executive Director (aged 53)**

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

**Christopher Collins – Proposed Non-Executive Director (aged 63)**

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

Details of senior management of the Enlarged Group are set out below:

**Terry Murdock – President of North America, Executive Director of Global Clinical Operations**

Terry Murdock joined Ergomed in 2012. Prior to joining Ergomed, Terry served as Senior Vice President & General Manager of the Multiple Sclerosis Business Unit, and General Product Manager for CAMPATH®/LEMTRADA at Genzyme, where he was responsible for managing the development of the product across multiple indications. Terry joined Genzyme as part of the ILEX Oncology acquisition, where he served as Senior Vice President of Clinical Operations for the US and Europe. Before joining ILEX, Terry was Vice President, Research with US Oncology Inc for six years, where he was responsible for clinical trial management services. During his tenure, Terry worked on a number of FDA and European audits, which led to the approval of eight new oncology products.

**Chris Wilson – Head of Quality and Regulatory**

Chris Wilson joined Ergomed in 2004. Prior to joining Ergomed, Chris was Regulatory Director at Ilex Oncology. He has over 25 years of experience in the regulatory and clinical trial business, initially in Quality Assurance and for the last 19 years in Regulatory Affairs.

Chris heads the regulatory team and quality assurance team across Ergomed's different offices. He supports the local study teams and together with the assigned project manager of a study he takes responsibility for submissions and interactions with CAs (Competent Authorities) and Institutional Review Boards in the different countries. He is responsible for global marketing authorization maintenance applications.

**Branka Duvnjak – Ergomed Head of Site Management**

Branka Duvnjak joined Ergomed in 2001. She is a highly experienced study nurse with over 30 years' experience in clinical practice and research.

Branka leads Ergomed's Internal Study Site Management Group and is responsible for planning recruitment strategies and site organization within Ergomed's clinical studies. Together with Dr. Reljanovic, Branka developed Ergomed's Study Site Management Model. She started her career as a study nurse in the WHO Collaborative Institute for Diabetes in Zagreb, Croatia. Prior to joining Ergomed, Branka worked at the UK Site Management organisation Intercern for two years.

**Dr. Danko Dominis – Ergomed Head of Business Development**

Dankos Dominis joined Ergomed in 2011. He is a specialist in obstetrics and gynaecology, with a PhD in endocrinology. He has 10 years of clinical experience and was involved in many regulatory clinical trials as an investigator. Following this, Danko worked as a regional product manager and medical affairs co-ordinator in the pharmaceutical industry.

**Dr. Joerg Seebeck – Chief Medical Officer, PrimeVigilance**

Prior to joining PrimeVigilance, Dr Joerg Seebeck was the Head of Medical Services, Europe North for a large, global contract research organisation. Prior to this he worked for six years at BfArM, the German medicines regulatory authority.

Joerg is head of the PrimeVigilance medical group and also manages consultancy projects and takes a leading role in overall client management. Joerg holds a medical degree from the University of Goettingen, Germany, and has a background in Internal Medicine and Clinical Pharmacology.

**Natalie Smith – Director of Operations, Pharmacovigilance, PrimeVigilance**

Natalie Smith started her career in nursing specialising in nephrology and managing an acute medical and renal ward before leaving nursing to join the pharmaceutical industry in 1997.

Natalie spent most of the next 10 years in biotechnology companies working in pharmacovigilance departments, during which time she attained a Diploma in Pharmacovigilance and commenced her Masters degree and was ultimately responsible for creating a global pharmacovigilance department for a rare diseases company.

In 2008 Natalie set up her own pharmacovigilance consultancy business and worked as a consultant QPPV and supported a number of clients in post-regulatory inspection activities, pharmacovigilance audits and strategies to globalise pharmacovigilance departments. In 2011 Natalie joined PrimeVigilance.

## 10. TAX RELIEFS AVAILABLE TO INVESTORS

The Company has applied for and obtained, based on information supplied, advance assurance from HMRC that the Company will be a qualifying company for the purposes of the EIS and VCT legislation. HMRC has assured the Company that the Eligible Placing Shares placed with VCTs are expected to constitute part of a qualifying holding for such VCTs. HMRC has also provisionally confirmed that the Eligible Placing Shares should satisfy the requirements for tax relief under the EIS subject to the submission of the relevant claim form in due course. The availability of tax relief will depend, *inter alia*, upon the investor and the Company continuing to satisfy various qualifying conditions. The Company cannot guarantee to conduct its activities in such a way as to maintain its status as a qualifying EIS or VCT investment but the Directors and Proposed Director intend, as far as possible, to do so. Investors considering taking advantage of EIS relief or making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the relief legislation may apply in their individual circumstances. Investors are also referred in particular to the Risk Factors in Part II and paragraph 13.5 and 13.6 of Part V.

Any Shareholder who is in any doubt as to his taxation position under the EIS and VCT legislation, or who is subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.

## 11. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 15 July 2014.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

## 12. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

At Admission, the Directors and Proposed Director will in aggregate be interested in, directly and indirectly, 21,469,669 Ordinary Shares representing approximately 74.7 per cent of the Enlarged Share Capital.

In order to assist in maintaining an orderly market in the Company's Ordinary Shares after Admission, each of the Executive Directors, as well as Rolf Stahel, Christopher Collins and Peter George, has undertaken to Oriel, save in the case of a small number of limited exceptions, not to dispose of any of the Ordinary Shares in which they are interested at Admission within 12 months of Admission without the prior written consent of Oriel and thereafter for the following 12 months only

to dispose of them through the Company's brokers at the relevant time. Further details of these arrangements are set out in paragraph 6.3 of Part V of this Document.

## 13. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a company of its nature and size. The Corporate Governance Guidelines were devised by the QCA, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the Corporate Governance Code to be inappropriate to many AIM companies. The Corporate Governance Guidelines state that, "The purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term."

Upon Admission the Board will comprise a Chairman, two executive directors and two non-executive directors. The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, the Directors (including the Proposed Director) will receive appropriate and timely information. Briefing papers will be distributed to the Directors (including the Proposed Director) in advance of Board meetings. The Directors (including the Proposed Director) will have access to the advice and services of the Company Secretary and the Chief Financial Officer, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors (including the Proposed Director) to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

## 14. BOARD COMMITTEES

The Company will, upon Admission, have Audit and Risk, Nomination, AIM Compliance and Remuneration Committees.

The Audit and Risk Committee will have Christopher Collins as Chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit and Risk Committee will meet at least twice a year. Peter George will be the other member of the Audit and Risk Committee.

The Nomination Committee will have Rolf Stahel as Chairman, and will identify and nominate for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee will meet at least twice a year. Dr. Miroslav Reljanovic, Peter George, Christopher Collins and Neil Clark will be the other members of the Nomination Committee.

The Remuneration Committee will have Peter George as Chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least twice a year. Christopher Collins and Rolf Stahel will be the other members of the Remuneration Committee.

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

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

## 15. MANAGEMENT INCENTIVE

The Board recognises the importance of incentivising the executive directors and senior management and has therefore put in place the Long Term Incentive Plan. The Long Term Incentive Plan allows EMI and unapproved share options to be granted to selected Directors and employees of the Group. Further details of the Long Term Incentive Plan can be found at paragraph 9.2 of Part V.

As at 9 July 2014 (being the last practicable date prior to the publication of this Document), no awards have been made under the Long Term Incentive Plan. It is, however, the Remuneration

Committee's intention to consider what awards should be made to employees of the Group, including executive directors and senior management in the six week period following Admission, as permitted by the rules of the Long Term Incentive Plan. While no assurance is given as to awards to be made to any such person, the Board confirms that no awards will be made under the Long Term Incentive Plan to Miroslav Reljanovic in the 12 month period following Admission.

## 16. DIVIDEND POLICY

The Board intends to pursue a progressive dividend policy, with the first dividend expected to be paid in 2015. Any payment of dividends is at the discretion of the Board.

## 17. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II of this Document and to the section entitled "Forward Looking Statements" therein. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

## 18. APPLICABILITY OF THE TAKEOVER CODE

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition were to increase the aggregate interest of the acquirer (together, if applicable, with its concert parties (as such term is defined in the Takeover Code)) in Ordinary Shares such that it becomes interested in Ordinary Shares carrying 30 per cent or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for all of the outstanding shares in the Company at a price not less than the highest price paid by the acquirer or its concert parties for any interests in Ordinary Shares during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person interested (together with its concert parties) in shares carrying 30 per cent or more but holding shares carrying less than 50 per cent of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

Following Admission, Dr. Miroslav Reljanovic will hold 21,190,257 Ordinary Shares, equating to 73.7 per cent of the voting rights in Company and, because he holds more than 50 per cent of the voting rights in the Company, Dr. Reljanovic may accordingly increase his interests in Ordinary Shares without incurring any obligation under Rule 9 to make a general offer to all shareholders.

## 19. TAXATION

Information regarding taxation is set out in paragraph 13 of Part V of this Document. These details are intended only as a general guide to the current tax position in the UK. If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial advisor immediately.

## 20. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in Parts II to V (inclusive) of this Document which contains further information on Ergomed.

# PART II

# RISK FACTORS

An investment in Ordinary Shares may be subject to a number of risks. Accordingly, prospective investors should consider carefully all of the information set out in this Document and the risks attaching to such an investment, including in particular the risks described below (which are not set out in any order of priority), before making any investment decision in relation to Ordinary Shares.

The information below does not purport to be an exhaustive list of relevant risks, since the Enlarged Group's performance might be affected by other factors including, in particular, changes in market and/or economic conditions or in legal, regulatory or tax requirements. Prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this Document and their individual circumstances. An investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate that investment. Prospective investors are advised to consult an independent adviser authorised under FSMA.

If any of the following risks relating to the Enlarged Group were to materialise, the Enlarged Group's business, financial condition and results of future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his, her or its investment.

Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company or the Enlarged Group. In addition to the usual risks associated with an investment in a company, the Directors consider the following risk factors to be significant to potential investors:

## RISKS RELATING TO THE GROUP AND THE MARKETS IN WHICH THE GROUP OPERATES

### Competition

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

### Dependence on key personnel

The Enlarged Group's success depends to a significant degree upon the continued contributions of the Executive Directors and other key personnel. The Enlarged Group's future performance will be substantially dependent on its ability to retain and motivate such individuals. The loss of the services of the Executive Directors or of other key personnel could prevent the Enlarged Group from executing its business strategy. Moreover, the Enlarged Group's future success depends in part on its ability to hire, train and retain key technical, operational, regulatory, sales, marketing, finance and executive personnel. The Enlarged Group competes with a number of other organisations for suitable personnel. If the Enlarged Group fails to retain and hire a sufficient number and type of personnel, it will not be able to maintain and expand its business. The Enlarged Group may be required to increase spending to retain personnel.

The Directors cannot give assurances that the Enlarged Group's senior management team and the Executive Directors will remain with the Enlarged Group. The loss of the services of the Executive Directors (in particular the Chief Executive Officer), members of senior management and other key personnel could damage the value of an investment in Ordinary Shares.

Subject to 'Key Man' insurance being available on suitable terms, the intention is to put such insurance in place in relation to the Chief Executive Officer.

**Dependency on pharmaceutical industry**

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

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

the Enlarged Group's business could be negatively impacted.

**Legislation and regulation of the pharmaceutical and biotechnology industries**

An element of the Enlarged Group's competitive advantage stems from its ability to navigate the strictly regulated medicinal products and clinical trial services approval processes, which are expensive, complex and demanding. If there were to be substantial relaxation of such processes, cross-jurisdictional harmonisation or simplification of the legislative or regulatory framework, this could reduce the barriers to entry which prospective competitors face, thereby eroding part of the Enlarged Group's competitive advantage. If such a change were to occur, this may have a negative impact on the Enlarged Group's business opportunities.

Conversely, any change to, or increase in the complexity of, legislative or regulatory requirements having the effect of preventing the Enlarged Group operating in a particular country, or compliance with which would require significant expenditure on the part of the Enlarged Group, could have a material adverse effect on the Enlarged Group's operations, profitability and financial performance.

**Licences, approvals and compliance**

The Enlarged Group is dependent to a significant degree on certain licences and regulatory approvals. Non-compliance with those licences is likely to result in a warning from the relevant authority. However, in extreme cases, licences may be restricted or revoked, which could adversely affect the Enlarged Group's business, results of operations, financial condition and future prospects.

More generally, the Enlarged Group operates in an environment which is subject to detailed and complex regulation. This places a significant compliance burden on the Enlarged Group, since any failure to achieve compliance could result in the termination of the Enlarged Group's contracts and in significant reputational damage as well as regulatory fines.

**Customers, pricing and payment terms**

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

The increased financial transparency to which the Enlarged Group will be subject following Admission carries a risk of its customers seeking to exercise additional pricing leverage.

**The Enlarged Group's insurance may not provide sufficient coverage**

The Enlarged Group will maintain insurance to cover certain liability risks. However, this insurance is subject to coverage limits and may not be adequate to cover fully all potential claims. Maintaining insurance cover at reasonable costs and on reasonable terms sufficient to cover all potential claims cannot be guaranteed and any significant claim may increase the insurance premiums to an unaffordable level.

The occurrence of an insured or uninsured risk may result in damage to the Enlarged Group's reputation and financial standing.

**Dependence on a limited number of key clients**

A significant proportion of the Group's revenue is derived from a relatively small number of clients, although the identity of the top five clients has varied over the last three financial years. The percentage of the Group's total invoiced revenue generated by the top five clients in the year ended 31 December 2013 was 65 per cent. The loss of any client or clients who represent a significant proportion of the Enlarged Group's revenue could have a negative impact on the Enlarged Group's operating results and cash flows.

**Foreign currency risk**

A significant proportion of the Enlarged Group's business is carried out, and is intended to be carried out in the future, outside the UK and in the relevant local currency. To the extent that there are fluctuations in exchange rates outside hedged positions, this may have a material impact on the Enlarged Group's financial position or results of operations, as shown in the Enlarged Group's accounts.

**Cancellation or delay of clinical trials by customers**

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

**Failure of the Group's information technology systems**

The Enlarged Group's operations and business could be impaired by a failure of its information technology systems and upon which the Enlarged Group's business is dependent for its regulatory and commercial standing. A failure of information technology systems, the inability to access data, a privacy breach or loss or corruption of data may each have a negative impact on the Enlarged Group's businesses, cash flows, continued regulatory compliance and reputation and may in some circumstances lead to a claim for damages.

**GENERAL RISKS**

**Economic conditions and current economic weakness**

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Enlarged Group's services. A more prolonged economic downturn may lead to an overall decline in the volume of the Enlarged Group's sales, restricting the Group's ability to realise a profit.

The markets in which the Enlarged Group offers its services are directly affected by many national and international factors that are beyond the Enlarged Group's control.

**Taxation**

Any change in the Enlarged Group's tax status or in taxation legislation could affect the Enlarged Group's ability to provide returns to Shareholders or alter post tax returns to Shareholders. Statements in this Document concerning the taxation of holders of Ordinary Shares are based on current UK tax law and practice, which is subject to change. The taxation of an investment in the Group depends on the individual circumstances of investors.

**Volatility of Ordinary Share price**

The Placing Price has been agreed and may not be indicative of the market price for the Ordinary Shares following Admission. The subsequent market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Part II as well as stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Enlarged Group's actual financial, trading or operational performance. These factors could include the performance of the Enlarged Group, large purchases or sales of the Ordinary Shares (or the perception that such sales may occur, as, for example in the period leading up to the expiration of the various lock-in agreements to which certain Shareholders are subject), legislative changes and market, economic, political or regulatory conditions.

**Liquidity of Ordinary Shares**

Prior to Admission, there has been no public market for the Ordinary Shares. Admission to trading on AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. The liquidity of a securities market is often a function of the volume of the underlying Ordinary Shares that are publicly held by unrelated parties.

If a liquid trading market for Ordinary Shares does not develop, the price of Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for Ordinary Shares.

**The Ordinary Shares will not be admitted to the Official List**

Ordinary Shares will be traded on AIM and will not be admitted to the Official List or admitted to trading on the London Stock Exchange's main market for listed securities. The rules of AIM are less demanding than those of the Official List and an investment in Ordinary Shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in Ordinary Shares on AIM may have limited liquidity, making it more difficult for an investor to realise its investment than might be the case in respect of an investment in shares which are quoted on the London Stock Exchange's main market for listed securities. Investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than the market prices of shares quoted on the London Stock Exchange's main market for listed securities and may not reflect the underlying value of the net assets of the Enlarged Group. For these and other reasons, investors may not be able to sell at a price which permits them to recover their original investment.

**No guarantee that the Ordinary Shares will continue to be traded on AIM**

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

**Legislation and compliance**

This Document has been prepared on the basis of current legislation, rules and practice and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change.

**Additional capital and dilution**

If the Enlarged Group fails to generate sufficient revenue, then it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion and development. If the Enlarged Group is unable to obtain this financing on terms acceptable to it, then it may be forced to curtail its planned strategic development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on the basis of a *pro rata* offer to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that market conditions prevailing at the relevant time will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at a price which is equal to or in excess of the Placing Price.

**Dividends**

Historically, Ergomed has paid dividends. Given the stage of development and size of the Company and related strong cashflows, the Board intends to pay dividends to Shareholders starting in 2015. Any payment of dividends is at the discretion of the Board of Directors and will be made in Pounds sterling to Shareholders.

There can be no assurance that the Company will declare dividends or as to the level of any dividends. The approval of the declaration and amount of any dividends of the Company is subject to the discretion of the directors of the Company (and, in the case of any final dividend, the discretion of the Shareholders) at the relevant time and will depend upon, among other things, the Enlarged Group's earnings, financial position, cash requirements and availability of distributable profits, as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

**VCT and EIS relief**

The Company has received provisional advance assurance from HMRC that it is a qualifying company for the purposes of the EIS and VCT legislation. The qualifying status for VCT and EIS purposes will be contingent upon certain conditions being met by both the Company and the relevant investors. Neither the Company, the Directors nor the Company's advisers give any warranties or undertakings that VCT and EIS qualifying status will be available or that, if initially available, such relief or status will not be withdrawn. Should the law regarding VCT and/or the EIS change then any reliefs or qualifying status previously obtained may be lost. Circumstances may arise (which may include the sale of the Company) where the Directors believe that the interests of the Company are not best served by acting in a way that preserves VCT or EIS qualifying status and the Company cannot undertake to conduct its activities in a way designed to secure or preserve such qualifying status or relief.

If the Company does not employ the proceeds from VCTs for qualifying purposes within 24 months, the funds invested by the VCTs would be apportioned *pro rata* and its qualifying holding would be equal to the VCT funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT investment would comprise part of its non-qualifying holdings.

In the case of money raised from an EIS issue, the Company must employ the entire proceeds raised from the issue of the Ordinary Shares for the purpose of a qualifying business activity within 24 months of the issue of the Ordinary Shares in order for the shares to continue to qualify for EIS relief.

If the Company ceases to carry on the business outlined in this Document or acquires or commences a business, which is not insubstantial to the Company's activities and which is a non-qualifying trade for VCT and EIS relief during the period specified in the legislation (broadly 3 years from the date of investment), this could prejudice the qualifying status of the Company as referred to above. This situation will be monitored by the Directors with a view to preserving the Company's qualifying status but this cannot be guaranteed. Any company receiving aid through any government state aid scheme, that would include VCT and EIS investment, individually or combined, that amounts to a value above the investment limit currently shown at section 173A of Income Tax Act 2007 for EIS purposes and section 292A(1) of the Income Tax Act 2007 for VCT purposes (currently £5 million) is at risk of the European Commission deeming the aid to be illegal, and bears the risk of sanctions imposed by the European Commission to recover that aid.

The information in this Document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

**Forward-looking Statements**

Certain statements contained in this Document may constitute forward-looking statements. Such statements include, amongst other things, statements regarding the Company's or management's beliefs, expectations, estimations, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Enlarged Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this Document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, save as required to comply with any legal or regulatory obligations (including the AIM Rules).

# PART III

# HISTORICAL FINANCIAL INFORMATION

**SECTION A – Accountant's Report on Ergomed plc**

Deloitte LLP
City House
126 – 130 Hills Road
Cambridge
CB2 1RY

The Board of Directors
on behalf of Ergomed plc
The Surrey Research Park
26-28 Frederick Sanger Road
Guildford
Surrey
GU2 7YD

Oriel Securities Limited
150 Cheapside
London
EC2V 6ET

9 July 2014

Dear Sirs

**Ergomed plc**

We report on the financial information of Ergomed plc and its subsidiaries (together the "Group") for the 3 years set out in Part III Section B of the AIM admission document (the Admission Document") dated 9 July 2014 of Ergomed plc (the "Company") This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation) as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013 and of its profits, cash flows and changes in equity for the 3 years ended 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully

Deloitte LLP
Chartered Accountants

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## CONSOLIDATED INCOME STATEMENT
**Years ended 31 December**

| | Note | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|---|
| **REVENUE** | 3 | 15,147 | 14,611 | 12,065 |
| Cost of sales | | (10,146) | (10,685) | (8,110) |
| **Gross profit** | | 5,001 | 3,926 | 3,955 |
| Administrative expenses | | (3,171) | (3,417) | (3,290) |
| Depreciation expense | | (63) | (57) | (51) |
| Other operating income | | 9 | 13 | 6 |
| **OPERATING PROFIT** | | 1,776 | 465 | 620 |
| Investment revenues | 6 | 4 | 10 | 14 |
| Finance costs | 7 | (2) | (1) | (1) |
| **PROFIT BEFORE TAXATION** | | 1,778 | 474 | 633 |
| Taxation | 9 | (232) | (83) | (98) |
| **PROFIT FOR THE YEAR** | 5 | 1,546 | 391 | 535 |
| **EARNINGS PER SHARE** | | | | |
| Basic | 10 | 7.7p | 2.0p | 2.7p |
| Diluted | 10 | 7.4p | 1.9p | 2.4p |

All transactions derived from continuing operations.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**Years ended 31 December**

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| **Profit for the year** | 1,546 | 391 | 535 |
| **Items that may be classified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | 8 | 39 | (59) |
| **Other comprehensive income for the period net of tax** | 8 | 39 | (59) |
| **Total comprehensive income for the period** | 1,554 | 430 | 476 |

## CONSOLIDATED BALANCE SHEET
**31 December**

| | Note | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|---|
| **Non current assets** | | | | |
| Goodwill | 12 | 1,332 | — | — |
| Property, plant and equipment | 13 | 148 | 164 | 155 |
| Deferred tax asset | 19 | 2 | 19 | 18 |
| | | 1,482 | 183 | 173 |
| **Current assets** | | | | |
| Trade and other receivables | 15 | 3,283 | 3,601 | 3,730 |
| Cash and cash equivalents | 16 | 1,950 | 445 | 642 |
| | | 5,233 | 4,046 | 4,372 |
| **Total assets** | | 6,715 | 4,229 | 4,545 |
| **Current liabilities** | | | | |
| Borrowings | 18 | (29) | (72) | (5) |
| Trade and other payables | 17 | (4,615) | (3,739) | (3,788) |
| Taxation | | (156) | (34) | — |
| **Total current liabilities** | | (4,800) | (3,845) | (3,793) |
| **Net current assets** | | 433 | 201 | 579 |
| **Non-current liabilities** | | | | |
| Borrowings | 18 | (8) | (31) | (5) |
| **Total liabilities** | | (4,808) | (3,876) | (3,798) |
| **Net assets** | | 1,907 | 353 | 747 |
| **Equity** | | | | |
| Share capital | 20 | 200 | 200 | 200 |
| Other reserves | | (57) | (65) | (80) |
| Retained earnings | | 1,764 | 218 | 627 |
| **Total equity** | | 1,907 | 353 | 747 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**Years ended 31 December**

| | Share capital £000s | *Other reserves £000s | Retained earnings £000s | Total £000s |
|---|---|---|---|---|
| **Balance at 1 January 2011** | 200 | (21) | 92 | 271 |
| Profit for the year | — | — | 535 | 535 |
| Other comprehensive income for the period | — | (59) | — | (59) |
| **Total comprehensive income for the period** | — | (59) | 535 | 476 |
| Credit to equity for equity settled share based payment transactions | — | — | — | — |
| **Balance at 31 December 2011** | 200 | (80) | 627 | 747 |
| Profit for the year | — | — | 391 | 391 |
| Other comprehensive income for the period | — | 39 | — | 39 |
| **Total comprehensive income for the period** | — | 39 | 391 | 430 |
| Credit to equity for equity settled share based payment transactions | — | (24) | — | (24) |
| Dividends | — | — | (800) | (800) |
| **Balance at 31 December 2012** | 200 | (65) | 218 | 353 |
| Profit for the year | — | — | 1,546 | 1,546 |
| Other comprehensive income for the period | — | 8 | — | 8 |
| **Total comprehensive income for the period** | — | 8 | 1,546 | 1,554 |
| **Balance at 31 December 2013** | 200 | (57) | 1,764 | 1,907 |

* 'Other reserves' combines the translation reserve and the share based payment reserve.

## CONSOLIDATED CASH FLOW STATEMENT
**Years ended 31 December**

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | 1,778 | 474 | 633 |
| **Adjustment for:** | | | |
| Depreciation | 63 | 57 | 51 |
| (Profit) / loss on disposal | (15) | 17 | (6) |
| Exchange adjustments | 8 | 33 | (46) |
| Finance income | (5) | (10) | (14) |
| Finance expenses | 2 | 1 | 1 |
| Other reserve movements | — | (24) | — |
| **Operating cash flow before changes in working capital and provisions** | 1,831 | 548 | 619 |
| Decrease / (increase) in trade and other receivables | 618 | (220) | (1,816) |
| (Decrease)/Increase in trade and other payables | (978) | 292 | 958 |
| **Cash generated from operations** | 1,471 | 620 | (239) |
| Taxation paid | (93) | (39) | (122) |
| **Net cash inflow (outflow) from operating activities** | 1,378 | 581 | (361) |
| **Investing activities** | | | |
| Finance income received | 5 | 10 | 14 |
| Acquisition of property, plant and equipment | (70) | (96) | (47) |
| Acquisition of subsidiary | (669) | — | — |
| Receipts from sale of property, plant and equipment | 38 | 18 | 12 |
| **Net cash outflow from investing activities** | (696) | (68) | (21) |
| **Financing activities** | | | |
| Finance expense paid | (2) | (1) | (1) |
| Increase in borrowings | — | 107 | — |
| Repayment of borrowings | (66) | (16) | (15) |
| Payment of equity dividends | — | (800) | — |
| **Net cash outflow from financing activities** | (68) | (710) | (16) |
| **Net increase/(decrease) in cash and cash equivalents** | 614 | (197) | (398) |
| Cash on acquisition of subsidiary | 891 | — | — |
| Cash and cash equivalents at start of the year | 445 | 642 | 1,040 |
| **Cash and cash equivalents at end of year** | 1,950 | 445 | 642 |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

**Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS regulation.

The financial statements have been prepared on the historical cost basis.

The principal accounting policies are set out below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is

attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

**Going concern**

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future. This is based on the Directors having regard to the performance of the business, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group is financed by funds generated from profitable operations and equity.

The Directors have reviewed a cash flow forecast (''the Forecast'') for the period ending 31 December 2015. The Forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues. The Forecast demonstrates that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

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

**Compliance with accounting standards**

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

| | |
|---|---|
| Annual Improvements to IFRSs: 2011-13 Cycle (Dec 2013) | Annual Improvements to IFRSs: 2011-13 Cycle |
| Amendments to IAS 19 (Nov 2013) | Defined Benefit Plans: Employee Contributions |
| Amendments to IAS 32 (Dec 2011) | Offsetting Financial Assets and Financial Liabilities |
| Amendments to IAS 36 (May 2013) | Amendments to IAS 36 (May 2013) |
| Amendments to IAS 39 (Jun 2013) | Novation of Derivatives and Continuation of Hedge Accounting |
| Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012) | Investment Entities |
| IAS 27 (revised May 2011) | Separate Financial Statements |
| IAS 28 (revised May 2011) | Investments in Associates and Joint Ventures |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |

| | |
|---|---|
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRIC 21 | Levies |

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 12 will impact the disclosure of interests that the Company has in other entities

**Property, plant and equipment and depreciation**

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

| | |
|---|---|
| Leasehold improvements | 2.5 per cent straight line |
| Motor vehicles | 8.33-50 per cent straight line |
| Fixtures and fittings | 10-50 per cent straight line |

**Business combinations**

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

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

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

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

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

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

**Goodwill**

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

Goodwill is not amortised but is reviewed for impairment at least annually.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

**Investments**

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

**Intangible assets acquired separately**

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

**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.

**Impairment of tangible assets excluding goodwill**

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Financial instruments**

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

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

***Financial assets***

The Company classifies its financial assets in the following categories:

- at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets
- held-to-maturity investments

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

***Financial assets at fair value through profit or loss***

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

***Loans and receivables***

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

***Impairment of financial assets***

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

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

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

***Financial liabilities and equity***

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

*Equity instruments*

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

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

*Financial liabilities*

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

***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 22.

***Other financial liabilities***

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

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

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

***Derecognition of financial liabilities***

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

**Cash and cash equivalents**

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

**Revenue recognition**

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

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

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

**Operating profit**

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

**Taxation**

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business

combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

**Foreign currency translation**

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

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

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

**Pensions**

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

**Leasing and hire purchase commitments**

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

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

**Share based payments**

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

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

**Revenue recognition**

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

**Impairment of Goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation 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 calculate present value. The carrying amount of goodwill and any impairment loss is disclosed in note 12.

**Bad debt provision**

In determining the level of provisioning for bad debts, the Directors have considered the aging of trade receivables, and the payment history and financial position of debtors. They have concluded that no provision is required against trade receivables in note 15.

## 3. REVENUE

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

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Provision of services | 15,147 | 14,611 | 12,065 |

| Geographical market | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| UK | 35 | 57 | 598 |
| Europe, Middle East and Africa | 8,019 | 7,987 | 8,657 |
| North America | 6,236 | 6,008 | 2,810 |
| Asia | 857 | 559 | — |
| | 15,147 | 14,611 | 12,065 |

## 4. OPERATING SEGMENTS

**Products and services from which reportable segments derive their revenues**

The Directors are of the opinion that the Group operates as a single business segment, being clinical research services.

**Geographical information**

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

| | Revenue from external customers | | |
|---|---|---|---|
| | 2013 £000s | 2012 £000s | 2011 £000s |
| Europe, Middle East and Africa | 8,054 | 8,044 | 9,255 |
| North America | 6,236 | 6,008 | 2,810 |
| Asia | 857 | 559 | — |
| | 15,147 | 14,611 | 12,065 |

**Information about major customers**

In 2013, the Group had three customers that contributed 10 per cent or more to the Group's revenue. Revenues of approximately £2,225,000, £2,273,000 and £3,026,000 were recognised from these customers respectively.

In 2012, the Group had two customers that contributed 10 per cent or more to the Group's revenue. Revenues of approximately £5,175,000 and £5,330,000 were recognised from these customers respectively.

In 2011, the Group had four customers that contributed 10 per cent or more to the Group's revenue. Revenues of approximately £1,316,000, £1,623,000, £1,810,000 and £4,388,000 were recognised from these customers respectively.

## 5. PROFIT FOR THE YEAR

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| **Profit for the year is stated after charging:** | | | |
| Depreciation of property, plant and equipment | 63 | 57 | 51 |
| Exchange loss | 210 | 183 | 23 |
| Auditor's remuneration: | | | |
| Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts | 59 | 65 | 70 |
| Fees payable to the Company's auditor and their associates for other services to the Group | 18 | 25 | 44 |
| (Profit) loss on disposals of property, plant and equipment | (15) | 17 | (6) |

## 6. INVESTMENT REVENUES

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Bank interest receivable | — | 1 | 3 |
| Loan interest from connected party | 3 | 6 | 11 |
| Loan interest from employee | 1 | 3 | — |
| | 4 | 10 | 14 |

## 7. FINANCE EXPENSES

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| On overdue tax | — | 1 | — |
| Other interest | 2 | — | 1 |
| | 2 | 1 | 1 |

## 8. EMPLOYEES

**Number of employees**

The average monthly number of persons employed by the Group (including Directors) during the year was:

| | 2013 Number | 2012 Number | 2011 Number |
|---|---|---|---|
| Administration | 20 | 23 | 19 |
| Project staff | 66 | 73 | 65 |
| Management | 2 | 4 | 5 |
| Directors | 2 | 2 | 2 |
| | 90 | 102 | 91 |

| Employment costs | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Wages and salaries – direct | 1,803 | 1,862 | 1,688 |
| Wages and salaries – administration | 581 | 797 | 831 |
| Other pension costs | 62 | 52 | 52 |
| | 2,446 | 2,711 | 2,571 |

**Directors' emoluments**

**2013**

| | Fees/Basic Salary £000s | Benefits in kind £000s | Annual bonuses £000s | Pension contribu-tions £000s | Total £000s |
|---|---|---|---|---|---|
| M Reljanovic | 38 | 7 | — | — | 45 |
| N Clark | 100 | — | — | 10 | 110 |
| | 138 | 7 | — | 10 | 155 |

**2012**

| | Fees/Basic Salary £000s | Benefits in kind £000s | Annual bonuses £000s | Pension contribu-tions £000s | Total £000s |
|---|---|---|---|---|---|
| M Reljanovic | 36 | 8 | — | — | 44 |
| N Clark | 134 | 2 | — | 13 | 149 |
| | 170 | 10 | — | 13 | 193 |

**2011**

| | Fees/Basic Salary £000s | Benefits in kind £000s | Annual bonuses £000s | Pension contribu-tions £000s | Total £000s |
|---|---|---|---|---|---|
| M Reljanovic | 41 | 8 | — | — | 49 |
| N Clark | 140 | 2 | — | 14 | 156 |
| | 181 | 10 | — | 14 | 205 |

The Company operates an unapproved executive share option scheme. The share options are exercisable immediately prior to an exit event. Details of share options for Directors who served during the year are as follows:

**2013**

| | Scheme | Granted | Number | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| N Clark | Unapproved | — | 1,000,000 | £0.01 | Exit Event | 15 Jan 2020 |

**2012**

| | Scheme | Granted | Number | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| N Clark | Unapproved | — | 1,000,000 | £0.01 | Exit Event | 15 Jan 2020 |

**2011**

| | Scheme | Granted | Number | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| N Clark | Unapproved | — | 1,000,000 | £0.01 | Exit Event | 15 Jan 2020 |

## 9. TAXATION

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| **Domestic current year tax** | | | |
| UK corporation tax charge for the year | 152 | 62 | 71 |
| Adjustment in respect of prior years | (8) | — | — |
| **Current UK company tax charge** | 144 | 62 | 71 |
| Subsidiary company tax charges: | | | |
| Non UK corporation tax | 71 | 22 | 45 |
| **Current tax charge** | 215 | 84 | 116 |
| **Deferred tax** | | | |
| Deferred tax charge/(credit) | 17 | (1) | (18) |
| Tax on profit | 232 | 83 | 98 |

The standard rate of tax for the period, based on the UK standard rate of corporation tax, is 23.25% (2012 – 24.5%) (2011 – 26.5%). The actual tax charges for the years differ from the standard rate for the reasons set out in the following reconciliation.

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Profit on ordinary activities before taxation | 1,778 | 474 | 633 |
| Tax on profit on ordinary activities at blended standard rate of 23.25% (2012: 24.50%) (2011: 26.50%). | 409 | 118 | 165 |
| Non-deductible expenses | 23 | 23 | 19 |
| Additional allowable expenses | (85) | — | — |
| Non-taxable income | — | 1 | (16) |
| Adjustments to previous periods | (8) | — | — |
| Withholding tax suffered | — | 6 | — |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (43) | (21) | (15) |
| Difference due to change in rate of taxation | 1 | 1 | 1 |
| Tax losses recognised | (—) | (1) | (18) |
| Utilisation of tax losses | (65) | (44) | (38) |
| Tax expense for the year | 232 | 83 | 98 |

## 10. EARNINGS PER SHARE

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

**Earnings**

| | 2013 £'000 | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company | 1,546 | 391 | 535 |
| Effect of dilutive potential ordinary shares | — | — | — |
| Earnings for the purposes of diluted earnings per share | 1,546 | 391 | 535 |

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Number of shares** | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 20,000,000 | 20,000,000 | 20,000,000 |
| Effect of dilutive potential ordinary shares | | | |
| Share options | 941,176 | 941,176 | 1,882,353 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 20,941,176 | 20,941,176 | 21,882,353 |

## 11. DIVIDENDS

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Ordinary interim payable | — | 800 | — |

## 12. GOODWILL

| | £000s |
|---|---|
| **Cost and carrying amount** | |
| At 1 January 2011, 1 January 2012 and 1 January 2013 | — |
| Additions | 1,332 |
| At 31 December 2013 | 1,332 |

The goodwill arising during the year ended 31 December 2013 relates to the acquisition of Ergomed Virtuoso Sarl on 30 September 2013. As explained in note 23, the valuation of goodwill is a preliminary assessment. For this reason, and because of the proximity of the acquisition date to the year end, no impairment review has been carried out on the balance by the Directors.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements £000s | Motor vehicles £000s | Fixtures and fittings £000s | Total £000s |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2011 | 48 | 154 | 382 | 584 |
| Additions | — | 5 | 42 | 47 |
| Disposals | — | (5) | (34) | (39) |
| Exchange differences | — | — | 2 | 2 |
| At 1 January 2012 | 48 | 154 | 392 | 594 |
| Additions | — | 6 | 90 | 96 |
| Disposal | — | (67) | (22) | (89) |
| Exchange differences | 5 | — | 17 | 22 |
| At 1 January 2013 | 53 | 93 | 477 | 623 |
| Additions | — | 2 | 68 | 70 |
| Disposals | — | (51) | (72) | (123) |
| Exchange differences | — | — | — | — |
| At 31 December 2013 | 53 | 44 | 473 | 570 |
| **Depreciation** | | | | |
| At 1 January 2011 | 16 | 94 | 298 | 408 |
| Charge for the year | 3 | 16 | 32 | 51 |
| Disposals | — | — | (33) | (33) |
| Exchange differences | 10 | (11) | 14 | 13 |
| At 1 January 2012 | 29 | 99 | 311 | 439 |
| Charge for the year | 4 | 4 | 49 | 57 |
| Disposals | — | (37) | (15) | (52) |
| Exchange differences | — | 1 | 14 | 15 |
| At 1 January 2013 | 33 | 67 | 359 | 459 |
| Charge for the year | 3 | 3 | 57 | 63 |
| Disposals | — | (50) | (50) | (100) |
| At 31 December 2013 | 36 | 20 | 366 | 422 |
| **Net book value** | | | | |
| At 31 December 2013 | 17 | 24 | 107 | 148 |
| At 31 December 2012 | 20 | 26 | 118 | 164 |
| At 31 December 2011 | 19 | 55 | 81 | 155 |

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

| | Motor vehicles £000s |
|---|---|
| At 31 December 2013 | 17 |
| At 31 December 2012 | 24 |
| At 31 December 2011 | 38 |

## 14. SUBSIDIARIES

The Group consists of a parent company, Ergomed plc, formerly Ergomed Clinical Research Limited, incorporated in the UK, and the following subsidiaries:

| Company | Place of incorporation and operation | Class | Holding |
|---|---|---|---|
| Ergomed GmbH | Germany | Ordinary | 100% |
| Ergomed Spolka z.o.o. | Poland | Ordinary | 99% |
| Ergomed Clinical Research Limited | United Kingdom | Ordinary | 100% |
| Ergomed d.o.o Novi Sad | Serbia | Ordinary | 100% |
| Ergomed Clinical Research Inc | USA | None issued | 100% |
| Ergomed Istrazivanja Zagreb d.o.o. | Croatia | Ordinary | 100% |
| Ergomed Clinical Research LLC | Russia | Ordinary | 100% |
| Ergomed d.o.o. | Bosnia | Ordinary | 100% |
| Ergomed Clinical Research GmbH | Germany | Ordinary | 100% |
| Ergomed Clinical Research FZ LLC | Dubai | Ordinary | 100% |
| Ergomed Virtuoso Sarl * | Switzerland | Ordinary | 100% |

* This company was acquired by the Group on 30 September 2013, see note 23.

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

## 15. TRADE AND OTHER RECEIVABLES

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Trade receivables | 2,336 | 2,302 | 2,663 |
| Amounts receivable from related parties | 91 | 283 | 644 |
| Other receivables | 366 | 246 | 302 |
| Prepayments and accrued income | 490 | 770 | 109 |
| Corporation tax receivable | — | — | 12 |
| | 3,283 | 3,601 | 3,730 |

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

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Non-overdue current receivables | 1,319 | 1,028 | 1,631 |
| Less than 90 days overdue | 892 | 1,232 | 1,032 |
| More than 90 days overdue | 125 | 42 | — |
| | 2,336 | 2,302 | 2,663 |

The carrying values of trade receivables approximate their fair value at the balance sheet date and are denominated in the following currencies:

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| UK Sterling | — | — | 70 |
| USD | 1,124 | 1,058 | 2,350 |
| Euro | 1,078 | 1,235 | 230 |
| Swiss Franc | 119 | — | — |
| Other (Zloty, Roubles) | 15 | 9 | 13 |
| | 2,336 | 2,302 | 2,663 |

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

## 16. CASH AND CASH EQUIVALENTS

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Cash at bank | 1,950 | 445 | 642 |

The effective interest rate at the balance sheet date on cash at bank was 0.62%.

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

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| UK sterling | 12 | 7 | 16 |
| Euro | 401 | 292 | 313 |
| USD | 595 | 60 | 266 |
| Swiss Franc | 864 | — | — |
| Other | 78 | 86 | 47 |
| | 1,950 | 445 | 642 |

## 17. TRADE AND OTHER PAYABLES

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Trade creditors | 2,526 | 2,393 | 1,395 |
| Amounts payable to related parties | 1,148 | 2 | 85 |
| Social security and other taxes | 80 | 66 | 91 |
| Other paybles | 96 | 82 | 96 |
| Accruals and deferred income | 765 | 1,196 | 2,121 |
| | 4,615 | 3,739 | 3,788 |

The carrying values of the Group's trade and other payables approximates their fair value at the balance sheet date, are uncovered and are denominated in the following currencies:

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| UK sterling | 230 | 137 | 177 |
| Euro | 3,560 | 3,108 | 3,278 |
| USD | 79 | 176 | 57 |
| HRK | 120 | 151 | 138 |
| Swiss Franc | 457 | — | — |
| Other | 169 | 167 | 138 |
| | 4,615 | 3,739 | 3,788 |

## 18. BORROWINGS

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| **Secured borrowings at amortised cost** | | | |
| Within one year | | | |
| Bank loans | 22 | 67 | — |
| Finance leases | 7 | 5 | 5 |
| | 29 | 72 | 5 |
| Between two and five years | | | |
| Bank loans | — | 22 | — |
| Finance leases | 8 | 9 | 5 |
| | 8 | 31 | 5 |
| Totals | 37 | 103 | 10 |

Bank loans are secured on the assets and liabilities of the Company. Finance leases are secured on the assets to which they relate.

## 19. DEFERRED TAX

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

| | Tax losses £000s |
|---|---|
| At 1 January 2011 | — |
| Credit to profit or loss | (18) |
| At 1 January 2012 | (18) |
| Credit to profit or loss | (1) |
| At 1 January 2013 | (19) |
| Charge to profit or loss | 17 |
| At 31 December 2013 | (2) |

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

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| Deferred tax liabilities | — | — | — |
| Deferred tax assets | 2 | 19 | 18 |
| | 2 | 19 | 18 |

## 20. SHARE CAPITAL

| | 2013 £000s | 2012 £000s | 2011 £000s |
|---|---|---|---|
| **Allotted, called up and fully paid** | | | |
| 20,000,000 ordinary shares of £0.01 each | 200 | 200 | 200 |

## 21. SHARE BASED PAYMENTS

The Company operates an unapproved share option scheme for the benefit of its employees. Grants are made at the discretion of the Board of Directors.

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

The movement on options in issue under these schemes is set out below:

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price | Number of share options | Weighted average exercise price |
| Outstanding at the beginning of the year | 1,000,000 | 0.01 | 2,000,000 | 0.01 | 2,000,000 | 0.01 |
| Forfeited or lapsed during the year | — | — | (1,000,000) | 0.01 | — | — |
| Outstanding at the end of the year | 1,000,000 | 0.01 | 1,000,000 | 0.01 | 2,000,000 | 0.01 |
| Exercisable at the end of the year | — | | — | | — | |

Based on the calculation of the total fair value of the options granted, the Company recognised a total charge through the income statement of £nil related to equity-settled share-based payment transactions in the year ended 31 December 2013 (2012 credit – £24,480) (2011 – £nil).

## 22 FINANCIAL INSTRUMENTS

### Capital risk management

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

### Significant accounting policies

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

**Categories of financial instruments**

| | Loans and receivables £000s | Current financial liabilities at amortised cost £000s | Non-current financial liabilities at amortised cost £000s | Carrying amount £000s | Fair value £000s |
|---|---|---|---|---|---|
| **31 December 2013** | | | | | |
| **Financial assets** | | | | | |
| Trade receivables | 2,336 | — | — | 2,336 | 2,336 |
| Accrued income | 381 | — | — | 381 | 381 |
| Amounts receivable from related parties | 91 | — | — | 91 | 91 |
| Other receivables | 130 | — | — | 130 | 130 |
| Cash and cash equivalents | 1,950 | — | — | 1,950 | 1,950 |
| | 4,888 | — | — | 4,888 | 4,888 |
| **Financial liabilities** | | | | | |
| Bank loans | — | 22 | — | 22 | 22 |
| Finance leases | — | 7 | 8 | 15 | 15 |
| Trade payables | — | 2,526 | — | 2,526 | 2,526 |
| Amounts owed to related parties | — | 1,148 | — | 1,148 | 1,148 |
| Other payables | — | 96 | — | 96 | 96 |
| Accruals | — | 555 | — | 555 | 555 |
| | — | 4,354 | 8 | 4,362 | 4,362 |

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

**Categories of financial instruments**

| | Loans and receivables £000s | Current financial liabilities at amortised cost £000s | Non-current financial liabilities at amortised cost £000s | Carrying amount £000s | Fair value £000s |
|---|---|---|---|---|---|
| **31 December 2012** | | | | | |
| **Financial assets** | | | | | |
| Trade receivables | 2,302 | — | — | 2,302 | 2,302 |
| Accrued income | 696 | — | — | 696 | 696 |
| Amounts receivable from related parties | 234 | — | — | 234 | 234 |
| Other receivables | 197 | — | — | 197 | 197 |
| Cash and cash equivalents | 445 | — | — | 445 | 445 |
| | 3,874 | — | — | 3,874 | 3,874 |
| **Financial liabilities** | | | | | |
| Bank loans | — | 67 | 22 | 89 | 89 |
| Finance leases | — | 5 | 9 | 14 | 14 |
| Trade payables | — | 2,393 | — | 2,393 | 2,393 |
| Amounts owed to related parties | — | 2 | — | 2 | 2 |
| Other payables | — | 82 | — | 82 | 82 |
| Accruals | — | 514 | — | 514 | 514 |
| | — | 3,063 | 31 | 3,094 | 3,094 |

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

| | Loans and receivables £000s | Current financial liabilities at amortised cost £000s | Non-current financial liabilities at amortised cost £000s | Carrying amount £000s | Fair value £000s |
|---|---|---|---|---|---|
| **31 December 2011** | | | | | |
| **Financial assets** | | | | | |
| Trade receivables | 2,663 | — | — | 2,663 | 2,663 |
| Amounts receivable from related parties | 555 | — | — | 555 | 555 |
| Other receivables | 200 | — | — | 200 | 200 |
| Cash and cash equivalents | 642 | — | — | 642 | 642 |
| | 4,060 | — | — | 4,060 | 4,060 |
| **Financial liabilities** | | | | | |
| Finance leases | — | 5 | 5 | 10 | 10 |
| Trade payables | — | 1,395 | — | 1,395 | 1,395 |
| Amounts owed to related parties | — | 85 | — | 85 | 85 |
| Other payables | — | 96 | — | 96 | 96 |
| Accruals | — | 1,037 | — | 1,037 | 1,037 |
| | — | 2,618 | 5 | 2,623 | 2,623 |

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

**Financial risk management objectives**

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

**Market risk**

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

***Foreign currency risk management***

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

| | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|
| | 2013 £000s | 2012 £000s | 2011 £000s | 2013 £000s | 2012 £000s | 2011 £000s |
| GBP | 23 | 15 | 95 | 237 | 212 | 140 |
| Euro | 1,812 | 2,259 | 2,981 | 3,365 | 2,439 | 2,201 |
| USD | 1,887 | 1,444 | 889 | 79 | 176 | 57 |
| Other | 1,166 | 156 | 95 | 681 | 267 | 225 |
| | 4,888 | 3,874 | 4,060 | 4,362 | 3,094 | 2,623 |

*Foreign currency sensitivity analysis*

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

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

| | Euro impact | | | USD impact | | |
|---|---|---|---|---|---|---|
| GBP/currency | 2013 £000s | 2012 £000s | 2011 £000s | 2013 £000s | 2012 £000s | 2011 £000s |
| Strengthen +10% | 141 | 16 | (71) | (164) | (115) | (76) |
| Weaken -10% | (173) | (20) | 87 | 201 | 141 | 93 |

**Interest rate risk management**

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

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

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

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group assesses the creditworthiness of customers in advance of entering into any contract. During the life of a contract, the customer's financial status is monitored as well as payment history. The Group does have some larger customer balances representing more than 15% of the trade receivables at a particular time, but these will be large profitable pharmaceutical companies with good credit ratings. Credit information is supplied by independent rating agencies where appropriate and if available. Alternatively the Group uses other publicly available financial information and its own trading records to rate its major customers.

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

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

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

**Liquidity and interest risk tables**

The Group has no significant long term financial liabilities.

**Fair value estimation**

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

**Fair value measurements**

The Group did not have any financial instruments that are measured subsequent to initial recognition at fair value. An analysis of the fair value hierarchy has therefore not been presented.

## 23. ACQUISITION OF SUBSIDIARY

On 30 September 2013, the Group acquired 100 per cent of the issued share capital of Ergomed Virtuoso Sarl. Ergomed Virtuoso Sarl is a clinical research company. Ergomed Virtuoso Sarl was acquired in order to obtain a profitable clinical research business.

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

| | £'000s |
|---|---|
| Financial assets | 1,191 |
| Financial liabilities | (852) |
| Total identifiable assets | 339 |
| Goodwill | 1,332 |
| Total consideration | 1,671 |
| **Satisfied by:** | |
| Cash | 1,671 |
| Total consideration transferred | 1,671 |
| **Net cash outflow arising on acquisition** | |
| Cash consideration | 1,671 |
| Less: cash and cash equivalent balances acquired | (891) |
| | 780 |

The provisional fair value of the financial assets includes receivables with a fair value of £179,618 and a gross contractual value of £179,618. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

Goodwill is provisionally valued at £1,332,403 which arises from the excess of purchase price of £1,671,320 over net assets of £338,917. None of the goodwill is expected to be deductible for income tax purposes.

Full fair value exercise of identifiable assets acquired and liabilities assumed will be performed within the measurement period.

Ergomed Virtuoso Sarl contributed £457,677 revenue and £49,287 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Ergomed Virtuoso Sarl had been completed on the first day of the financial year, Group revenues for the period would have been £2,302,215 higher and Group profit would have been £6,722 higher.

## 24. PENSION COSTS

The Company makes contributions to defined contribution personal pension schemes of the employees. The pension cost represents contributions payable by the Company to the schemes and amounted to £61,982 (2012 – £51,325) (2011 – £52,262). Contributions payable to the schemes at 31 December 2013 were £3,321 (2012 – £3,721) (2011 – £3,712).

## 25. FINANCIAL COMMITMENTS

At 31 December 2013 the Group was committed to making the following payments under non-cancellable operating leases which fall due as follows:

| | Land and buildings | | | Other | | |
|---|---|---|---|---|---|---|
| | 2013 £000s | 2012 £000s | 2011 £000s | 2013 £000s | 2012 £000s | 2011 £000s |
| Within one year | 275 | 243 | 243 | 59 | 59 | 71 |
| Between two and five years | 629 | 540 | 195 | 67 | 78 | 79 |
| Over five years | — | 23 | — | — | — | — |
| | 904 | 806 | 438 | 126 | 137 | 150 |

## 26. RELATED PARTY TRANSACTIONS

The Company is under the same control as Ergomed d.o.o., a company registered in Croatia. The two companies are not part of the same group. During the year the Company was charged £698,702 (2012 – £369,631) (2011 – £284,457) by Ergomed d.o.o. in respect of clinical research costs, rent, other administration and telephone charges. At 31st December 2013 a balance of £132,567 was owed by the Company to Ergomed d.o.o. in respect of these costs (2012 – debtor £49,091) (2011 – debtor £88,771). An additional balance of £nil (2012 – £81,738) (2011 – £159,222) was owed to the Company by Ergomed d.o.o in respect of a loan which was repaid in full during the year 2013. The Company also invoiced Ergomed d.o.o for loan interest of £3,547 (2012 – £6,131) (2011 – £10,779). In addition receivables by the Company from Ergomed d.o.o were £nil (2012 – £nil) (2011 – £24,235).

The Company is also under the same control as PrimeVigilance Limited, a company registered in the UK. The two companies are not part of the same group. During the year the Company charged £192,673 (2012 – £157,688) (2011 – £62,196) to PrimeVigilance Limited in respect of administration and employee costs incurred by the Company on behalf of PrimeVigilance Limited. At 31 December 2013 a balance of £91,156 was owed to the Company by PrimeVigilance Limited (2012 – £122,429) (2011 – £149,874). At 31 December 2013, a balance of £9,184 was owed by the Company to PrimeVigilance Limited (2012 – £nil) (2011 – £nil).

Until 30 September 2013 the Company was under the same control as Ergomed Virtuoso Sarl, a company registered in Switzerland; but not part of the same group. At 30 September 2013 Ergomed Virtuoso Sarl was acquired, and is now wholly owned, by the Company. During the 9 months ended 30 September 2013 the Company invoiced Ergomed Virtuoso Sarl £266,688 for project management, business development and general management services (2012 – £467,781) (2011 – £335,405). The related party receivables in relation to Ergomed Virtuoso Sarl were £nil, (2012 – £29,713) (2011 – £221,279).

The remuneration of the Directors, who are the key management personnel of the Company is set out in note 8. Other creditors include a balance of £1,003,932, principally consisting of the amount due on the purchase of Ergomed Viruoso Sarl (2012 – £2,150 – unpaid expenses) (2011 – £85,271 – unpaid dividends) due to Miroslav Reljanovic, who is a Director and sole shareholder of the Company.

Gordana Reljanovic and Martin Reljanovic are close family members of Miroslav Reljanovic, who is a Director and sole shareholder of the Company. During the year to 31 December 2013, Gordana Reljanovic received employment benefits of £37,018 (2012 – £17,641) (2011 – £19,303). During the year to 31 December 2013, Martin Reljanovic received employment benefits of £12,623 (2012 – £10,357) (2011 – £10,857).

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

## 27. OWNERSHIP

As at 31 December 2013, the Company was the parent company and ultimate controlling party of the Group. As at 31 December 2013, M Reljanovic, a Director of the Company, held the entire share capital of the Company.

## 28. SUBSEQUENT EVENTS

On 6 June 2014, the Company re-registered as a public limited company (Ergomed Clinical Research plc) and then changed its name to Ergomed plc.

On 9 July, the Company secured an investment of £11.0m through a proposed Initial Public Offering.

## SECTION C – Financial Information Extracted from the Audited Group Accounts of PrimeVigilance Limited

*The information in this Section C of Part III has been provided by PVL and has been accurately reproduced. So far as the Company is aware, and able to ascertain from information published by PVL, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

### PRIMEVIGILANCE LIMITED

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

| | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **Revenue** | 2 | 4,085,511 | 2,679,738 |
| Cost of sales | | (2,328,622) | (1,588,947) |
| **Gross profit** | | 1,756,889 | 1,090,791 |
| Administration expenses | | (1,216,663) | (754,492) |
| Depreciation expense | | (22,929) | (29,756) |
| Share options | | (2,362) | — |
| **Operating profit** | | 514,935 | 306,543 |
| Finance income | | 25 | — |
| Finance expense | **4** | (890) | (3,205) |
| **Profit before taxation** | | 514,070 | 303,338 |
| Taxation | **6** | (119,779) | (88,813) |
| **Profit for the year** | | 394,291 | 214,525 |

The profit for the year arises from the group's continuing operations.

Notes below form an integral part of these financial statements.

**PRIMEVIGILANCE LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Share capital £ | Other reserves[1] £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|
| **At 1 January 2013** | 100 | 491 | 222,024 | 222,615 |
| Share options | — | 2,362 | — | 2,362 |
| Profit for the year | — | — | 394,291 | 394,291 |
| Translation differences arising on conversion from functional currency | — | 4,081 | — | 4,081 |
| **Total comprehensive income for the year** | 100 | 6,934 | 616,315 | 623,349 |
| **At 31 December 2013** | 100 | 6,934 | 616,315 | 623,349 |

1 'Other reserves' combines the translation reserve and the share based payment reserve. Explanatory details for 'other reserves' are disclosed in note 21.

**PRIMEVIGILANCE LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Share capital £ | Other reserves[1] £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|
| **At 1 January 2013** | 100 | — | 192,064 | 192,164 |
| Share options | — | 2,362 | — | 2,362 |
| Profit for the year | — | — | 387,921 | 387,921 |
| **Total comprehensive income for the year** | 100 | 2,362 | 579,985 | 582,447 |
| **At 31 December 2013** | 100 | 2,362 | 579,985 | 582,447 |

[1] 'Other reserves' is share based payment reserve

**PRIMEVIGILANCE LIMITED**

**CONSOLIDATED BALANCE SHEET**
**AS AT 31 DECEMBER 2013**

| | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | **9a** | 57,774 | 23,919 |
| Intangible Assets | **10** | 99,786 | — |
| | | 157,560 | 23,919 |
| **Current Assets** | | | |
| Trade and other receivables | **12** | 1,095,072 | 643,859 |
| Cash and cash equivalents | **15** | 261,044 | 272,892 |
| | | 1,356,116 | 916,751 |
| **Total Assets** | | 1,513,676 | 940,670 |
| **Current Liabilities** | | | |
| Trade and other payables | **13** | (812,784) | (624,956) |
| Current tax payable | | (51,931) | (90,300) |
| | | (864,715) | (715,256) |
| **Non-Current Liabilities** | | | |
| Provisions | **14** | (25,612) | (2,799) |
| **Total Liabilities** | | (890,327) | (718,055) |
| **Net Assets** | | 623,349 | 222,615 |
| **Shareholders Equity** | | | |
| Share capital | **16** | 100 | 100 |
| Other reserves | **21** | 6,934 | 491 |
| Retained earnings | **21** | 616,315 | 222,024 |
| **Total Equity** | | 623,349 | 222,615 |

The notes on pages 79 to 89 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on

N Clark
**Director**

**Company Registration No. 06740849**

**PRIMEVIGILANCE LIMITED**

**COMPANY BALANCE SHEET**
**AS AT 31 DECEMBER 2013**

| | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | **9b** | 25,129 | 11,660 |
| Intangible Assets | **10** | 99,786 | — |
| Investments | **11** | 14,235 | 14,235 |
| | | 139,150 | 25,895 |
| **Current Assets** | | | |
| Trade and other receivables | **12** | 1,051,039 | 630,476 |
| Cash and cash equivalents | **15** | 239,668 | 262,683 |
| | | 1,290,707 | 893,159 |
| **Total Assets** | | 1,429,857 | 919,054 |
| **Current Liabilities** | | | |
| Trade and other payables | **13** | (769,955) | (634,065) |
| Current tax payable | | (51,843) | (90,025) |
| | | (821,798) | (724,090) |
| **Non-Current Liabilities** | | | |
| Provisions | **14** | (25,612) | (2,799) |
| **Total Liabilities** | | (847,410) | (726,889) |
| **Net Assets** | | 582,447 | 192,165 |
| **Shareholders Equity** | | | |
| Share capital | **16** | 100 | 100 |
| Other reserves | | 2,362 | — |
| Retained earnings | **17** | 579,985 | 192,065 |
| **Total Equity** | | 582,447 | 192,165 |

The notes on pages 79 to 89 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on

N Clark
**Director**

**Company Registration No. 06740849**

**PRIMEVIGILANCE LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 514,070 | 303,338 |
| **Adjustment for:** | | |
| Depreciation | 22,929 | 29,756 |
| Exchange adjustments | 3,911 | 34 |
| Finance income | (25) | — |
| Finance expenses | 890 | 3,205 |
| Other reserve movement | 2,362 | — |
| **Operating cash flow before changes in working capital and provisions** | 544,137 | 336,333 |
| (Increase)/ decrease in trade and other receivables | (434,305) | 10,731 |
| Increase/ (decrease) in trade and other payables | 370,920 | (119,565) |
| **Cash generated from operations** | 480,752 | 227,499 |
| Taxation paid | (135,335) | (72,777) |
| **Net cash inflow from operating activities** | 345,417 | 154,722 |
| **Cash flows from investing activities** | | |
| Finance income received | 25 | — |
| Acquisition of property, plant and equipment | (56,614) | (12,000) |
| Acquisition of Intangible Assets | (99,786) | — |
| **Net cash outflow from investing activities** | (156,375) | (12,000) |
| **Cash flows from financing activities** | | |
| Finance expense paid | (890) | (3,205) |
| Payment of equity dividends | (200,000) | — |
| **Net cash outflow from financing activities** | (200,890) | (3,205) |
| **Net (decrease)/ increase in cash and cash equivalents** | (11,848) | 139,517 |
| Cash and cash equivalents at start of the year | 272,892 | 133,375 |
| **Cash and cash equivalents at end of the year** | 261,044 | 272,892 |

**PRIMEVIGILANCE LIMITED**

**COMPANY CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | 2013 £ | 2012 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 506,912 | 283,965 |
| **Adjustment for:** | | |
| Depreciation | 10,643 | 18,899 |
| Finance expenses | 880 | 3,205 |
| Other reserve movement | 2,362 | — |
| **Operating cash flow before changes in working capital and provisions** | 520,797 | 306,069 |
| (Increase)/ decrease in trade and other receivables | (403,653) | 19,457 |
| Increase/ (decrease) in trade and other payables | 318,982 | (74,449) |
| **Cash generated from operations** | 436,126 | 251,077 |
| Taxation paid | (134,364) | (73,797) |
| **Net cash inflow from operating activities** | 301,762 | 177,280 |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | (24,111) | (5,110) |
| Acquisition of Intangible Assets | (99,786) | — |
| **Net cash outflow from investing activities** | (123,897) | (5,110) |
| **Cash flows from financing activities** | | |
| Finance expense paid | (880) | (3,205) |
| Payment of equity dividends | (200,000) | — |
| **Net cash outflow from financing activities** | (200,880) | (3,205) |
| **Net (decrease)/ increase in cash and cash equivalents** | (23,015) | 168,965 |
| Cash and cash equivalents at start of the year | 262,683 | 93,718 |
| **Cash and cash equivalents at end of the year** | 239,668 | 262,683 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 1 Accounting policies

PrimeVigilance Limited and its wholly-owned subsidiaries provide a full range of healthcare safety services. This includes providing full pharmacovigilance and medical information services as well as related consultancy services to international clients. The group has a presence in the UK and Croatia. PrrimeVigilance Limited is a company incorporated and domiciled in the UK.

The group Financial Statements were authorised for issue by the board of directors on 11 June 2014.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

**Basis of presentation – Consolidated Financial Statements**

The consolidated financial statements produced by the company have been prepared in accordance with the 'International Financial Reporting Standards for Small and Medium-sized Entities' as adopted by the European Union. They have also been prepared under the historical cost convention.

**Basis of presentation – Parent Company Financial Statements**

The company financial statements have been produced in accordance with International Financial Reporting Standards and under the historical cost convention.

**Basis of consolidation**

Where the company has the power, either directly or indirectly to govern the financial and operating polices of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The Consolidated Financial Statements present the results of the company and its subsidiaries (''the group'') as if they formed a single entity.

**Revenue recognition**

Fee income represents revenue earned under contracts providing a range of core services being the provision of pharmacovigilance and medical information services. Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance under those contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue is recognised based on the stage of contract completion. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue due but not yet billed to clients is included in debtors and advance payments in excess of the relevant amount of revenue are included in creditors.

**Foreign currency translation**

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling which is the group's presentation currency. The company's functional currency is also sterling.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains and losses are presented in profit or loss within administration expenses.

(c) Group companies

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

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised directly in equity.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value using the straight-line method, over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Furniture, fittings and equipment | 10 per cent – 50 per cent straight line |

**Intangible assets**

Intangible assets, being acquired 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.

This asset is currently still under construction and so no amortisation has been recognised in the current year.

Computer software 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.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the change arises.

**Employee benefits**

*Defined contribution plan*

The group makes contributions to defined contribution pension schemes for employees. The annual contributions payable are charged to the Income Statement.

*Share-based payment transactions*

The cost of share options awarded to employees measured by reference to their fair value at the date of grant is recognised over the vesting period of the options based on the number of options which in the opinion of the directors will ultimately vest. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The cost of the share options is recognised as an expense with a corresponding increase in equity.

**Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 on the taxable

income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

## 2 Revenue – group

| Geographical market | 2013<br>£ | 2012<br>£ |
|---|---|---|
| UK | 877,697 | 657,775 |
| Europe | 705,085 | 439,799 |
| North America | 2,447,598 | 1,467,606 |
| Australia | 55,131 | 114,558 |
| | 4,085,511 | 2,679,738 |

## 3 Profit from operations – group

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Profit from operations includes the following significant expenses: | | |
| Depreciation and amounts written off property, plant and equipment | 36,486 | 29,576 |
| Exchange loss | 22,625 | 15,861 |
| Auditors' remuneration for other services (company only) | 50,440 | 26,100 |

## 4 Finance expense

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| On overdue tax | 880 | — |
| Other interest | 10 | 3,205 |
| | 890 | 3,205 |

## 5 Employees

### Number of employees

The average monthly number of persons employed by the group (including directors) during the year was:

| | 2013<br>Number | 2012<br>Number |
|---|---|---|
| Administration | 4 | 3 |
| Operations | 60 | 35 |
| Directors | 4 | 4 |
| | 68 | 42 |

| Employment costs | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Wages and salaries – operations | 1,430,790 | 990,334 |
| Wages and salaries – administration | 208,876 | 138,238 |
| Other pension costs | 36,050 | 31,606 |
| | 1,675,716 | 1,160,178 |

| Directors' remuneration | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Remuneration for qualifying services | 80,000 | 6,667 |
| Other pension costs | 8,000 | 667 |
| | 88,000 | 7,334 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2012: 1).

Held in other creditors is a balance of £nil (2012 : £139,500) due to M Reljanovic, £nil (2012 : £46,500) due to E Brown and £nil (2012 : £14,000) due to S Douglas.

## 6 Taxation

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| **Domestic current year tax** | | |
| UK corporation tax on company profits for the year | 96,179 | 90,025 |
| Adjustment to company tax for prior years | | — |
| **Current UK company tax charge** | 96,179 | 90,025 |
| Subsidiary company tax charges: | | |
| Non UK corporation tax | 788 | 988 |
| **Current tax charge** | 96,967 | 91,013 |
| **Deferred tax** | | |
| Deferred tax charge/(credit) | 22,812 | (2,200) |
| Tax on profit | 119,779 | 88,813 |
| **Factors affecting the group tax charge for the year** | | |
| Profit on ordinary activities before taxation | 514,070 | 303,338 |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.00% (2012 – 24.00%) | 118,236 | 72,801 |
| Effects of: | | |
| Non-deductible expenses | 5,727 | 10,383 |
| Depreciation add back | 2,448 | 4,536 |
| Additional Allowable expenses | (2,345) | (1,282) |
| Capital allowances | (28,496) | (1,260) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (166) | (201) |
| Difference due to change in rate of taxation | 1,563 | (1,705) |
| Other tax adjustment | — | 10,583 |
| Net effect of losses | — | (2,842) |
| | (21,269) | 18,212 |
| **Current tax charge** | 96,967 | 91,013 |

## 7 Profit of the parent company

As permitted by Section 408 of the Companies Act 2006 the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial period was £387,921 (2012: £196,140).

## 8 Dividends

| | 2013 £ | 2012 £ |
|---|---|---|
| Ordinary interim payable | — | 200,000 |

The dividend paid per share in 2012 was £20.

## 9a Property, plant and equipment – group

| | Fixtures & fittings* £ |
|---|---|
| **Cost** | |
| At 1 January 2013 | 103,260 |
| Additions | 56,614 |
| Disposals | (25,134) |
| Exchange differences | 170 |
| At 31 December 2013 | 134,910 |
| **Depreciation** | |
| At 1 January 2013 | 79,341 |
| Charge for the year | 22,929 |
| Disposals | (25,134) |
| At 31 December 2013 | 77,136 |
| **Net book value** | |
| At 31 December 2013 | 57,774 |
| At 31 December 2012 | 23,919 |

* Fixtures and fittings includes computer equipment.

## 9b Property, plant and equipment – company

| | Fixtures & fittings* £ |
|---|---|
| **Cost** | |
| At 1 January 2013 | 69,341 |
| Additions | 24,111 |
| Disposals | (25,134) |
| At 31 December 2013 | 68,318 |
| **Depreciation** | |
| At 1 January 2013 | 57,681 |
| Charge for the year | 10,643 |
| On disposals | (25,134) |
| At 31 December 2013 | 43,189 |
| **Net book value** | |
| At 31 December 2013 | 25,129 |
| At 31 December 2012 | 11,660 |

* Fixtures and fittings includes computer equipment.

## 10 Intangible Assets

| | Computer Software £ |
|---|---|
| **Cost** | |
| At 1 January 2013 | — |
| Additions | 99,786 |
| Disposals | — |
| At 31 December 2013 | 99,786 |
| **Amortisation** | |
| At 1 January 2013 | — |
| Charge for the year | — |
| On disposals | — |
| At 31 December 2013 | — |
| **Net book value** | |
| At 31 December 2013 | 99,786 |
| At 31 December 2012 | — |

At the 31 December 2013 the company had intangible assets under construction of £99,786 (2012: £nil).

## 11 Fixed asset investments

| | Shares in subsidiary undertakings £ |
|---|---|
| **Cost** | |
| At 1 January 2013 and at 31 December 2013 | 14,235 |
| **Net book value** | |
| At 31 December 2013 | 14,235 |
| At 31 December 2012 | 14,235 |

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

| Company | Country of registration or incorporation | Class | Shares held % |
|---|---|---|---|
| **Subsidiary undertakings** | | | |
| PrimeVigilance Zagreb d.o.o. | Croatia | Ordinary | 100.00 |
| PrimeVigilance Spolka z.o.o. | Poland | Ordinary | 100.00 |

## 12 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £ | 2012 £ | 2013 £ | 2012 £ |
| Amounts falling due within one year: | | | | |
| Trade receivables | 523,659 | 369,605 | 523,659 | 369,605 |
| Other receivables | 59,845 | 17,882 | 21,764 | 7,293 |
| Prepayments and accrued income | 511,568 | 256,372 | 505,616 | 253,578 |
| | 1,095,072 | 643,859 | 1,051,039 | 630,476 |

The directors consider that the carrying amount of trade and other receivables approximate to their fair value.

## 13 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £ | 2012 £ | 2013 £ | 2012 £ |
| Amounts payable within one year: | | | | |
| Trade payables | 225,024 | 117,918 | 192,423 | 98,801 |
| Amounts payable to related parties | 132,399 | 326,963 | 195,350 | 399,349 |
| Social Security and other taxes | 68,236 | 39,557 | 40,193 | 23,150 |
| Other payables | 54,471 | 33,497 | 9,335 | 5,744 |
| Accrued expenses and deferred income | 332,654 | 107,021 | 332,654 | 107,021 |
| | 812,784 | 624,956 | 769,955 | 634,065 |

## 14 Provisions for liabilities

| | Deferred tax liability £ |
|---|---|
| Balance at 31 January 2013 | 2,799 |
| Profit and loss account | 22,813 |
| Balance at 31 December 2013 | 25,612 |

**The deferred tax liability is made up as follows:**

| | 2013 £ | 2012 £ |
|---|---|---|
| Accelerated capital allowances | 25,612 | 2,799 |

## 15 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £ | 2012 £ | 2013 £ | 2012 £ |
| Cash at bank | 261,044 | 272,892 | 239,668 | 262,683 |

Cash and cash equivalent balances are denominated in Sterling, Euros, US Dollars, Croatian Kuna and Polish Zloty.

## 16 Called up share capital

Authorised:

| Number | Class | Nominal Value | 2013 £ | 2012 £ |
|---|---|---|---|---|
| 10,000,000 | Ordinary | £0.01 | 100,000 | 100,000 |

Allotted, issued and fully paid:

| Number | Class | Nominal Value | 2013 £ | 2012 £ |
|---|---|---|---|---|
| 10,000 | Ordinary | £0.01 | 100 | 100 |

Each share is entitled to one vote in any circumstances. Each share is entitled *pari passu* to dividend payments or any other distribution. Each share is entitled *pari passu* to participate in a distribution arising from a winding up of the company.

**Equity-settled share option plan**

At 31 December 2013, the following unexercised share options to acquire ordinary shares were outstanding in respect of 1 employee:

| Year of grant | Exercise period | Exercise price per £0.01 share | 2013 number | 2012 number |
|---|---|---|---|---|
| 2013 | 29/10/2013 – 28/10/2023 | £0.01 | 200 | 400 |

During the year ended 31 December 2013, the company operated an equity-settled share option scheme: the Unapproved Executive Share Option Scheme 2009. A total of 200 share options have been granted on ordinary share capital of £0.01 each, all vesting immediately on grant. Of these, none (2012 – none) are exercisable at 31 December 2013.

Share options under this scheme may only be exercised immediately prior to an Exit Event. Under the terms of the Unapproved Executive Share Option Scheme 2009 an Exit Event is the first to occur of (i) a Sale, (ii) a Listing, (iii) the passing of a resolution for the voluntary winding up of the company, and (iv) the making of an order for the compulsory winding up of the company.

The option shares rank *pari passu* with shares currently in issue. If options remain unexercised after a period of 10 years from the date of grant, the options expire. Any option which is not exercised prior to an exit shall lapse and where the option holder ceases to be an employee of the company, the right to exercise the option (subject to the correct condition existing to enable them to do so) is retained by the option holder for 6 months from the leaving date.

The estimated value of each share option in the Unapproved Executive Share Option Scheme 2009 is £11.81.

The estimated fair value was calculated by applying a Black- Scholes option pricing model.

The principle inputs into the pricing model for options granted during the year ended 31 December 2013 were as follows:

| | |
|---|---|
| Weighted average price per share at grant date | £23.63 |
| Weighted average exercise price per share at grant date | £0.01 |
| Expected volatility | 21% |
| Expected life of options | 10 years |
| Risk free rate | 5.08% |
| Expected dividends | None |

Expected volatility was determined by calculating the historic volatility of the company's share price on an annual basis from 31 December 2012 to 31 December 2013.

**Further details of the share option plans are as follows:**

| | Number of options 2013 | Weighted average exercise price 2013 £ | Number of options 2012 | Weighted average exercise price 2012 £ |
|---|---|---|---|---|
| At 1 January | 400 | 0.01 | 400 | 0.01 |
| Granted | 200 | 0.01 | — | 0.01 |
| Forfeited | (400) | 0.01 | — | 0.01 |
| Outstanding at 31 December | 200 | 0.01 | 400 | 0.01 |

The options outstanding at 31 December 2013 all had an exercise price of £0.01 per share. The weighted average remaining life was 10 years (2012 – 7 years).

The group has recognised a charge of £2,362 (2012: £nil) relating to equity-settled share-based payment transactions. No share options were exercised in the year.

## 17 Statement of movements on reserves – company

| | Other reserves £ | Profit and loss account £ |
|---|---|---|
| Balance at 1 January 2013 | — | 192,064 |
| Profit for the year | — | 387,921 |
| Share options | 2,362 | — |
| Balance at 31 December 2013 | 2,362 | 579,985 |

## 18 Leases

At 31 December 2013 the group was committed to making the following payments under non-cancellable operating leases which fall due as follows:

| | Land and buildings | |
|---|---|---|
| | 2013 £ | 2012 £ |
| Not later than one year | 186,922 | 141,926 |
| Between one and five years | 371,491 | 515,739 |
| After more than five years | — | — |
| | 224,413 | 657,665 |

At 31 December 2013 the parent company was committed to making payments under non-cancellable operating leases which fall due as follows:

| | Land and buildings | |
|---|---|---|
| | 2013 £ | 2012 £ |
| Not later than one year | 73,642 | 44,726 |
| Between one and five years | 36,121 | 67,089 |
| After more than five years | — | — |
| | 109,763 | 111,815 |

## 19 Control

The ultimate controlling party is M Reljanovic, a director of the company, by virtue of his owning 64.75% of the issued share capital.

## 20 Related party transactions

During the year the company was charged consultancy fees of £51,354 (2012 – £97,716) by SGD Consulting Limited, a company controlled by SG Douglas, Director and shareholder of this company. At the year end, this company owed SGD Consulting Limited £24,331 (2012 – £7,934).

During the year the company was charged consultancy fees of £8,147 (2012 – £6,611) by Elliot Brown (Consulting) Limited, a company controlled by Dr E Brown, Director and shareholder of this company. At the year end, this company owed Elliot Brown (Consulting) Limited £1,620 (2012 – £677).

During the year the company also entered into transactions with several companies under the common control of Dr M Relijanovic, director and majority shareholder. It was charged administrative and employee costs of £237,455 (2012 – £157,426) by Ergomed Clinical Research Limited (now called Ergomed plc); at the year end it owed that company £89,853 (2012 – £109,149). It was charged consultancy fees of £9,782 (2012 – £29,017) by Ergomed d.o.o.; at the year end it owed that company £963 (2012 – £9,880).

It was charged consultancy fees of £nil (2012 – £11,613) by Ergomed GmbH; at the year end it owed that company £nil (2012 – £nil). It was charged consultancy fees of £10,916 (2012 – £nil) by Ergomed Sp Zoo; at the year end it owed that company £10,916 (2012 – £nil). This company was also charged £3,403 (2012: £nil) by Ergomed Istrazivanja d.o.o for the hire of IT equipment, at the year end it owed that company £3,403 (2012: £nil).

At the year-end PrimeVigilance Zagreb owed a balance of £1,316 to an associated company (2012: £nil)

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

## 21 Reserves

### Share capital

The share capital account includes the nominal value for all shares issued.

### Retained earnings

The retained earnings reserve includes the accumulated profits and losses arising from the Consolidated Statement of Comprehensive Income and certain items from the Consolidated Statement of Changes in Equity attributable to equity shareholders net of distributions to shareholders.

### Other reserves

The 'other reserves' is comprised of the translation reserve and the share based payment reserve.

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

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

The movements on this reserve are detailed below:

| | Translation reserve | | Share based payment reserve | |
|---|---|---|---|---|
| | Group £ | Company £ | Group £ | Company £ |
| Balance at 1 January 2013 | 491 | — | — | — |
| Movement during 2013 | 4,081 | — | 2,362 | 2,362 |
| Balance at 31 December 2013 | 4,572 | — | 2,362 | 2,362 |

**PRIMEVIGILANCE LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Notes | 2012 £ | 2011 £ |
|---|---|---|---|
| **Revenue** | **2** | 2,679,738 | 2,255,498 |
| Cost of sales | | (1,588,947) | (1,153,125) |
| **Gross profit** | | 1,090,791 | 1,102,373 |
| Administration expenses | | (754,492) | (768,044) |
| Depreciation expense | | (29,756) | (26,590) |
| **Operating profit** | | 306,543 | 307,739 |
| Finance income | | — | 27 |
| Finance expense | **4** | (3,205) | — |
| **Profit before taxation** | | 303,338 | 307,766 |
| Taxation | **6** | (88,813) | (79,766) |
| **Profit for the year** | | 214,525 | 228,000 |

The profit for the year arises from the group's continuing operations.

Notes on pages 98 to 107 form an integral part of these financial statements.

**PRIMEVIGILANCE LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Share capital £ | Other reserves[1] £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|
| **At 1 January 2012** | 100 | 348 | 207,499 | 207,947 |
| Profit for the year | — | — | 214,525 | 214,525 |
| Translation differences arising on conversion from functional currency | — | 143 | — | 143 |
| **Total comprehensive income for the year** | 100 | 491 | 422,024 | 422,615 |
| Dividends | — | — | (200,000) | (200,000) |
| **At 31 December 2012** | 100 | 491 | 222,024 | 222,615 |

1 'Other reserves' is the translation reserve

**PRIMEVIGILANCE LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Share capital £ | Retained earnings £ | Total equity £ |
|---|---|---|---|
| **At 1 January 2012** | 100 | 195,925 | 196,025 |
| Profit for the year | — | 196,140 | 196,140 |
| **Total comprehensive income for the year** | 100 | 392,065 | 392,165 |
| Dividends | — | (200,000) | (200,000) |
| **At 31 December 2012** | 100 | 192,065 | 192,165 |

**PRIMEVIGILANCE LIMITED**

**CONSOLIDATED BALANCE SHEET**
**AS AT 31 DECEMBER 2012**

| | Notes | 2012 £ | 2011 £ |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | **9** | 23,919 | 41,566 |
| | | 23,919 | 41,566 |
| **Current Assets** | | | |
| Trade and other receivables | **12** | 643,859 | 671,498 |
| Cash and cash equivalents | **15** | 272,892 | 133,375 |
| | | 916,751 | 804,873 |
| **Total Assets** | | 940,670 | 846,439 |
| **Current Liabilities** | | | |
| Trade and other payables | **13** | (624,956) | (559,229) |
| Current tax payable | | (90,300) | (74,264) |
| | | (715,256) | (633,493) |
| **Non-Current Liabilities** | | | |
| Provisions | **14** | (2,799) | (4,999) |
| **Total Liabilities** | | (718,055) | (638,492) |
| **Net Assets** | | 222,615 | 207,947 |
| **Shareholders Equity** | | | |
| Share capital | **16** | 100 | 100 |
| Other reserves | **21** | 491 | 348 |
| Retained earnings | **21** | 222,024 | 207,499 |
| **Total Equity** | | 222,615 | 207,947 |

The notes on pages 97 to 106 form an integral part of these financial statements.

**PRIMEVIGILANCE LIMITED**

**COMPANY BALANCE SHEET**
**AS AT 31 DECEMBER 2012**

| | Notes | 2012 £ | 2011 £ |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | **10** | 11,660 | 25,449 |
| Investments | **11** | 14,235 | 14,235 |
| | | 25,895 | 39,684 |
| **Current Assets** | | | |
| Trade and other receivables | **12** | 630,476 | 666,841 |
| Cash and cash equivalents | **15** | 262,683 | 93,718 |
| | | 893,159 | 760,559 |
| **Total Assets** | | 919,054 | 800,243 |
| **Current Liabilities** | | | |
| Trade and other payables | **13** | (634,065) | (525,422) |
| Current tax payable | | (90,025) | (73,797) |
| | | (724,090) | (599,219) |
| **Non-Current Liabilities** | | | |
| Deferred Tax | **14** | (2,799) | (4,999) |
| **Total Liabilities** | | (726,889) | (604,218) |
| **Net Assets** | | 192,165 | 196,025 |
| **Shareholders Equity** | | | |
| Share capital | **16** | 100 | 100 |
| Retained earnings | **17** | 192,065 | 195,925 |
| **Total Equity** | | 192,165 | 196,025 |

The notes on pages 97 to 106 form an integral part of these financial statements.

**PRIMEVIGILANCE LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 303,338 | 307,766 |
| **Adjustment for:** | | |
| Depreciation | 29,756 | 26,590 |
| Exchange adjustments | 34 | 2,677 |
| Finance income | — | (27) |
| Finance expenses | 3,205 | — |
| **Operating cash flow before changes in working capital and provisions** | 336,333 | 337,006 |
| Decrease/(increase) in trade and other receivables | 10,731 | (439,378) |
| (Decrease)/increase in trade and other payables | (119,565) | 239,123 |
| **Cash generated from operations** | 227,499 | 136,751 |
| Taxation paid | (72,777) | (6,317) |
| **Net cash inflow from operating activities** | 154,722 | 130,434 |
| **Cash flows from investing activities** | | |
| Finance income received | — | 27 |
| Acquisition of property, plant and equipment | (12,000) | (25,567) |
| **Net cash outflow from investing activities** | (12,000) | (25,540) |
| **Cash flows from financing activities** | | |
| Finance expense paid | (3,205) | — |
| **Net cash outflow from financing activities** | (3,205) | — |
| **Net increase in cash and cash equivalents** | 139,517 | 104,894 |
| Cash and cash equivalents at start of the year | 133,375 | 28,481 |
| **Cash and cash equivalents at end of the year** | 272,892 | 133,375 |

**PRIMEVIGILANCE LIMITED**

**COMPANY CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 283,965 | 267,765 |
| **Adjustment for:** | | |
| Depreciation | 18,899 | 19,008 |
| Finance expenses | 3,205 | — |
| Other reserve movement | — | — |
| **Operating cash flow before changes in working capital and provisions** | 306,069 | 286,773 |
| Decrease/(increase) in trade and other receivables | 19,457 | (439,416) |
| (Decrease)increase in trade and other payables | (74,449) | 240,257 |
| **Cash generated from operations** | 251,077 | 87,614 |
| Taxation paid | (73,797) | — |
| **Net cash inflow from operating activities** | 177,280 | 87,614 |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | (5,110) | (11,979) |
| **Net cash outflow from investing activities** | (5,110) | (11,979) |
| **Cash flows from financing activities** | | |
| Finance expense paid | (3,205) | — |
| **Net cash outflow from financing activities** | (3,205) | — |
| **Net increase in cash and cash equivalents** | 168,965 | 75,635 |
| Cash and cash equivalents at start of the year | 93,718 | 18,083 |
| **Cash and cash equivalents at end of the year** | 262,683 | 93,718 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 1 Accounting policies

PrimeVigilance Limited and its wholly-owned subsidiaries provide a full range of healthcare safety services. This includes providing full pharmacovigilance and medical information services as well as related consultancy services to international clients. The group has a presence in the UK, Poland and Croatia. PrimeVigilance Limited is a company incorporated and domiciled in the UK.

The group Financial Statements were authorised for issue by the board of directors on 11 June 2014.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

**Basis of presentation – Consolidated Financial Statements**

The consolidated financial statements produced by the company have been prepared in accordance with the 'International Financial Reporting Standards for Small and Medium-sized Entities' as adopted by the European Union. They have also been prepared under the historical cost convention.

**Basis of presentation – Parent Company Financial Statements**

The company financial statements have been produced in accordance with International Financial Reporting Standards and under the historical cost convention.

**Basis of consolidation**

Where the company has the power, either directly or indirectly to govern the financial and operating polices of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The Consolidated Financial Statements present the results of the company and its subsidiaries (''the group'') as if they formed a single entity.

**Revenue recognition**

Fee income represents revenue earned under contracts providing a range of core services being the provision of pharmacovigilance and medical information services. Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance under those contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue is recognised based on the stage of contract completion. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue due but not yet billed to clients is included in debtors and advance payments in excess of the relevant amount of revenue are included in creditors.

**Foreign currency translation**

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling which is the group's presentation currency. The company's functional currency is also sterling.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses are presented in profit or loss within administration expenses.

(c) Group companies

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

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised directly in equity.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value using the straight-line method, over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Furniture, fittings and equipment | 10 per cent – 50 per cent straight line |

**Employee benefits**

*Defined contribution plan*

The group makes contributions to defined contribution pension schemes for employees. The annual contributions payable are charged to the Income Statement.

*Share-based payment transactions*

The cost of share options awarded to employees measured by reference to their fair value at the date of grant is recognised over the vesting period of the options based on the number of options which in the opinion of the directors will ultimately vest. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The cost of the share options is recognised as an expense with a corresponding increase in equity.

**Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

## 2 Revenue – group

| Geographical market | 2012 £ | 2011 £ |
|---|---|---|
| UK | 657,775 | 634,772 |
| Europe | 439,799 | 343,792 |
| North America | 1,467,606 | 1,106,315 |
| Australia | 114,558 | 170,619 |
| | 2,679,738 | 2,255,498 |

## 3 Profit from operations – group

| | 2012 £ | 2011 £ |
|---|---|---|
| Profit from operations includes the following significant expenses: | | |
| Depreciation and amounts written off property, plant and equipment | 29,756 | 28,590 |
| Exchange loss | 15,861 | 49,931 |
| Auditors' remuneration for other services (company only) | 26,100 | 24,850 |

## 4 Finance expense

| | 2012 £ | 2011 £ |
|---|---|---|
| Other interest | 3,205 | — |

## 5 Employees

**Number of employees**

The average monthly number of persons employed by the group (including directors) during the year was:

| | 2012 Number | 2011 Number |
|---|---|---|
| Administration | 3 | 1 |
| Operations | 35 | 19 |
| Directors | 4 | 4 |
| | 42 | 24 |

| **Employment costs** | 2012 £ | 2011 £ |
|---|---|---|
| Wages and salaries – operations | 990,334 | 601,560 |
| Wages and salaries – administration | 138,238 | 156,016 |
| Other pension costs | 31,606 | 19,157 |
| | 1,160,178 | 776,733 |

| **Directors' remuneration** | 2012 £ | 2011 £ |
|---|---|---|
| Remuneration for qualifying services | 6,667 | — |
| Other pension costs | 667 | — |
| | 7,334 | — |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2011: nil).

Held in other creditors is a balance of £139,500 (2011 : £nil) due to M Reljanovic, £46,500 (2011 : £nil) due to E Brown and £14,000 (2011 : £nil) due to S Douglas.

## 6 Taxation

| | 2012 £ | 2011 £ |
|---|---|---|
| **Domestic current year tax** | | |
| UK corporation tax on company profits for the year | 90,025 | 73,797 |
| **Current UK company tax charge** | 90,025 | 73,797 |
| Subsidiary company tax charges: | | |
| Non UK corporation tax | 988 | 5,365 |
| **Current tax charge** | 91,013 | 79,162 |
| **Deferred tax** | | |
| Deferred tax (credit)/charge | (2,200) | 604 |
| Tax on profit | 88,813 | 79,766 |
| **Factors affecting the group tax charge for the year** | | |
| Profit on ordinary activities before taxation | 303,338 | 307,766 |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.00% (2011 – 26.00%) | 72,801 | 80,019 |
| Effects of: | | |
| Non-deductible expenses | 10,383 | 4,324 |
| Depreciation add back | 4,536 | 4,942 |
| Additional Allowable expenses | (1,282) | (551) |
| Capital allowances | (1,260) | (3,360) |
| Effect of different tax rates of subsidiaries operating in other Jurisdictions | (201) | (1,918) |
| Tax losses utilised | (2,842) | (5,668) |
| Difference due to change in rate of taxation | (1,705) | 1,374 |
| Other tax adjustment | 10,583 | — |
| | 18,212 | (857) |
| **Current tax charge** | 91,013 | 79,162 |

## 7 Profit of the parent company

As permitted by Section 408 of the Companies Act 2006 the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial period was £196,140 (2011: £193,364).

## 8 Dividends

| | 2012 £ | 2011 £ |
|---|---|---|
| Ordinary interim payable | 200,000 | — |

The dividend paid per share in 2012 was £20.

## 9 Property, plant and equipment – group

| | Fixtures & fittings* £ |
|---|---|
| **Cost** | |
| At 1 January 2012 | 90,758 |
| Additions | 12,000 |
| Exchange differences | 502 |
| At 31 December 2012 | 103,260 |
| **Depreciation** | |
| At 1 January 2012 | 49,192 |
| Charge for the year | 29,756 |
| Exchange differences | 393 |
| At 31 December 2012 | 79,341 |
| **Net book value** | |
| At 31 December 2012 | 23,919 |
| At 31 December 2011 | 41,566 |

* Fixtures and fittings includes computer equipment.

## 10 Property, plant and equipment – company

| | Fixtures & fittings* £ |
|---|---|
| **Cost** | |
| At 1 January 2012 | 64,231 |
| Additions | 5,110 |
| At 31 December 2012 | 69,341 |
| **Depreciation** | |
| At 1 January 2012 | 38,782 |
| Charge for the year | 18,899 |
| At 31 December 2012 | 57,681 |
| **Net book value** | |
| At 31 December 2012 | 11,660 |
| At 31 December 2011 | 25,449 |

## 11 Fixed asset investments

| | Shares in subsidiary undertakings £ |
|---|---|
| **Cost** | |
| At 1 January 2012 and at 31 December 2012 | 14,235 |
| **Net book value** | |
| At 31 December 2012 | 14,235 |
| At 31 December 2011 | 14,235 |

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

| Company | Country of registration or incorporation | Class | Shares held % |
|---|---|---|---|
| **Subsidiary undertakings** | | | |
| PrimeVigilance Zagreb d.o.o. | Croatia | Ordinary | 100.00 |
| PrimeVigilance Spolka z.o.o. | Poland | Ordinary | 100.00 |

## 12 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 £ | 2011 £ | 2012 £ | 2011 £ |
| Amounts falling due within one year: | | | | |
| Trade receivables | 369,605 | 450,419 | 369,605 | 450,419 |
| Other receivables | 17,882 | 24,150 | 7,293 | 3,048 |
| Prepayments and accrued income | 256,372 | 196,929 | 253,578 | 213,374 |
| | 643,859 | 671,498 | 630,476 | 666,841 |

The directors consider that the carrying amount of trade and other receivables approximate to their fair value.

## 13 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 £ | 2011 £ | 2012 £ | 2011 £ |
| Amounts payable within one year: | | | | |
| Trade payables | 117,918 | 134,316 | 98,801 | 112,993 |
| Amounts payable to related parties | 326,963 | 301,386 | 399,349 | 313,904 |
| Social Security and other taxes | 39,557 | 29,235 | 23,150 | 19,087 |
| Other payables | 33,497 | 14,854 | 5,744 | — |
| Accrued expenses and deferred income | 107,021 | 79,438 | 107,021 | 79,438 |
| | 624,956 | 559,229 | 634,065 | 525,422 |

## 14 Provisions for liabilities

| | Deferred tax liability £ |
|---|---|
| Balance at 1 January 2012 | 4,999 |
| Profit and loss account | (2,200) |
| Balance at 31 December 2012 | 2,799 |

**The deferred tax liability is made up as follows:**

| | 2012 £ | 2011 £ |
|---|---|---|
| Accelerated capital allowances | 2,799 | 4,999 |

## 15 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 £ | 2011 £ | 2012 £ | 2011 £ |
| Cash at bank | 272,892 | 133,375 | 262,683 | 93,718 |

Cash and cash equivalent balances are denominated in Sterling, Euros, US Dollars, Croatian Kuna and Polish Zloty.

## 16 Called up share capital

Authorised:

| Number | Class | Nominal value | 2012 £ | 2011 £ |
|---|---|---|---|---|
| 10,000,000 | Ordinary | £0.01 | 100,000 | 100,000 |

Allotted, issued and fully paid:

| Number | Class | Nominal value | 2012 £ | 2011 £ |
|---|---|---|---|---|
| 10,000 | Ordinary | £0.01 | 100 | 100 |

Each share is entitled to one vote in any circumstances. Each share is entitled *pari passu* to dividend payments or any other distribution. Each share is entitled *pari passu* to participate in a distribution arising from a winding up of the company.

**Equity-settled share option plan**

At 31 December 2012, the following unexercised share options to acquire ordinary shares were outstanding in respect of 1 employee:

| Year of grant | Exercise period | Exercise price per £0.01 share | 2012 number | 2011 number |
|---|---|---|---|---|
| 2009 | 29/12/2009 – 28/12/2019 | £0.01 | 400 | 400 |

During the year ended 31 December 2012, the company operated an equity-settled share option scheme: the Unapproved Executive Share Option Scheme 2009. A total of 400 share options have been granted on ordinary share capital of £0.01 each, all vesting immediately on grant. Of these, none (2011 – none) are exercisable at 31 December 2012.

Share options under this scheme may only be exercised immediately prior to an Exit Event. Under the terms of the Unapproved Executive Share Option Scheme 2009 an Exit Event is the first to occur of (i) a Sale, (ii) a Listing, (iii) the passing of a resolution for the voluntary winding up of the company, and (iv) the making of an order for the compulsory winding up of the company.

The option shares rank *pari passu* with shares currently in issue. If options remain unexercised after a period of 10 years from the date of grant, the options expire. Any option which is not exercised prior to an exit shall lapse and where the option holder ceases to be an employee of the company, the right to exercise the option (subject to the correct condition existing to enable them to do so) is retained by the option holder for 6 months from the leaving date.

The estimated value of each share option in the Unapproved Executive Share Option Scheme 2009 is £0.257.

The estimated fair value was calculated by applying a Black-Scholes option pricing model.

Due to the total value of the share options granted under this scheme being highly insignificant in the context of these financial statements, no adjustments have been made to assign a value of these share options in the financial statements.

The principle inputs into the pricing model for options granted during the year ended 31 December 2009 were as follows:

| | |
|---|---|
| Weighted average price per share at grant date | £0.2661 |
| Weighted average exercise price per share at grant date | £0.01 |
| Expected volatility | 107% |
| Expected life of options | 10 years |
| Risk free rate | 5.08% |
| Expected dividends | None |

Expected volatility was determined by calculating the historic volatility of the company's share price on an annual basis from 31 December 2009 to 31 December 2010.

**Further details of the share option plans are as follows:**

| | Number of options 2012 | Weighted average exercise price 2012 £ | Number of options 2011 | Weighted average exercise price 2011 £ |
|---|---|---|---|---|
| At 1 January | 400 | 0.01 | 400 | 0.01 |
| Granted | — | 0.01 | — | 0.01 |
| Forfeited | — | 0.01 | — | 0.01 |
| Outstanding at 31 December | 400 | 0.01 | 400 | 0.01 |

The options outstanding at 31 December 2012 all had an exercise price of £0.01 per share. The weighted average remaining life was 7 years (2011 – 8 years).

The group has recognised a charge of £nil (2011: £nil) relating to equity-settled share-based payment transactions. No share options were exercised in the year.

## 17 Statement of movements on reserves – company

| | Profit and loss account £ |
|---|---|
| Balance at 1 January 2012 | 195,925 |
| Profit for the year | 196,140 |
| Dividends | (200,000) |
| Balance at 31 December 2012 | 192,065 |

## 18 Leases

At 31 December 2012 the group was committed to making the following payments under non-cancellable operating leases which fall due as follows:

| | Land and buildings | |
|---|---|---|
| | 2012 £ | 2011 £ |
| Not later than one year | 141,926 | 1,800 |
| Between two and five years | 515,739 | — |
| After more than five years | — | — |
| | 657,665 | 1,800 |

At 31 December 2012 the parent company was committed to making payments under non-cancellable operating leases which fall due as follows:

| | Land and buildings | |
|---|---|---|
| | 2012 £ | 2011 £ |
| Not later than one year | 44,726 | 1,800 |
| Between one and five years | 67,089 | — |
| After more than five years | — | — |
| | 111,815 | 1,800 |

## 19 Control

The ultimate controlling party is M Reljanovic, a director of the company, by virtue of his owning 64.75% (2011 – 69.75%) of the issued share capital.

## 20 Related party transactions

During the year the company was charged consultancy fees of £97,716 (2011 – £68,939) by SGD Consulting Limited, a company controlled by SG Douglas, Director and shareholder of this company. At the year end, this company owed SGD Consulting Limited £7,934 (2011 – £22,063). Dividends were awarded and due at the year-end to SG Douglas of £14,000.

During the year the company was charged consultancy fees of £6,611 (2011 – £55,991) by Elliot Brown (Consulting) Limited, a company controlled by Dr E Brown, Director and shareholder of this company. At the year end, this company owed Elliot Brown (Consulting) Limited £677 (2011 – £20,262). Dividends were awarded and due at the year-end to Dr E Brown of £46,500.

During the year the company also entered into transactions with several companies under the common control of Dr M Relijanovic, director and majority shareholder. It was charged consultancy fees of £33,551 (2011 – £27,225) and other costs of £123,875 (2011 – £143,294) by Ergomed Clinical Research Limited; at the year end it owed that company £109,149 (2011 – £178,911). It was charged consultancy fees of £29,017 (2011 – £41,159) and reimbursed costs of £nil (2011 – £866) by Ergomed d.o.o.; at the year end it owed that company £9,880 (2011 – £12,896). It was charged consultancy fees of £11,613 (2011 – £7,553) by Ergomed GmbH; at the year-end it owed that company £nil (2011 – £7,553). Dividends were awarded and due at the year-end to Dr M Relijanovic of £139,500. At the year-end it owed Ergomed Limited £nil (2011: £73,593).

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

## 21 Reserves

### Share capital

The share capital account includes the nominal value for all shares issued.

### Retained earnings

The retained earnings reserve includes the accumulated profits and losses arising from the Consolidated Statement of Comprehensive Income and certain items from the Consolidated Statement of Changes in Equity attributable to equity shareholders net of distributions to shareholders.

### Other reserves

The 'other reserves' is comprised of the translation reserve and the share based payment reserve.

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

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

The movements on this reserve are detailed below:

| | Group | Company |
|---|---|---|
| | Translation reserve | |
| | £ | £ |
| Balance at 1 January 2012 | 348 | — |
| Movement during the year | 143 | — |
| Balance at 31 December 2012 | 491 | — |

# PART IV

## *PRO FORMA* FINANCIAL INFORMATION OF THE ENLARGED GROUP

**Overview**

Part 1 of this Part IV is an unaudited *pro forma* statement of net assets as at 31 December 2013 that has been prepared to illustrate the effect of the Fundraising and the Acquisition on the net assets of the Ergomed Group as if the Fundraising and the Acquisition had occurred on 31 December 2013.

Part 2 of this Part IV is an unaudited *pro forma* statement of comprehensive income for the year ended 31 December 2013 that has been prepared to illustrate the effect of the Fundraising and the Acquisition on the consolidated statement of comprehensive income of the Ergomed Group as if the Fundraising and the Acquisition had occurred on 1 January 2013.

The *pro forma* financial information is based on the consolidated statement of comprehensive income for the year ended 31 December 2013 and the net assets as at 31 December 2013 of the Ergomed Group, set out in the historical financial information of the Ergomed Group for the year ended 31 December 2013 in Part III Section B of this Document, and has been prepared in a manner consistent with the accounting policies adopted by the Ergomed Group in preparing such information and on the basis set out in the notes in Part 1 and Part 2 of this Part IV.

**Part 1 – Unaudited *pro forma* statement of net assets of the Enlarged Group**

The unaudited *pro forma* statement of net assets set out below has been prepared to illustrate the effect of the Fundraising and the Acquisition on the consolidated net assets of the Ergomed Group as if the Fundraising and the Acquisition had occurred on 31 December 2013. This unaudited *pro forma* statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Enlarged Group's actual financial position or results.

This unaudited *pro forma* statement of net assets has been prepared on the basis set out in the accompanying notes below.

| | | Adjustments | | | |
|---|---|---|---|---|---|
| | The Ergomed Group as at 31 December 2013 (note 1, 5) £000s | The PrimeVigilance Group as at 31 December 2013 (note 2, 5) £000s | Acquisition of PrimeVigilance (note 3) £000s | Net placing proceeds (note 4) £000s | Enlarged Group *pro forma* statement of net assets £000s |
| **Non current assets** | | | | | |
| Goodwill | 1,332 | — | 8,377 | — | 9,709 |
| Other intangible assets | — | 100 | — | — | 100 |
| Property, plant and equipment | 148 | 58 | — | — | 206 |
| Deferred tax asset | 2 | — | — | — | 2 |
| | 1,482 | 158 | 8,377 | — | 10,017 |
| **Current assets** | | | | | |
| Trade and other receivables | 3,283 | 1,095 | — | — | 4,378 |
| Cash and cash equivalents | 1,950 | 261 | (6,240) | 9,656 | 5,627 |
| | 5,233 | 1,356 | (6,240) | 9,656 | 10,005 |
| **Total assets** | 6,715 | 1,514 | 2,137 | 9,656 | 20,022 |
| **Current liabilities** | | | | | |
| Borrowings | (29) | — | — | — | (29) |
| Trade and other payables | (4,615) | (813) | — | — | (5,428) |
| Taxation | (156) | (52) | — | — | (208) |
| **Total current liabilities** | (4,800) | (865) | — | — | (5,665) |
| **Net current assets** | 433 | 491 | (6,240) | 9,656 | 4,340 |
| **Non-current liabilities** | | | | | |
| Borrowings | (8) | — | — | — | (8) |
| Provisions | — | (26) | — | — | (26) |
| **Total non-current liabilities** | (8) | (26) | — | — | (34) |
| **Total liabilities** | (4,808) | (891) | — | — | (5,699) |
| **Net assets** | 1,907 | 623 | 2,137 | 9,656 | 14,323 |

**Notes to the unaudited *pro forma* statement of net assets for the Enlarged Group:**

1) The consolidated net assets of the Ergomed Group at 31 December 2013 have been extracted, without material adjustment, from the historical financial information of the Ergomed Group for the year ended 31 December 2013 as set out in Part III Section B of this Document.

2) The consolidated net assets of PrimeVigilance at 31 December 2013 have been extracted, without material adjustment from the audited consolidated financial information of PrimeVigilance for the year ended 31 December 2013 as set out in Part III Section C of this Document.

3) The consideration payable by Ergomed to PrimeVigilance's shareholders will be satisfied partly by a cash consideration of £6.0 million and partly by the issuance of 1,875,000 New Ordinary Shares valued at £3 million. In addition, an estimated total cost and expenses of £0.2 million associated with the Acquisition will be paid using existing cash, as discussed in further detail in paragraph 8 of Part I of this Document.

   For the purposes of this *pro forma* information, no adjustment has been made to the separate assets and liabilities of PrimeVigilance to reflect their respective fair values. The net assets of PrimeVigilance will be subject to a fair value restatement as at the effective date of the Acquisition.

4) Gross proceeds from the Fundraising raising £11.0 million less the estimated total costs and expenses of £1.3 million associated with the Fundraising as discussed in further detail in paragraph 8 of Part I of this Document.

5) No account has been taken of the financial performance of the Ergomed Group or PrimeVigilance since 31 December 2013, nor of any other event save as disclosed above.

**Part 2 – Unaudited *pro forma* statement of comprehensive income of the Enlarged Group**

The unaudited *pro forma* statement of comprehensive income set out below has been prepared to illustrate the effect of the Fundraising and the Acquisition on the consolidated statement of comprehensive income of the Ergomed Group as if the Fundraising and the Acquisition had occurred on 1 January 2013. This unaudited *pro forma* statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Enlarged Group's actual financial position or results.

This unaudited *pro forma* statement of comprehensive income has been prepared on the basis set out in the accompanying notes below.

| | | Adjustments | | | |
|---|---|---|---|---|---|
| | Comprehensive income for the Ergomed Group for the year ended 31 December 2013 (note 1, 5, 6) £000s | Comprehensive income for PrimeVigilance Group for the year ended 31 December 2013 (note 2, 5, 6) £000s | Acquisition costs (note 3) £000s | Fundraising costs (note 4) £000s | The Enlarged Group *pro forma* Comprehensive Income for the year ended 31 December 2013 £000s |
| **REVENUE** | 15,147 | 4,086 | — | — | 19,233 |
| Cost of sales | (10,146) | (2,329) | — | — | (12,475) |
| **Gross profit** | 5,001 | 1,757 | — | — | 6,758 |
| Administrative expenses | (3,171) | (1,217) | (240) | (1,344) | (5,972) |
| Depreciation expense | (63) | (23) | — | — | (86) |
| Share options | — | (2) | — | — | (2) |
| Other operating income | 9 | — | — | — | 9 |
| **OPERATING PROFIT** | 1,776 | 515 | (240) | (1,344) | 707 |
| Investment revenues | 4 | — | — | — | 4 |
| Finance costs | (2) | (1) | — | — | (3) |
| **PROFIT BEFORE TAXATION** | 1,778 | 514 | (240) | (1,344) | 708 |
| Taxation | (232) | (120) | — | — | (352) |
| **PROFIT FOR THE YEAR** | 1,546 | 394 | (240) | (1,344) | 356 |

**Notes to the unaudited *pro forma* statement of comprehensive income for the Enlarged Group:**

1) The consolidated comprehensive income of the Ergomed Group for the year ended 31 December 2013 has been extracted, without material adjustment, from the audited consolidated historical financial information of Ergomed Group, as set out in Part III Section B of this Document.

2) The consolidated comprehensive income of PrimeVigilance for the year ended 31 December 2013 has been extracted, without material adjustment, from the audited consolidated historical financial information of PrimeVigilance as set out in Part III Section C of this Document.

3) As a result of the Acquisition, the Enlarged Group will incur transaction costs of £0.2 million which were paid using existing cash. These costs have been included in the Enlarged Group's *pro forma* statement of comprehensive income as an expense.

4) As a result of the Fundraising, the Enlarged Group will incur transaction costs of £1.3 million. These costs have been included in the Enlarged Group's *pro forma* statement of comprehensive income as an expense.

5) No account has been taken of the effect on the *pro forma* statement of comprehensive income for the year ended 31 December 2013 of the amortisation of fair value adjustments and intangible assets that may have been recognised following the Acquisition had the Acquisition occurred on 1 January 2013, or of any other fair value adjustments which may arise on the Acquisition.

6) No account has been taken of any trading or transactions of the Ergomed Group since 31 December 2013 or for PrimeVigilance since 31 December 2013.

# PART V

# ADDITIONAL INFORMATION

## 1. Incorporation

1.1 The Company was incorporated and registered in England and Wales on 29 September 2000 under the Companies Act 1985 as a private limited company with registered number 4081094 and the name Ergomed Clinical Research Limited. By virtue of a special resolution dated 6 June 2014, the Company was re-registered under section 90 of the Act as a public limited company and further changed its name to its current name.

1.2 The Company is a public limited company and accordingly, the liability of its Shareholders is limited to the amount paid up or to be paid up on their shares.

1.3 The principal legislation under which the Company operates and under which the Placing Shares have been or will be created is the Act and the regulations made thereunder. The Company is domiciled in the United Kingdom.

1.4 The head and registered office of the Company is at 26-28 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey GU2 7YD (telephone number +44 (0) 1483 503 205).

1.5 The Company's website address, at which the information required by Rule 26 of the AIM Rules can be found, is www.ergomedgroup.com.

## 2. Share capital

2.1 The issued and fully paid share capital of the Company, as at the date of this Document and as it is expected to be immediately following Admission, is as follows:

| | Pre-Admission | | Immediately following Admission | |
|---|---|---|---|---|
| | Number of Ordinary Shares | Nominal Value | Number of Ordinary Shares | Nominal Value |
| Ordinary Shares (issued and fully paid) | 20,000,000 | £200,000 | 28,750,000 | £287,500 |

The New Articles do not contain any limit on the number of Ordinary Shares which the Company may issue.

On 14 July 2014 3,124,662 Eligible Placing Shares will be issued pursuant to the Placing at a price of 160p per Ordinary Share and on 15 July 2014 3,156,588 General Placing Shares will, subject to Admission, be issued pursuant to the Placing at a price of 160p per Ordinary Share resulting in a total of 6,281,250 Placing Shares being issued pursuant to the Placing at the Placing Price.

On 15 July 2014 593,750 additional Ordinary Shares will, subject to Admission, be issued to the Private Placement Subscribers pursuant to the Private Placement Agreements at a price of 160p per Ordinary Share. Please refer to paragraph 6.4 of this Part V for further details.

On 15 July 2014, 1,875,000 Consideration Shares will, subject to Admission, be issued to the Vendors pursuant to the Acquisition Agreement. Please refer to paragraph 11.1(E) of this Part V for further information.

2.2 Save as disclosed in this Document:

(A) no loan capital of the Company has been issued or is proposed to be issued;

(B) there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;

(C) no person has any preferential subscription rights for any share capital of the Company;

(D) none of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission;

(E) no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company; and

(F) no shares in the Company are held by the Company or any of its subsidiary undertakings.

2.3 Save as disclosed in paragraph 9 of this Part V, there are no acquisition rights or obligations over unissued share capital of the Company and there is no undertaking to increase the issued share capital.

2.4 On 6 June 2014, the Shareholder of the Company passed a resolution adopting the New Articles (certain provisions of which are summarised below) as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company. On 9 July 2014, conditional upon Admission becoming effective on or before 24 July 2014, the Shareholder of the Company passed resolutions to the following effect:

(A) the Directors were authorised, pursuant to section 551 of the Act, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for such shares (all of which transactions are hereafter referred to as an allotment of "relevant securities") up to an aggregate nominal amount of:

(1) £87,500 in connection with the Fundraising and the Acquisition (the "Initial Allotments");

(2) £22,600 in connection with the grant of options (or other rights to acquire Ordinary Shares) in accordance with the rules of the Company's share option schemes (as varied from time to time) or otherwise (the "Option Allotments"); and

(3) £95,833 (other than pursuant to paragraphs (1) and (2) above); and

(4) £95,833 (other than pursuant to paragraphs (2) and (3) above) in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer to holders of Ordinary Shares where such issue, offer, dividend, scheme or other allotment is proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or any stock exchange in any territory, in relation to fractional entitlements, or any other matter which the Directors consider merits any such exclusion or other arrangements),

provided that, in each case, such authority shall expire 15 months after the date of the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first (unless previously revoked or varied by the Company in general meeting), but the Company may before the authority expires (or is revoked or varied) make an offer or agreement which would or might require relevant securities to be allotted after the authority expires (or is revoked or varied) and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority had not expired or been revoked or varied; and

(B) the Directors were empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by the resolution referred to at paragraph (A) above as if section 561 of the Act did not apply to any such allotment, provided that the authority shall:

(1) be limited to:

(a) the Initial Allotments;

(b) the Option Allotments;

(c) the allotment of equity securities pursuant to the authority referred to in paragraph A(4) above; and

(d) the allotment of equity securities for cash otherwise than pursuant to sub-paragraphs (a), (b) and (c) above up to an aggregate maximum nominal amount of £28,750; and

(2) subject to the continuance of the authority conferred by the resolution referred to at paragraph (A) above, expire 15 months after the date of the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first (unless previously revoked or varied by the Company by special resolution) but the Company may before the

authority expires (or is revoked or varied) make an offer or agreement which would or might require equity securities to be allotted after the authority expires (or is revoked or varied) and the Directors may allot equity securities pursuant to such offer or agreement as if the authority had not expired or been revoked or varied.

2.5 The provisions of section 561 of the Act, which confers on Shareholders' rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up fully in cash, other than by way of allotment to employees under an employee share scheme (as defined in section 1166 of the Act) will apply to the Ordinary Share capital of the Company, to the extent that such rights are not disapplied by special resolution by the Shareholder/s pursuant to section 570 of the Act in accordance with paragraph 2.4 above or otherwise.

2.6 The New Ordinary Shares will have the rights and be subject to the restrictions referred to in paragraph 4.1 of this Part V.

2.7 The New Ordinary Shares to be issued pursuant to the Fundraising and the Acquisition will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this Document.

2.8 As at the date of this Document, the Company has granted options over a total of 2,260,000 Ordinary Shares. The Company has granted options over 1,000,000 Ordinary Shares to Neil Clark in accordance with the terms of the Existing Plan. 1,260,000 Ordinary Shares are subject to options under the terms of an option agreement between the Company and Rolf Stahel. The terms of the Existing Plan and Rolf Stahel's agreement are described at paragraph 9 of this Part V.

2.9 Save as disclosed in this Document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

**3. Subsidiary undertakings and other interests**

The principal companies in which the Group's interest is 10 per cent or more as at Admission are as set out below:

| Name | Registered Number | Status | Place of Incorporation | Interest held by the Company (per cent)* |
|---|---|---|---|---|
| Ergomed Clinical Research Limited** | 05094681 | Dormant as of 31 December 2011 | England and Wales | 100 |
| PrimeVigilance Limited | 06740849 | Active | England and Wales | 100 |
| ERGOMED Sarajevo d.o.o. | 65-01-0904-11 | Active | Bosnia and Herzegovina | 100 |
| ERGOMED Istrazivanja d.o.o. | 080404845 | Active | Croatia | 100 |
| Ergomed Clinical Research FZ LLC | 16423 | Active | UAE (Dubai) | 100 |
| Ergomed GmbH | HRB-73302 | Active | Germany | 100 |
| Ergomed Clinical Research GmbH | HRB-76884 | To be merged with Ergomed GmbH | Germany | 100 |
| ERGOMED | U73200MH2013PTC249804 | Active | India | 100 |
| Ergomed sp. z.o.o. | 0000176404 | Active | Poland | 99 |
| ERGOMED Clinical Research, LLC | 771401001 | Active | Russia | 100 |

| Name | Registered Number | Status | Place of Incorporation | Interest held by the Company (per cent)* |
|---|---|---|---|---|
| ERGOMED d.o.o. | 20076470 | Active | Serbia | 100 |
| ERGOMED Virtuoso Sarl | CHE-114.898.874 | Active | Switzerland | 100 |
| ERGOMED Clinical Research Inc. | 3919042 | Active | USA | 100 |
| PrimeVigilance z.o.o. | 0000345058 | In liquidation | Poland | 100*** |
| PrimeVigilance d.o.o. | 080709856 | Active | Croatia | 100*** |

* Denotes voting rights
** Name changed from Ergomed Limited to current name on 6 June 2014
*** Denotes via its 100% holding in PrimeVigilance

**4. Articles of association and related rights**

**4.1 New Articles**

The constitution of the Company provides that the objects of the Company shall be unrestricted. The New Articles contain, *inter alia*, provisions to the following effect:

**(A) Rights attaching to Ordinary Shares**

(1) *Voting rights*

Subject to disenfranchisement in the event of any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares as mentioned in (4) below, and subject to any special terms as to voting for the time being attached to any shares (as to which there will be none immediately following Admission), on a show of hands every Shareholder who, being an individual, is present in person shall have one vote (every Shareholder who is present by one or more proxies or authorised representatives shall have one vote in respect of each proxy or authorised representative appointed by him) and on a poll every Shareholder who is present in person or by proxy or authorised representative shall have one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the Register, (the senior), is accepted to the exclusion of any votes tendered by any other joint holders.

(2) *Dividends*

The Company may, by ordinary resolution from time to time, declare dividends to be paid to Shareholders according to their rights and interests in the profits available for distribution. No dividend will be declared in excess of the amount recommended by the Board.

(3) *Return of capital*

Subject to the rights attached to any shares issued on any special terms (as to which there will be none immediately following Admission), on a distribution of assets on a liquidation, or a return of capital (other than a conversion, redemption or purchase of shares) the surplus assets of the Company remaining after payment of its liabilities will be divided amongst the Shareholders of the Company *pro rata* to the number of shares held.

(4) *Restrictions on shareholders*

If a Shareholder or any other person appearing to be interested or appearing to have been interested in any shares in the Company, has been given notice under section 793 of the Act and has failed to give information of their interest in any shares (the "**Relevant Shares**") within a prescribed time, not being less than fourteen (14) days, the Shareholder shall not be entitled in respect of the Relevant Shares to attend or vote at any general meeting of the Company or a meeting of the holders of any class of shares or to exercise any other right in relation to any meeting of the Company or

the holders of any class of its shares. Where the Relevant Shares represent 0.25 per cent or more (in number) of the issued shares of a class, then the Company shall also be entitled to withhold any dividend (or part thereof), any right to receive shares instead of a dividend or other money which would otherwise be payable in respect of the Relevant Shares and the Board may refuse to register any transfer of the Relevant Shares other than to a *bona fide* unconnected third party.

**(B) Transfer of shares**

Subject to the restrictions in the New Articles, Ordinary Shares are in registered (certificated or uncertificated) form and are freely transferable.

A Shareholder may transfer all or any of his Uncertificated Shares and the Board shall register the transfer of any Uncertificated Shares in accordance with any applicable statutory provision. The Board may refuse to register the transfer of an Uncertificated Share in accordance with the CREST Regulations to the extent that the Board is permitted to do so by the CREST Regulations (other than in the case of a transfer to joint holders, when the number of joint holders to whom the share is to be transferred does not exceed four), provided that where the Uncertificated Shares are admitted to trading on AIM, such a refusal would not prevent dealings in the shares of that class taking place on an open and proper basis. If the Board refuses to register a transfer of an Uncertificated Share it shall, within two months of the date on which the operator instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

A Shareholder may transfer all or any of his Certificated Shares by an instrument in writing in any usual form, or in any other form which the Board may approve. The instrument of transfer of a partly paid share shall also be executed by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a Certificated Share which is not fully paid up or on which the Company has a lien provided that, where any such shares are admitted to the Official List or to AIM, such a refusal would not prevent dealings in the shares of that class taking place on an open and proper basis. The Board may also refuse to register a transfer of a Certificated Share, whether or not fully paid, unless (1) the instrument of transfer is duly stamped and lodged with the Company accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; or (2) the instrument of transfer is in respect of only one class of share; or (3) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four. If the Board refuses to register a transfer of a share they shall, by the earlier of (1) the time required by the rules of the London Stock Exchange, the UK Listing Authority or the FCA in force for the time being; or (2) two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

**(C) Alterations of capital**

The Company may, by ordinary resolution from time to time:

(1) consolidate and divide all or any of its share capital into shares of a larger amount than its Existing Ordinary Shares;

(2) sub-divide its shares or any of them into shares of smaller amount than its Existing Ordinary Shares (subject to the provisions of the Act); and

(3) cancel shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and may also by special resolution, subject to the provisions of the Act, reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner.

**(D) Purchase of own shares**

Subject to the provisions of the Act, the Company may, by ordinary resolution from time to time purchase, or enter into a contract under which it will or may purchase, its own shares at any price.

**(E) Variation of rights**

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of the holders of not less than three-quarters in nominal value of the shares of that class (excluding treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

**(F) Directors**

(1) The number of directors (other than alternate directors) shall not be less than two. There shall be no more than eight directors.

(2) A director shall not be required to hold any shares of the Company by way of qualification.

(3) No person shall be disqualified from being appointed a director and no director shall be required to vacate that office by reason only of the fact that he has attained any particular age.

(4) At each annual general meeting at least one-third of the directors for the time being shall retire from office by rotation. The directors to retire by rotation shall include, firstly, any director who wishes to retire at the meeting and not offer himself for re-election and secondly, those directors who have been longest in office since their last appointment or reappointment, provided always that each director shall be required to retire and offer himself for re-election at least every three years. A retiring director who is willing to act shall be eligible for reappointment by ordinary resolution at the annual general meeting.

(5) The remuneration of the directors (other than alternate directors) for their services shall be determined by the Board but shall not exceed in aggregate the sum of £400,000 per annum or such greater sum as the Company may determine, by ordinary resolution from time to time. Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided amongst the directors in such proportions and in such manner as the Board may determine or, failing such determination, equally. Any remuneration, salary or other amount payable to a director in respect of any executive office held by him, which is beyond the scope of his office as a director, shall be paid to him in addition to or in lieu of his remuneration as a director.

(6) The directors may be paid all reasonable travelling, hotel and incidental expenses properly and reasonably incurred by them in connection with their attendance at meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of any class of share of the Company.

(7) The Board may purchase and maintain insurance for, or for the benefit of, any persons who are or were at any time directors, officers (other than Auditors) or employees of the Company or any other company which is (a) the holding company of the Company, or (b) otherwise allied to or associated with the Company or a subsidiary of the Company or (c) a predecessor of the Company or of such holding company, or who were at any time trustees of any pension fund in which employees of the Company, or of any other such company or subsidiary are interested.

(8) Subject to the provisions of the Act, a director may be a party to or otherwise interested in any contract, transaction, arrangement or proposal with the Company or in which the Company is otherwise interested either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise. A director may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in such professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the directors may arrange.

(9) A director who to his knowledge is in any way (directly or indirectly) interested in a transaction or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into such the transaction or arrangement is first considered if the director knows his interest then exists or in any other case at the first meeting of the Board after he knows that he is or has become so interested or by means of a notice complying with the Act, given as soon as practicable after the interest arises or, as the case may be, the director knows that he is or has become so interested.

(10) A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including the fixing and varying of terms of appointment or the termination thereof) as the holder of any office or place of profit with the Company or any other company in which the Company is interested. Where proposals are under consideration concerning the appointment (including the fixing or varying of terms of appointment) of two or more directors to offices or employment with the Company or any other body corporate in which the Company is interested (other than one in which the director and any persons connected with him have such an interest as is mentioned in paragraph (11)(d) below) the proposals may be divided and considered in relation to each director separately and (provided he is not under the New Articles or for any other reason precluded from voting) each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

(11) A director shall not vote or count in the quorum in relation to a resolution of the Board in respect of any transaction or any other proposal in which he is materially interested, and if he shall do so, his vote shall not be counted. Notwithstanding the above, and subject to the provisions of the Act, a director shall be entitled to vote (and be counted in the quorum) on: (a) any transaction in which he is interested by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company; (b) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations undertaken by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; (c) any transaction relating to an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate; (d) any transaction to which the Company is or is to be a party relating to another company, including any subsidiary undertaking of the Company (not being a company in which a director owns one per cent or more), in which he and any persons connected with him do not to his knowledge (directly or indirectly) hold an interest in shares (pursuant to Part 22 of the Act, as is mentioned at 4.4 below) whether as an officer, shareholder, creditor or otherwise representing one per cent. or more of any class of the equity share capital, or the voting rights, in that company or of any other company through which his interest is derived; (e) any transaction for the benefit of employees of the Company or any of its subsidiary undertakings (including in relation to a pension fund, retirement, death or disability benefits scheme or personal pension plan) which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; (f) any transaction, arrangement or proposal concerning insurance which the Company proposes to purchase or maintain for the benefit of any director or for the benefit of persons including directors; and (g) (save in relation to any matter concerning or affecting his own participation therein) any transaction involving the adoption or modification of any share option or share incentive scheme of the Company.

(12) The provisions of the New Articles relating to the permitted interests of the directors and their ability to vote thereon may be suspended or relaxed and a transaction not duly authorised thereby may be ratified, in each case by ordinary resolution.

(13) Without prejudice to any of such provisions of the New Articles the directors have power in accordance with the Act, to authorise any interest of a director (including an interest arising from any duty a director may owe to, or interest he may have as an employee, director, trustee, Shareholder, partner, officer or representative of, or a consultant to, or as a direct or indirect investor in, the Company) which conflicts, or may conflict, with the interests of the Company, not being in relation to a contract or arrangement between the director and the Company itself.

**(G) Borrowing powers**

Subject to the provisions of the Act, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (but as regards subsidiary undertakings only in so far as by the exercise it can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Enlarged Group (exclusive of borrowings owed by one member of the Enlarged Group to another member of the Enlarged Group) shall not, without the previous sanction of an ordinary resolution of the Company, at any time exceed an amount equal to twice the adjusted capital and reserves (as defined in the New Articles).

**(H) Meetings**

Subject to the provisions of the Act, an annual general meeting shall be called by at least twenty-one (21) clear days' notice, and all other general meetings shall be called by at least fourteen (14) clear days' notice in writing. The notice should specify the place, date and time of meeting and the general nature of business to be transacted. A general meeting shall, notwithstanding that it has been called by shorter notice than that specified above, be deemed to have been duly called if it is so agreed (a) in the case of an annual general meeting, by all the Shareholders entitled to attend and vote at the meeting; and (b) in the case of any other meeting, by a majority in number of the Shareholders entitled to attend and vote, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

**(I) Unclaimed dividends**

Any dividend which has remained unclaimed after a period of twelve years from the date on which such dividend became due for payment shall be forfeited and revert to the Company.

**4.2 Mandatory takeover bids, squeeze out and sell out rules**

Other than as provided by the Act and the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids, or squeeze-out or sell-out rights which apply to the Ordinary Shares. There are no provisions in the New Articles of the Company delaying, deferring or presenting a change of control of the Company.

**4.3 Notice of three per cent interests**

Subject to certain qualifications and exceptions, Chapter 5 of the Disclosure and Transparency Rules of the FCA requires that a person who acquires an interest in three per cent or more of the voting rights attaching to issued voting shares of a company whose shares are admitted to AIM, whether such shares are held directly or by means of a derivative contract which results in a right to acquire such shares or an instrument having similar economic effect, must, within two business days of such acquisition, or of his becoming aware of the facts constituting the acquisition of the interest, notify the Company of his interest. If, while he has such an interest, he acquires or disposes of an interest representing one per cent or more of the voting rights attaching to issued voting shares of the Company he must notify that event and must also notify the cessation of his having a three per cent interest. Where a person is party to an agreement between two or more persons which obliges them to adopt by concerted exercise of

voting rights a lasting common policy towards the management of the Company, the interests of all such persons are aggregated for the purposes of the notification provisions and each party is required to notify not only his own interests and changes therein but those of the other parties to the agreement. All notifications received under these provisions will be the subject of a public announcement under the AIM Rules.

**4.4 Requirement to disclose interests in voting shares**

Under provisions contained in Part 22 of the Act, the Company may serve a notice on any person who it believes has, or may in the previous three years have had, an interest in its voting shares requiring them to give particulars of their interest, or, if no interest is then held, of any person to whom any previous interest was transferred. The Company must exercise its right to serve such a notice if required to do so by holders of at least 10 per cent of its paid up voting shares. Failure to comply with a notice is a criminal offence. ''Interest'' is widely defined and includes an interest of any kind in the shares, subject to certain specific exclusions, but ''interest'' includes, *inter alia*, an agreement to purchase shares or the right to do so by virtue of an option and a person is interested in shares held by companies which he controls or by his spouse, civil partner or children and where a person is party to an agreement between two or more persons that includes provisions for the acquisition by any one or more of them of interests in shares of the Company which imposes obligations or restrictions on any one or more of the parties with respect to their use, retention or disposal of such interests and such interests are acquired in pursuance of any agreement, each party to the agreement is regarded as interested in the shares held by each other such party.

**5. Substantial Shareholdings**

As at 9 July 2014 (being the latest practicable date prior to the publication of this Document) the Directors were aware of the following direct and indirect interests (as disclosed to the Company under the Disclosure and Transparency Rules or under Part 22 of the Act or otherwise known to the Directors) (other than interests held by the Directors under option) which represent three per cent or more of the votes attaching to the issued share capital of the Company prior to Admission or immediately following Admission:

| | Pre-Admission | | Immediately following Admission | |
|---|---|---|---|---|
| **Name of Shareholder** | **Number of Ordinary Shares held** | **Percentage of Existing Share Capital** | **Number of Ordinary Shares held** | **Percentage of Enlarged Share Capital** |
| Dr. Miroslav Reljanovic | 20,000,000 | 100 | 21,190,257 | 73.7 |
| Octopus Investments | — | — | 2,718,750 | 9.5 |

There are no differences between the voting rights enjoyed by the Shareholders described above and those enjoyed by any other holder of Ordinary Shares.

Save as disclosed above, the Directors are not aware of any person who is or will be immediately following Admission, directly or indirectly, interested in three per cent or more of the votes attached to the issued share capital of the Company, or of any other person who immediately following Admission can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no present arrangements known to the Company, the operation of which may at a future date result in a change of control of the Company.

None of the substantial shareholders set out above has different rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

**6. Placing arrangements**

**6.1 Placing Agreement**

(1) The Company, (2) the Directors, (3) the Proposed Director and (4) Oriel Securities have entered into the Placing Agreement dated 9 July 2014 pursuant to which, subject to certain conditions, Oriel has agreed to use its reasonable endeavours to procure subscribers for all of the Placing Shares at the Placing Price.

The Placing Agreement contains customary indemnities and warranties from the Company, and warranties from the Directors and Proposed Director in favour of Oriel together with provisions which enable Oriel to terminate the Placing Agreement in certain circumstances, including circumstances where any of the warranties are found to be untrue, inaccurate or misleading in any material respect.

In consideration of Oriel's services in connection with the Placing and Admission the Company shall, conditional on Admission, pay to Oriel: (i) a corporate finance fee of £225,000; and (ii) a commission of £511,540 which represents a commission of 4.25 per cent of the aggregate value at the Placing Price of the New Ordinary Shares which are placed with Placees.

Subject to certain controls, the Company has agreed to pay all other costs, charges and expenses properly and reasonably incurred and arising out of, or incidental to, the Placing and Admission.

**6.2 Nominated Adviser and Broker Agreement**

(1) The Company and (2) Oriel have entered into a Nominated Adviser and Broker Agreement dated 9 July 2014, pursuant to which and conditional upon Admission, the Company has appointed Oriel to act as Nominated Adviser and Broker. The Company has agreed to pay Oriel a retainer of £60,000 per annum (exclusive VAT), payable in two equal tranches half yearly in advance, for its services as Nominated Adviser and Broker. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement has an open-ended term and is terminable by either party on thirty (30) days' written notice or summarily for cause.

**6.3 Lock-in Deeds**

(1) The Company, (2) Oriel and each of the (3) Locked-in Persons have entered into Lock-in Deeds dated 9 July 2014 pursuant to which the Locked in Persons have each agreed with the Company and Oriel (for so long as it remains Nomad to the Company) that he will not (without the prior written consent of Oriel) dispose of any interest in Ordinary Shares for the period of twelve (12) months following Admission except in certain limited circumstances, including: (i) to an associate; (ii) to any person acting in the capacity of trustee of a trust created by the Locked-in Persons; (iii) in acceptance of a general offer made to Shareholders of the Company to acquire all the issued Ordinary Shares of the Company; (iv) under any scheme or reconstruction under section 110 of the Insolvency Act 1986; (v) pursuant to any compromise or arrangement under Part 26 of the Act providing for the acquisition by any person (or group of persons acting in concert) of 50 per cent or more of the equity share capital of the Company and which compromise or arrangement has been sanctioned by the courts; (vi) pursuant to an intervening court order; or (vii) by the personal representatives after the death of the Locked-in Persons.

The Locked-in Persons have also agreed for a further twelve (12) months following the expiry of the initial twelve (12) months to only dispose of an interest in Ordinary Shares through Oriel (or the broker for the time being of the Company if it is not Oriel), and in such manner as Oriel (or such other broker) may reasonably require so as to ensure an orderly market in the Ordinary Shares.

**6.4 Private Placement Agreements**

Not forming part of the Placing, (1) the Company and (2) each of the Private Placement Subscribers have entered into subscription agreements (''Private Placement Agreements'') dated 9 July 2014, pursuant to which the Private Placement Subscribers have agreed to subscribe, subject to Admission, for 593,750 Ordinary Shares at a price of 160p per Ordinary Share. Each of the Private Placement Subscribers has given various warranties and undertakings to the Company, including confirmation that their subscription is made on the basis of the content of the Admission Document alone.

## 7. The Board of Directors

### 7.1 The Board

The Board is headed by the Non-Executive Chairman, Rolf Stahel with management led by the Chief Executive Officer, Dr. Miroslav Reljanovic. At Admission, the Board will comprise three Non-Executive Directors (including the Chairman) and two Executive Directors. Two of the Non-Executive Directors are considered to be independent, while the Chairman will be considered as non-independent. Details of the Directors, including their dates of appointment, their memberships of board committees and the year in which each is next due for re-election are as follows:

| Director | Function | Date of appointment | Year of next re-election |
|---|---|---|---|
| Dr. Miroslav Reljanovic[2] | Chief Executive Officer | 25 April 2001 | 2015 |
| Neil Clark[2] | Chief Financial Officer | 29 January 2010 | 2015 |
| Rolf Stahel[2] | Non-Executive Chairman | 18 April 2014 | 2016 |
| Peter George[1], [2], [3], [4] | Non-Executive Director | 20 May 2014 | 2016 |
| Christopher Collins[1], [2], [3], [4], [5] | Non-Executive Director | Upon Admission | 2017 |

(1) Member of Audit and Risk Committee

(2) Member of Nomination Committee

(3) Member of Remuneration Committee

(4) Member of AIM Compliance Committee

(5) Not a Director at the date of this Document; appointment effective from Admission

The usual business address of each of the Directors is the registered office of the Company, which is 26-28 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey GU2 7YD.

### 7.2 The Directors and the Proposed Director

#### (A) Current and previous appointments

The following table sets out the names of all companies and partnerships outside the Group of which any Director and the Proposed Director is or has been a member of the administrative, management or supervisory body or a partner at any time in the previous five years

| Officer | Current Directorship(s) | Past Directorship(s) |
|---|---|---|
| Dr. Miroslav Reljanovic | PVL | |
| Neil Robert Clark | PVL | |
| Rolf Stahel | Connexios Life Sciences PvT Ltd<br>Midatech Ltd<br>Chesyl Pharma Ltd | Cosmo Pharmaceuticals SpA<br>EUSA Pharma Inc<br>Newron Pharmaceuticals SpA |
| Peter George | Clinigen Group Plc<br>Clinigen Clinical Trials Limited<br>Clinigen CTS Limited<br>Clinigen Healthcare Limited<br>Clinigen Pharma Limited<br>Clinigen GAP Limited<br>Keats Healthcare Limited<br>Clinigen SP Limited | Penn Pharmaceutical Services Limited<br>Penn Pharmaceuticals Group Limited<br>Penn Pharmaceuticals Holdings Limited<br>Penn Pharmaceuticals Limited<br>Penn Pharma Group Limited<br>Wimbledon Trustees Limited<br>Penn Limited<br>Clinigen GAP Limited<br>Pharmapatents Limited (dissolved) |
| Christopher Collins | Rx Securities Limited | Nomura Code Securities Limited |

**(B) Interests of the Directors and the Proposed Director in the share capital of the Company**

As at 9 July 2014 (being the latest practicable date prior to the publication of this Document), the interests in the issued share capital of the Company of each of the Directors and the Proposed Director and their families within the meaning of the AIM Rules, such interests being those which could with reasonable diligence be ascertained by each Director and the Proposed Director, whether or not held through another party, and being in addition to the interests held under option as described in paragraph 7.3 below, prior to Admission and immediately following Admission, are or will be as follows:

| | Pre-Admission | | Immediately following Admission | |
|---|---|---|---|---|
| Name of Director | Number of Ordinary Shares each held | Percentage of Existing Share Capital | Number of Ordinary Shares each held | Percentage of Enlarged Share Capital |
| Dr. Miroslav Reljanovic* | 20,000,000 | 100 | 21,190,257 | 73.7 |
| Neil Clark | — | — | 91,912 | 0.3 |
| Rolf Stahel | — | — | 125,000 | 0.4 |
| Peter George | — | — | 31,250 | 0.1 |
| Christopher Collins | — | — | 31,250 | 0.1 |

* Miroslav Reljanovic also holds 1 per cent. of the issued share capital of Ergomed sp. z.o.o.

**(C) Executive Directors service contracts and emoluments**

The details of the service contracts of the Executive Directors are as follows:

**Dr. Miroslav Reljanovic**

Dr. Miroslav Reljanovic entered into a new service agreement with Ergomed Istrazivanja d.o.o, a wholly owned subsidiary of the Company on 9 July 2014. The terms of the agreement provide for, amongst other things, (i) gross salary of £275,000 per annum, payable in monthly instalments in arrears (such salary to be reviewed annually) and (ii) termination upon (12) months written notice by the Company or six (6) months written notice by the Executive Director. Miroslav Reljanovic is eligible to receive a bonus in accordance with the Enlarged Group's discretionary bonus scheme. Miroslav Reljanovic is also subject to certain post-termination restrictions, which, among other things prevent him from using or disclosing confidential information otherwise than in the proper course of employment, soliciting or inducing any customers or suppliers of the Company and/or any member of the Enlarged Group, persuading or attempting to persuade any employee to terminate their employment with any member of the Group or being engaged, concerned or interested in any business which is in competition with the Enlarged Group. Under the terms of the agreement Dr. Reljanovic may devote time to the Company as reasonably required in order for him to undertake his duties as a Director of the Company and CEO of the Enlarged Group.

In addition, Miroslav Reljanovic entered into a letter of appointment with the Company on 9 July 2014. The terms of the agreement provide for a fee of £40,000 a year and the Company shall reimburse all reasonable, authorised and properly documented expenses that are incurred in the performance of his duties. Dr Miroslav Reljanovic may be removed as a Director at any time in accordance with the New Articles or the Act or on 12 months' notice by the Company or 6 months' notice by Dr. Reljanovic. The Company may terminate the appointment immediately in certain circumstances such as if a material breach of obligations is committed.

**Neil Clark**

Neil Clark entered into a new service agreement with the Company on 9 July 2014. The terms of the agreement provide for, amongst other things, (i) a salary of £200,000 per annum, payable in monthly instalments in arrears (such salary to be reviewed annually) and (ii) termination upon twelve (12) months written notice by the Company or six (6) months written notice by the Executive Director. Neil Clark is eligible to receive a bonus

in accordance with the Company's discretionary bonus scheme. Neil Clark is also subject to certain post-termination restrictions, which, among other things prevent him from using or disclosing confidential information otherwise than in the proper course of employment, soliciting or inducing any customers or suppliers of the Company and/or any member of the Enlarged Group, persuading or attempting to persuade any employee to terminate their employment with any member of the Group or being engaged, concerned or interested in any business which is in competition with the Enlarged Group.

**(D) Non-executive Directors' letters of appointment and emoluments**

The following are the details of the Non-Executive Directors' letters of appointment:

**Rolf Stahel's Appointment Letter**

Rolf Stahel entered into a letter of appointment with the Company on 18 April 2014. The terms of the agreement provide for, amongst other things, a fee of £50,000 a year, and the reimbursement by the Company of any reasonable travel and other expenses incurred in the performance of his duties. The initial term of appointment is three (3) years, unless terminated earlier by either the Company or the Non-Executive Chairman giving the other three (3) months prior written notice. The Non-Executive Chairman may be removed as a Director at any time in accordance with the New Articles or the Act. Rolf Stahel is also subject to certain restrictive covenants as regards confidential information, copyright and other design rights and inventions, which shall continue to apply after the termination of his appointment for a period of five (5) years.

**Peter George's Appointment Letter**

Peter George entered into a letter of appointment with the Company on 20 May 2014. The terms of the agreement provide for a fee of £40,000 a year and the Company shall reimburse all reasonable, authorised and properly documented expenses that are incurred in the performance of his duties. The initial term of appointment is three (3) years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one month's prior written notice. The Non-Executive Director may be removed as a Director at any time in accordance with the New Articles or the Act. The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director.

**(E) Proposed Director's letter of appointment and emoluments**

Christopher Collins has entered into a letter of appointment with the Company. Conditional upon Admission, Mr Collins will become a Director. The terms of the agreement provide for a fee of £40,000 a year and the Company shall reimburse all reasonable, authorised and properly documented expenses that are incurred in the performance of his duties. The initial term of appointment is three years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one month's prior written notice. The Non-Executive Director may be removed as a Director at any time in accordance with the new articles or the Act. The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director.

**7.3 Share options granted to Directors**

As at 9 July 2014 (the latest practicable date prior to the date of this Document) the following Directors have been granted options under the Company's share option schemes:

| Name of Director | Date of Grant | Number of Ordinary Shares under option | Exercise Price per Ordinary Share | Exercise Period From | Exercise Period To | Share Option Scheme |
|---|---|---|---|---|---|---|
| Neil Clark | 31December 2009 | 1,000,000 | £0.01 | 31December 2009 | 31December 2019 | Unapproved Executive Share Option Scheme 2007 |
| Rolf Stahel | 18 April 2014 | 1,260,000 | Placing Price | 18 April 2014 | 17 April 2024 | Stahel Option Agreement |

Please refer to the section on management incentives at paragraph 15 of Part I of this Document for further information as to the Board's intentions with respect to future awards under the Long Term Incentive Plan.

**8. Confirmations and other information**

8.1 There is no family relationship between any of the Directors.

8.2 Apart from the current directorships set out above and the other business interests disclosed above and elsewhere in this Document, none of the Directors has any business interests or performs any activities outside the Enlarged Group which are significant in respect to the Enlarged Group.

8.3 Save as disclosed in paragraph 7.2(A) of this Part V above, none of the Directors:

A is or has been a member of the administrative management or supervisory body of any company or a partner in any partnership outside the Enlarged Group at any time in the previous five years;

B has any unspent convictions relating to indictable or fraudulent offences;

C has been declared bankrupt or made the subject of an individual voluntary arrangement;

D has been a director or senior manager of any company at the time of or within the twelve months' preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;

E has been a partner in any partnership at the time of or within twelve months preceding any compulsory liquidation, administration, receivership or partnership voluntary arrangement of such partnership;

F has had any of his assets subject to any receivership; or

G has been the subject of any public criticism or had sanctions imposed upon him by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or in the management or conduct of the affairs of a company.

8.4 No Director has, or has had, any interest in any transactions which are or were unusual in their nature and conditions or significant to the business of the Enlarged Group and which were affected by the Company from incorporation to the date of this document which remain outstanding or unperformed.

8.5 There are no outstanding loans or guarantees provided by the Company or the Enlarged Group to or for the benefit of any of the Directors.

8.6 There are no arrangements under which any Director has waived or agreed to waive future emoluments.

8.7 Save as disclosed above, none of the Directors nor any member of their immediate families or any person connected with any of them holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings or any financial product referenced to the Ordinary Shares.

**9. Share option plans**

9.1 In connection with the plan to seek Admission, the Company adopted a new incentive plan known as the Ergomed plc Long Term Incentive Plan on 11 June 2014. Options also remain outstanding under the Company's Unapproved Executive Share Option Scheme 2007 and under an Unapproved Executive Share Option Agreement made with Rolf Stahel on 18 April 2014. These share option schemes have the following main features:

9.2 **The Long Term Incentive Plan**

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

**(A) Eligibility**

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

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

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

**(B) Grant of share options**

Options granted under the Long Term Incentive Plan are to acquire Ordinary Shares in the Company. The Long Term Incentive Plan permits the grant of options at any time prior to Admission and thereafter at any time in the period of six weeks following:

i. the dealing day immediately following the day on which shares are admitted to trading on any stock exchange; or

ii. the dealing day after the Company's announcement of its results for any period.

If the Company is restricted from granting options during the periods set out above as a result of any dealing restrictions, the grant period will be six weeks commencing on the dealing day after the restrictions are lifted.

The Committee retains discretion to grant options on any day which it resolves that exceptional circumstances exist which justify the grant of options.

The Committee also has discretion to grant rights to participants to receive a cash amount which relates to the value of a certain number of notional shares.

Please refer to the section on management incentive at paragraph 15 of Part I of this Document for further information as to the Board's intentions with respect to future awards under the Long Term Incentive Plan.

**(C) Limits**

The Long Term Incentive Plan is subject to the following limits on the overall number of new Ordinary Shares which may be issued:

i. the aggregate market value of Ordinary Shares subject to unexercised EMI qualifying options held by an eligible employee (as measured at the date of grant) under the Long Term Incentive Plan (and any other qualifying EMI options ) must not exceed £250,000 (or such other amount as may be specified by paragraph 5 of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003);

ii. where an employee holds unexercised EMI qualifying options with a market value of £250,000 no further EMI qualifying options can be granted to that employee for a period of three years from the date of grant of the last EMI qualifying option (or such other period or amount as may be specified by paragraph 6 of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003); and

iii. the aggregate market value of Ordinary Shares subject to all unexercised EMI qualifying options under the Long Term Incentive Plan (and any other qualifying EMI options ) must not exceed £3 million (or such other amount as may be specified by paragraph 7 of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003).

In addition, the quantum of options granted to any individual will depend on their seniority and is subject to an annual award limit of 200 per cent of base salary in respect of any financial year based on the market value, measured at the date of grant, of the shares under option. This limit can be increased to 300 per cent in exceptional circumstances as determined by the Board.

**(D) Overall limit**

The Long Term Incentive Plan provides that in any ten year period, the number of Ordinary Shares which may be issued under the Long Term Incentive Plan and under any other employee share plan adopted by the Company may not exceed ten per cent of the issued ordinary share capital of the Company from time to time.

Ordinary Shares issued or to be issued to satisfy awards granted prior to Admission do not count towards this limit.

Ordinary Shares transferred from treasury will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise

**(E) Exercise of options**

The Long Term Incentive Plan permits the grant of options at any exercise price (being the price at which a share subject to an option may be acquired on exercise).

For EMI qualifying options, it is envisaged that the exercise price will be not less than the actual market value of an Ordinary Share at the date of grant of the option.

The right to exercise share options under the Long Term Incentive Plan may, if so determined by the Committee, be conditional on performance and/or vesting conditions as determined by the Committee at the date of grant.

The Long Term Incentive Plan includes flexibility to apply different performance conditions to future awards and to allow the Committee to amend or substitute performance conditions if events occur which cause it to consider that amended conditions would be more appropriate (provided they are not materially less difficult to satisfy than when first imposed).

Options will normally vest (and become exercisable) on the following dates:

i. in respect of an option which is subject to a performance condition, the date on which the Committee determines that the performance condition has been satisfied (or such later date determined by the Committee); and

ii. in respect of an option which is not subject to a performance condition, the third anniversary of the date of grant (or such other date determined by the Committee).

Prior to an option vesting the Committee can, in its discretion, reduce the number of Ordinary Shares to which the option relates, cancel the option or impose conditions (or further conditions) on the option in circumstances in which the Committee considers such action is appropriate.

Such circumstances include, but are not limited to:

a) a material misstatement of the Company's audited financial results; or

b) serious reputational damage to the Company, any Group member or a relevant business unit as a result of the participant's misconduct or otherwise.

At any time before or after the point at which an Unapproved option has been exercised, but the underlying shares have yet to be issued or transferred to the participant, the Committee, at its discretion, may decide to pay a participant a cash amount equal to the value of the shares that he or she would otherwise have received, less the exercise price (if any). This discretion will not apply to any qualifying EMI Options.

**(F) Leaver provisions**

If a participant ceases to be employed within the Group the following leaver provisions will apply.

Unless the Committee determines that an unvested option will continue until the normal vesting date, an unvested option will immediately vest if a participant dies.

If a participant ceases to hold office or employment with Group company as a result of:

i. ill-health, injury or disability evidenced to the satisfaction of the Committee;

ii. his or her employing company ceasing to be a member of the Group or his or her employing business being sold by the Group;

iii. any other reason at the Committee's absolute discretion, except where a participant is summarily dismissed,

an unvested option will continue until the normal vesting date unless the Committee decides it shall vest at cessation.

In each case, the extent to which an unvested option shall vest will be determined by the Committee in its absolute discretion.

If a participant dies or ceases to hold office or employment with a Group company as a result of any of the reasons set out above, their options which were already vested may be exercised during the period set out below.

i. in the case of death, an option may be exercised within 12 months from the date of death (or such shorter period as the Committee may determine);

ii. in all other cases, options may be exercised within 90 days of the date of cessation (or such other period as the Committee may determine).

If a participant ceases to hold office or employment with a Group company for any reason other than those set out above, their option, (whether or not vested), will lapse at that time.

**(G) Change of control**

On a change of control of the Company, options which have not yet vested will vest at the Committee's discretion and become exercisable for a period of one month following the change of control (following which they will lapse).

The Committee will retain discretion to determine whether and to what extent options should vest on the occurrence of certain other corporate events.

**(H) Adjustment of share options**

In the event of a variation in the share capital of the Company by way of capitalisation, rights issue, consolidation, sub-division, reduction or otherwise, share options may be adjusted in such manner as the Committee shall determine.

**(I) Amendments to the Long Term Incentive Plan**

The Committee may amend the Long Term Incentive Plan provided that no amendment may be made to the material disadvantage of participants in the Long Term Incentive Plan unless consent is sought from the affected participants and given by a majority of them.

The Long Term Incentive Plan will usually terminate on the tenth anniversary of its adoption, but the rights of existing participants will not be affected by any termination.

**(J) Tax**

Option holders must indemnify each group company and any trustee against any income tax and/or National Insurance Contributions liability relating to his or her option. The Long Term Incentive Plan will include the flexibility for the Company to transfer the employer's NIC arising in relation to an option to the option holder.

9.3 **Unapproved Executive Share Option Scheme 2007**

On 24 October 2007, the Company adopted an equity-settled share option scheme that was subsequently amended on 11 June 2014, whereby the Company has the right to grant share options on Ordinary Shares to selected Directors or employees of the Company or any of its subsidiary undertakings.

**(A) Grant of share options**

On 31 December 2009, the Company entered into an agreement with Neil Clark pursuant to which Neil Clark was granted an option under the unapproved executive share option scheme to acquire 1,000,000 Ordinary Shares. The option vested immediately on grant.

**(B) Limits**

The exercise period for the option is 31 December 2009 to 31 December 2019.

**(C) Exercise of share options**

Under the scheme, options may only be exercised from the date that the Company has given the option holder at least fourteen (14) days' prior written notice of an Exit Event (the "**Exit Notification**") until 31 December 2019. An Exit Event is the first to occur of: (i) a sale of shares in the capital of the Company conferring the right to more than 50 per cent of the votes at any general meeting of the Company; (ii) the admission of the Company's equity securities to trading on any investment exchange; (iii) the passing of a resolution for the voluntary winding up of the Company; or (iv) the making of an order for the compulsory winding up of the Company and immediately prior to an Exit Event.

After the issue of an Exit Notification until 31 December 2019, if the option holder wishes to exercise an option, the option holder must give notice in writing to the Company in the form of notice contained in the schedule to the unapproved executive share option scheme.

Within 30 days of the exercise of any option the shares in respect of which it is exercised must be allotted and issued to the option holder. Shares issued on the exercise of an option rank *pari passu* in all respects with the shares in issue on the date on which the option is exercised, except that they do not entitle holders to receive any dividends or other distributions declared for payment to holders of shares on the register of members at a record date which precedes the date of the exercise.

**(D) Lapse of Options**

The scheme sets out several circumstances that will cause an option to lapse, including:

i. if the option has not been exercised 10 years after being granted;

ii. if the option holder becomes bankrupt;

iii. if the option has not been exercised prior to 31 December 2019;

iv. if the option has not been exercised 12 months after the date of the option holder's death;

v. if the option holder ceases to be a director or employee of the Company or any company which is a subsidiary of the Company as a result of injury, ill health or disability or redundancy or retirement on reaching 60 or any other age at which he is bound to retire in accordance with the terms of his office or contract of employment, and fails to exercise any option held by him within a period of six months; and

vi. if the option holder ceases to be a director or employee of the Company or any company which is a subsidiary of the Company for the reasons other than injury, ill health or disability or redundancy or retirement on reaching 60 or any other age at which he is bound to retire in accordance with the terms of his office or contract of employment.

9.4 **Unapproved Executive Share Option Agreement**

**(A) Eligibility**

On 18 April 2014, the Company entered into an unapproved executive share option agreement with Rolf Stahel, pursuant to which the Company granted Rolf Stahel an option entitling him to acquire 1,260,000 Ordinary Shares.

**(B) Exercise of share options**

In the event that Admission occurs on or before 30 September 2014, the exercise price of the option will be the price at which the new shares in the capital of the Company are issued to investors at Admission. In the event that Admission does not occur on or before 30 September 2014, the exercise price will be £2.50 per share.

The option becomes exercisable in respect of one thirty-sixth of the options one month from the date of the share option agreement and on the same date in each subsequent calendar month over one thirty-sixth of the options.

Accelerated vesting occurs allowing the options to be exercised in full upon the occurrence of: (i) the death of the option holder whilst a director of the Company; (ii) termination by the Company of the option holder's office as a director of the Company save for fraud or

gross negligence on the part of the option holder; or (iii) the option holder resigns from his office as a director of the Company in accordance with his Appointment Letter (7.2(C)).

**(C) Lapse of Options**

**The share option agreement sets out several circumstances that will cause an option to lapse, including:**

i. any attempted action by the option holder to transfer or assign the options or have any charge or other security interest created over it;

ii. the bankruptcy of the option holder;

iii. the tenth anniversary of the grant of the option;

iv. the option holder's appointment as a director of the Company is terminated by the Company for fraud or gross negligence on the part of the option holder; or

v. the option holder gives notice to voluntarily resign as a director of the Company pursuant to his Appointment Letter.

## 10. Employees

### 10.1 Details of the Group's employees are as follows:

| | Approximate Current Numbers | Year ended 31 December 2013 |
|---|---|---|
| Total | 89 | 87 |
| Full-time | 79 | 78 |
| Part-time | 10 | 9 |

The Group also has 42 individual consultants and 56 clinical operations consultants engaged by the Group via service companies. In addition, it is the Directors' expectation that 19 staff currently contracted by Ergomed d.o.o. (Croatia), owned by Dr. Miroslav Reljanovic, will join the Enlarged Group as full time employees following Admission.

### 10.2 An approximate breakdown of employees by category is as follows:

| | |
|---|---|
| Executive Directors | 7 |
| Senior Managers | 16 |
| Other administrative staff | 66 |

## 11. Material Contracts and related party transactions

### 11.1 Material Contracts of the Company

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company (i) within the two years immediately preceding the date of this Document and are, or may be, material; or (ii) at any time and contain provisions under which the Company has an obligation or entitlement which is material to the Company at the date of this Document.

**(A) Placing Agreement**

The Placing Agreement is more particularly described in paragraph 6.1 of Part V of this Document.

**(B) Nominated Adviser and Broker Agreement**

The Nominated Adviser and Broker Agreement is more particularly described in paragraph 6.2 of Part V of this Document.

**(C) Lock-in Deeds**

The Lock-In Deeds are more particularly described in paragraph 6.3 of Part V of this Document.

**(D) Relationship Deed**

The Company is party to a relationship deed dated 9 July 2014, between (1) the Company, (2) Oriel and (3) Miroslav Reljanovic. Under the relationship deed, conditional upon Admission, Miroslav Reljanovic has agreed, for so long as he and his associates hold an interest in 30 per cent of the voting rights attaching to the issued Ordinary Shares, to exercise his voting rights in so far as he reasonably can to ensure certain matters. These matters include ensuring that the Enlarged Group is capable at all times of carrying on its business independently of him, that all transactions entered into between any member of the Enlarged Group and him will be made at arm's length and on a normal commercial basis, that a majority of the members of the Board are independent of him, and that he shall not vote on any resolution to cancel the Company's admission to trading on AIM, save in connection with an offer for whole the Company made by a person other than him or an associate of him.

In addition, Miroslav Reljanovic agrees that for so long as he together with any of his associates hold an interest in 50 per cent or more of the voting rights attaching to the Company's shares, save with the prior consent of a majority of the independent directors, he will not exercise his voting rights in respect of those shares that exceed 50 per cent of the voting rights attaching to the Company's shares on a resolution put to the Company's shareholders.

**(E) Acquisition Agreement**

The Company is party to an Acquisition Agreement dated 12 June 2014, as amended by a deed of variation dated 9 July 2014, between (1) the Vendors (including Miroslav Reljanovic and Neil Clark) and (2) the Company. Under the Acquisition Agreement the Company has conditionally agreed to acquire the entire issued and to be issued share capital of PVL. Conditional upon the occurrence of Admission, the Company will acquire all of the shares in PVL in return for total consideration of £9,000,000 made up of a cash payment to the Vendors of £6,000,000 and the issue of Consideration Shares to the Vendors having an aggregate value of £3,000,000 at the Placing Price. The cash element of the consideration is subject to a possible adjustment based on the net debt and working capital position of PVL on the day of completion of the Acquisition (''Completion''). The Company has the benefit of covenants as to the condition of PVL's business in the pre-Completion period, as well as post-Completion non-compete covenants relating to the conduct of the Vendors other than Natalie Smith, Elliot Brown and Stephen Douglas. The Vendors have also given a broad set of warranties relating to their capacity and ownership of the sale shares (with recourse capped at the full amount of consideration) and the business of PVL (capped at a lower amount). The Vendors have also agreed that the Consideration Shares will be subject to lock-up restrictions for a period of 12 months from Completion.

**11.2 Contracts considered material to the Group**

There are no contracts, being contracts entered into in the ordinary course of business, which have been entered into by the Company or another member of the Group which the Company considers to be of a material nature.

**11.3 Related Party Transactions**

Save as disclosed below and in the notes to the historical financial information in Part III of this Document, there are no 'related party transactions' required to be disclosed under the accounting standards applicable to the Group to which the Company or any member of the Group was a party during the financial periods ended 31 December 2011, 31 December 2012 and 31 December 2013:

**(A) Acquisition Agreement**

The Acquisition Agreement is more particularly described in paragraph 11.1(E) of Part V of this Document.

**(B) Relationship Deed**

The Relationship Deed Agreement is more particularly described in paragraph 11.1(D) of Part V of this Document.

**(C) Consultancy Agreement**

The Company is party to the Consultancy Agreement dated 14 April 2014, between (1) the Company and (2) Chesyl Pharma Ltd, a company 100 per cent owned by Rolf Stahel (''Chesyl''). Pursuant to the Consultancy Agreement, subject to certain early termination rights, the Company engages Chesyl to provide management consultancy services for an initial fixed term of thirty-six (36) months. In consideration of the provision of the first 10 full working days of services in any calendar year, the Company will pay to Chesyl consultancy fees at a rate of £50,000 (plus VAT if applicable) per annum. Chesyl has right to be reimbursed for expenses and to be paid for the provision of additional services.

**(D) Ergomed Switzerland Acquisition Agreement**

On 30 September 2013, the Company entered into a share purchase agreement with Miroslav Reljanovic pursuant to which the Company acquired all of the shares and assets of Ergomed Virtuoso Sarl now part of the Group from Dr. Reljanovic. The consideration payable by the Company under the share purchase agreement was €2,000,000. At the date of this Document, approximately €1,005,000 of the consideration remains outstanding and owed to Dr. Reljanovic. Dr. Reljanovic and the Company indemnified each other in respect of liabilities incurred by the business of Ergomed Switzerland Sarl pre and post-acquisition respectively.

**(E) Relationship with Ergomed d.o.o. (Croatia)**

Please refer to Note 26 of Section B of Part III for further information.

**(F) Private Placement Agreement**

On 9 July 2014, the Company entered into a subscription agreement with Christopher Collins and Peter George pursuant to which each of them agreed to subscribe, subject to Admission, for 31,250 Ordinary Shares at a price of 160p per Ordinary Share. Please refer to paragraph 6.4 of this Part V for further details.

**12. Fixed assets**

The material tangible fixed assets of the Group, including leased properties are as follows:

- Tenancy at will with Kent County Council for the use of office space at The Tramshed, Beehive Yard, Walcot Street, Bath BA1 5BB;
- Lease of 26-28 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey GU2 7YD;
- Lease for the use of office space at Otto Volger Strasse 1-9, Sulzbach, Germany;
- Lease for the use of office space at DIAC Building 3, Unit G06, Dubai;
- Virtual office agreement for the use of a virtual office at 17806 IH 10, Suite 300, San Antonio, Texas, 78256, USA;
- Lease for the use of office space at Marije Krucifikse Kozulic 3, Rijeka, Croatia;
- Lease for the use of office space at 18 Armii Krajowej Street, Krakow, Poland;
- Lease for the use of office space at Visnjik 34b, Sarajevo, Bosnia and Herzegovina;
- Lease for the use of Sava Business Center, Block 20, 11070 New Belgrade, Serbia;
- Lease for the use of office space at Gottfried-Hagen Strasse 20, Cologne, Germany; and
- Virtual office agreement for the use of a virtual office at 18, Avenue Louis-Casai, Geneva, 1209, Switzerland.

There are no material encumbrances on any member of the Group or their property, plant or equipment. So far as the Directors are aware there are no pending or likely remediation or compliance costs which may have a material adverse effect on the Group or its property, plant or equipment and there are no environmental issues that may affect the Group's utilisation of the tangible fixed assets.

## 13. United Kingdom Taxation

### 13.1 General

The following statements are only a general guide to certain UK tax considerations and are based on current UK taxation legislation and published practice of UK HM Revenue & Customs (''**HMRC**''), both of which are subject to change, possibly with retrospective effect. They assume that the UK Finance (No. 2) Bill 2014 will be enacted in the form of the latest public draft as at 25 March 2014. Except where the position of non-UK residents is expressly referred to, these statements relate solely to persons who are resident (and, in the case of individuals, domiciled) solely in the UK for UK tax purposes, who do not have a permanent establishment or fixed base outside the UK with which the holding of shares is connected, who are the beneficial owners of Ordinary Shares, who hold their Ordinary Shares as an investment (other than under an individual savings account) and not as trading stock and who have not (and are not deemed to have) acquired their Ordinary Shares by reason of an office or employment. The comments below may not apply to certain classes of Shareholders such as (but not limited to) dealers in securities, insurance companies and collective investment schemes. If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction other than the UK, you should consult your own professional advisers. The information in these paragraphs is intended as a general summary of the UK tax position and should not be construed as constituting advice.

### 13.2 Dividends

Under current UK taxation legislation, no tax will be withheld at source from dividend payments by the Company.

13.2.1. *Individuals*

UK-resident individual Shareholders who receive a dividend from the Company will generally be entitled to a tax credit, which can be set off against the individual's income tax liability on the dividend payment. The rate of tax credit on dividends paid by the Company will be 10 per cent. of the total of the dividend payment and the tax credit (the ''gross dividend''), or one-ninth of the dividend payment. UK-resident individual Shareholders will generally be taxable on the gross dividend, which will be regarded as the top slice of the Shareholder's income. UK-resident individual Shareholders who are not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit.

In the case of a UK resident individual Shareholder who is liable to income tax only at the basic rate (taking account of the gross dividend he or she receives), the tax credit will satisfy in full such Shareholder's liability to income tax. To the extent that a UK-resident individual Shareholder's income (including the gross dividend) exceeds the threshold for higher rate income tax, such Shareholder will be subject to income tax on the gross dividend at 32.5 per cent but will be able to set the tax credit off against this liability. An individual shareholder who is liable to income tax on the dividend wholly at the higher rate will therefore be liable to income tax equal to 22.5 per cent of the gross dividend (or 25 per cent of the dividend payment). To the extent that a UK-resident individual Shareholder's income (including the gross dividend) exceeds the threshold for additional rate income tax, such Shareholder will be subject to income tax on the gross dividend at 37.5 per cent but will be able to set the tax credit off against this liability. An individual Shareholder who is liable to income tax on the dividend wholly at the additional rate will therefore be liable to income tax equal to 27.5 per cent of the gross dividend (or approximately 30.6 per cent of the dividend payment).

13.2.2. *Companies*

In general, a corporate Shareholder resident in the UK for tax purposes should not normally be subject to corporation tax on any dividend payments by the Company. A broad tax exemption applies, with separate conditions for shareholders that are small companies. If the conditions for exemption are failed or, in the case of Shareholders who are not small companies, specific anti-avoidance provisions apply, a corporate Shareholder will be subject to corporation tax on income on the dividend payment at the corporation tax main rate (although lower rates may apply). Companies should seek specific professional advice on whether a dividend payment qualifies for exemption.

Where a dividend payment is taxable, corporate Shareholders are not entitled to set off the tax credit attaching to the dividend payment against the Shareholder's corporation tax liability. Where a dividend payment is exempt, corporate Shareholders will not be entitled to reclaim any part of the tax credit.

13.2.3. *Non-Residents*

In general, the right of non-UK resident Shareholders to reclaim tax credits attaching to dividend payments by the Company which constitute income will depend upon the existence and the terms of an applicable double tax treaty between their jurisdiction of residence and the UK. In most cases, the amount that can be claimed by non-UK resident Shareholders will be nil as a result of the terms of the relevant treaty. They may also be liable to tax on the dividend income under the tax law of their jurisdiction of residence. Non-UK resident shareholders should consult their own tax advisers in respect of their liabilities on dividend payments, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

13.2.4. *Pension Funds and other exempt persons*

UK-resident Shareholders who are not liable to income tax, including pension funds, charities and individuals holding shares through an individual savings account, are not entitled to reclaim the tax credits on dividends paid by the Company.

**13.3 Chargeable Gains**

A disposal or a deemed disposal of the Ordinary Shares by a Shareholder who is resident for tax purposes in the UK, or a Shareholder who is not resident in the UK for tax purposes, but who carries on a trade in the UK through a permanent establishment (where the shareholder is a company) or a trade, profession or vocation in the UK through a branch or agency (where the shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) may, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation on chargeable gains.

An individual Shareholder who acquired Ordinary Shares while UK resident and for a period of five years or less either has ceased to be resident for tax purposes in the UK or has become resident in a territory outside the UK for purposes of double taxation relief arrangements and who disposes of the Ordinary Shares during that period, may be liable on his or her return to the UK to UK capital gains tax on any chargeable gain realised on the disposal of the Ordinary Shares.

For an individual Shareholder within the charge to capital gains tax, a disposal of Ordinary Shares may give rise to a chargeable gain or allowable loss for the purposes of capital gains tax. Subject to any applicable tax reliefs that may be available, the rate of capital gains tax is 18 per cent for individuals who are subject to income tax at the basic rate and 28 per cent to the extent that an individual Shareholder's chargeable gains, when aggregated with his or her income chargeable to income tax, exceeds the basic rate band for income tax purposes. An individual Shareholder is entitled to realise an exempt amount of gains (currently £11,000 for tax year 2014/15) each tax year without being liable to tax.

For a Shareholder within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax. Corporation tax is charged on chargeable gains at the rate applicable to that company, subject to any available exemption or relief. Indexation allowance may reduce the amount of chargeable gain (but may not give rise to or increase an allowable loss) that is subject to corporation tax.

**13.4 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

Provided that section 108 and schedule 20 of the UK Finance (No. 2) Bill 2014 are enacted in the form of the latest public draft dated 25 March 2014, transfers on sale of or agreements to transfer shares which are admitted to trading on a recognised growth market, but not listed on a recognised stock exchange, should generally not be subject to stamp duty or SDRT as from 28 April 2014. HMRC has recognised AIM as a growth market for these purposes. Therefore no stamp duty or SDRT should be chargeable in respect of the Ordinary Shares so long as they remain admitted to trading on AIM and not listed on a recognised stock exchange.

The UK Finance (No. 2) Bill 2014 is expected to receive Royal Assent in July 2014; thereafter the changes described above are expected to take effect retrospectively as from 28 April 2014. Prior to such Royal Assent, SDRT should not be chargeable in respect of agreements to transfer the Ordinary Shares by virtue of a budget resolution dated 20 March 2014. There is no equivalent budget resolution in relation to stamp duty for the period from (and including) 28 April 2014 to (but excluding) Royal Assent but the Company understands that HMRC has indicated that during this period it will exercise its collection and management powers to refrain from collecting stamp duty on transfers on sale of shares which fall within this prospective exemption and that instruments of transfer (including stock transfer forms) in respect of such shares should be adjudged not chargeable with any stamp duty if submitted to HMRC for adjudication. Prospective and existing holders of Ordinary Shares should consult their own tax advisers before paying any stamp duty or SDRT in respect of the Ordinary Shares.

If these new rules are not enacted or the Ordinary Shares cease to qualify for this exemption, then:

(a) in relation to the New Ordinary Shares being issued by the Company, no liability to stamp duty or SDRT will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by the Company;

(b) instruments of transfer on the sale of Ordinary Shares held in certificated form will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares (rounded up if necessary to the nearest multiple of £5), which is normally paid by the purchaser of the Ordinary Shares;

(c) an unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at a rate of 0.5 per cent of the amount or value of the consideration payable, although the SDRT liability will be cancelled and any SDRT which has been paid may be reclaimed where an instrument of transfer is executed and duly stamped within six years of the date of the agreement; paperless transfers of Ordinary Shares within CREST are generally subject to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable, which CREST is obliged to collect on relevant transactions settled within the system (although deposits of Shares into CREST will generally not be subject to SDRT or stamp duty unless such transfer is itself for consideration in money or money's worth); and

(d) special rules apply to agreements made by market intermediaries in the ordinary course of their business and in relation to clearance services and depositary receipts providers.

**Prospective purchasers of New Ordinary Shares should consult their own tax advisers with respect to the tax consequences to them of acquiring, holding and disposing of New Ordinary Shares.**

### 13.5 VCT Investment

The Company has applied for and obtained advance assurance from HMRC that the Eligible Placing Shares should be able to form part of a qualifying holding for the purposes of the VCT legislation. The status of the Eligible Placing Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, upon the Company continuing to satisfy the relevant requirements.

The advanced assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Placing Shares. The conditions for relief are complex and depend not only upon the qualifying status of the company, but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for VCT relief should consult their own tax advisers regarding this.

The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of Chapter 4, Part 6, Income Tax Act 2007.

Neither the Company nor its advisers give any warranties or undertakings that the VCT relief will be available or that, if given, such relief will not be withdrawn.

The tax legislation in respect of VCTs is found in Part 6 of the Income Tax Act 2007 and sections 151A and 151B of the Taxation of Capital Gains Act 1992.

**13.6 EIS Tax Relief**

The Company has applied for and obtained advance assurance from HMRC that the Eligible Placing Shares will be eligible shares for EIS purposes, subject to the submission of the relevant claim form in due course. Prospective investors who may be eligible for EIS are strongly recommended to consult their own professional advisers, particularly on the conditions which must be satisfied by both the Company and the investor to obtain such relief, the nature of the tax advantaged which may be obtained, and the circumstances in which relief may be withdrawn or reduced.

The Company cannot guarantee or undertake to conduct its business following Admission, in a way to ensure that the Company will continue to meet the requirements of Chapter 4, Part 5 of the Income Tax Act 2007. Neither the Company nor its advisers give any warranties or undertakings that EIS relief will be available, or that if available, such relief will not be withdrawn or reduced. The tax legislation in respect of EIS relief is found in Part 5 of the Income Tax Act 2007 and in Section 150A to 150C and Schedule 5B of the Taxation of Chargeable Gains Act 1992.

**14. Litigation and Other Proceedings**

No member of the Group is, or has been within the 36 months preceding the date of this Document, involved in any governmental, legal or arbitration proceedings which may have, or have had within the previous 36 months, a significant effect on the Group's financial position or profitability nor, as far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Group.

**15. Reasons for the Fundraising and Use of Proceeds**

The estimated net amount of the proceeds of the Fundraising and the reasons for the Fundraising are set out at paragraph 8 of Part I.

**16. Working Capital**

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Fundraising receivable by the Company and the Enlarged Group's existing cash resources, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is, for at least the next twelve (12) months from the date of Admission.

**17. Significant Change**

Save as described in this Document and in respect of expenditure incurred in the ordinary course of its business, there has been no significant change in the financial or trading position of the Group since 31 December 2013, being the end of the last financial period included in the Group's historical financial information, as set out in Section B of Part III of this Document.

**18. Consents**

18.1 Oriel has given and not withdrawn its consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.

18.2 Deloitte has given and not withdrawn its written consent to the inclusion in this Document of its accountant's report in Section A of Part III of this Document in the form and context in which it appears.

18.3 None of the persons referred to in paragraphs 18.1 or 18.2 has any interest in the Company which is or may be material other than in respect of their professional fees.

**19. General**

19.1 No Ordinary Shares are being made available to the public in conjunction with the Fundraising.

19.2 The Placing Price of 160p per Ordinary Share represents a premium of 159p per share over the nominal value of 1p per Ordinary Share.

19.3 The Ordinary Shares will be in registered form and will be capable of being held in both certificated and uncertificated form. They are denominated in sterling. The ISIN number for the Ordinary Shares is GB00BN7ZCY67 and the Sedol number is BN7ZCY6.

19.4 The total expenses (excluding value added tax where appropriate) payable by the Company on Admission in connection with the Fundraising are estimated to amount to approximately £1.3 million of which approximately £0.7 million represents the total remuneration of financial intermediaries. The net proceeds of the Fundraising receivable by the Company are estimated to be £9.7 million.

19.5 The Company has paid Nicholas Blech, a contractor, fees of £20,000 in the last 12 months for accounting support services. Save as disclosed above or elsewhere in this Document, no persons (excluding Directors and professional advisers) have received, in the last 12 months, directly or indirectly, from the Company or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

19.6 Save as disclosed in this Document, the Directors believe that there are no patents, other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

19.7 Neither the Existing Ordinary Shares nor the Fundraising Shares have been admitted to trading on any investment exchange and save in relation to the application for Admission, no application for such admission has been made.

19.8 Save as disclosed in this Document, there are no exceptional factors which have influenced the Group's activities.

19.9 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

19.10 There have been no public takeover bids by third parties in respect of the shares of the Company at any time.

19.11 The Group's auditor for the period covered by the historical financial information in Section B of Part III of this Document is Riches & Company, 34 Anyards Road, Cobham, Surrey, KT11 2LA, United Kingdom which is a member of the Institute of Chartered Accountants in England and Wales.

19.12 Copies of this Document are available on the Company's website and at the offices of the Company, 26-28 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey GU2 7YD during normal business hours on any weekday (excluding Saturdays, Sundays and any public of bank holidays) from the date of this Document until the date of Admission.

9 July 2014

# PART VI

# TERMS AND CONDITIONS OF APPLICATION UNDER THE PLACING

## 1. Introduction

Each Placee which confirms its agreement to Oriel to subscribe for Ordinary Shares under the Placing will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and/or Oriel may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter.

## 2. Agreement to Subscribe for Placing Shares

Conditional on: (i) Admission occurring and becoming effective by 8.00 am on or prior to 15 July 2014 (or such later time and/or date, not being later than to 29 July 2014, as the Company and Oriel may agree); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before Admission; and (iii) Oriel confirming to the Placees their allocation of Ordinary Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Ordinary Shares allocated to it by Oriel at the Placing Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that its obligations are irrevocable and it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have. In the event that the conditions of the Placing that are required to be fulfilled on or before Admission are not satisfied or waived in full before Admission, or if Oriel, in its absolute discretion, terminates its obligations under the Placing Agreement prior to Admission, the Placee's rights and obligations in respect of the Placing shall terminate and neither Oriel nor the Company shall have any liability to the Placee in connection with such termination.

## 3. Payment for Ordinary Shares

Each Placee undertakes to pay the Placing Price for the Placing Shares issued to the Placee in the manner and by the time directed by Oriel. In the event of any failure by any Placee to pay as so directed and/or by the time required by Oriel, the relevant Placee shall be deemed hereby to have appointed Oriel or any nominee of Oriel as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment shall not have been made as directed or required, and to indemnify Oriel and its respective affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales. A sale of all or any of such Ordinary Shares shall not release the relevant Placee from the obligation to make such payment for relevant Ordinary Shares to the extent that Oriel or its nominee has failed to sell such Ordinary Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, exceeds the Placing Price per Ordinary Share.

## 4. Representations and Warranties

By agreeing to subscribe for Ordinary Shares, each Placee which enters into a commitment to subscribe for Ordinary Shares will (for itself and for any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be deemed to undertake, represent and warrant to each of the Company and Oriel that:

(a) in agreeing to subscribe for Ordinary Shares under the Placing, it is relying solely on this Document and any supplementary admission Document issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Ordinary Shares, the Placing or Admission. It agrees that neither the Company nor Oriel, nor any of their respective officers, agents, employees or affiliates, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;

(b) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares under the Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company or Oriel or any of their respective officers,

agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;

(c) it has carefully read and understands this Document in its entirety and acknowledges that it is acquiring Ordinary Shares on the terms and subject to the conditions set out in this Part VI and the Articles;

(d) it has not relied on Oriel or any person affiliated with Oriel in connection with any investigation of the accuracy of any information contained in this Document;

(e) it acknowledges that the content of this Document is exclusively the responsibility of the Company and its Directors and neither Oriel nor any person acting on its behalf nor any of its affiliates are responsible for or shall have any liability for any information, representation or statement contained in this Document or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Placing based on any information, representation or statement contained in this Document or otherwise;

(f) it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this Document and, if given or made, any information or representation must not be relied upon as having been authorised by Oriel or the Company;

(g) it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;

(h) it accepts that none of the Ordinary Shares have been or will be registered under the laws of any Excluded Territory. Accordingly, the Ordinary Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Excluded Territory unless an exemption from any registration requirement is available;

(i) if it is within the United Kingdom, it is a person who falls within Articles 19(5) or 49 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or is a person to whom the Ordinary Shares may otherwise lawfully be offered under such Order, or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Ordinary Shares may be lawfully offered under that other jurisdiction's laws and regulations;

(j) if it is a resident in the EEA States, it is a qualified investor within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;

(k) in the case of any Ordinary Shares acquired by a Placee as a financial intermediary within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive: (i) the Ordinary Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant EEA State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Oriel has been given to the offer or resale; or (ii) where Ordinary Shares have been acquired by it on behalf of persons in any relevant EEA State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;

(l) neither this Document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Ordinary Shares could lawfully be distributed to, subscribed and/or purchased and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;

(m) it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares and it is not acting on a non-discretionary basis for any such person;

(n) if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such Placee's agreement to subscribe for Ordinary Shares under the Placing and will not be any such person on the date any such Placing is accepted;

(o) it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Document or any other offering materials concerning the Placing or the Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;

(p) it acknowledges that none of Oriel nor any of their respective affiliates nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of Oriel and that Oriel does not have any duties or responsibilities to it for providing protection afforded to its clients or for providing advice in relation to the Placing nor, if applicable, in respect of any representations, warranties, undertaking or indemnities contained in this Document;

(q) that, save in the event of fraud on the part of Oriel, none of Oriel, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Oriel's role as nominated advisor, broker and financial advisor or otherwise in connection with the Placing and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;

(r) it acknowledges that where it is subscribing for Ordinary Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Ordinary Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this Document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Oriel. It agrees that the provisions of this paragraph shall survive any resale of the Ordinary Shares by or on behalf of any such account;

(s) it irrevocably appoints any director of the Company and any director of Oriel to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Ordinary Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;

(t) it accepts that if the Placing does not proceed or the relevant conditions to the Placing Agreement are not satisfied or the Ordinary Shares for which valid application are received and accepted are not admitted to listing on AIM for any reason whatsoever then none of Oriel or the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

(u) in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering ("Money Laundering Legislation") and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the aforementioned Money Laundering Directive;

(v) it acknowledges that due to anti-money laundering requirements, Oriel and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Oriel and the Company may refuse to accept the

application and the subscription monies relating thereto. It holds harmless and will indemnify Oriel and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;

(w) that it is aware of, have complied with and will at all times comply with its obligations in connection with money laundering under the Proceeds of Crime Act 2002;

(x) it acknowledges and agrees that information provided by it to the Company and the Company's registrars, Share Registrars Limited (the ''Registrars'') will be stored on the Company's and/or the Registrars computer system(s). It acknowledges and agrees that for the purposes of the Data Protection Act 1998 (the ''Data Protection Law'') and other relevant data protection legislation which may be applicable, the Company and the Registrars is required to specify the purposes for which it will hold personal data. The Company and the Registrars will only use such information for the purposes set out below (collectively, the ''Purposes''), being to:

  (i) process its personal data (including sensitive personal data) as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;

  (ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;

  (iii) provide personal data to such third parties as the Company or the Registrars may consider necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares or as the Data Protection Law may require, including to third parties outside the United Kingdom or the European Economic Area;

  (iv) without limitation, provide such personal data to the Company or Oriel and their respective Associates for processing, notwithstanding that any such party may be outside the United Kingdom or the EEA States; and

  (v) process its personal data for the Company's or Registrars' internal administration;

(y) in providing the Registrars and the Company with information, it hereby represents and warrants to the Registrars and the Company that it has obtained the consent of any data subjects to the Registrars and the Company and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the purpose set out in paragraph (x) above). For the purposes of this Document, ''data subject'', ''personal data'' and ''sensitive personal data'' shall have the meanings attributed to them in the Data Protection Law;

(z) Oriel and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them;

(aa) the representations, undertakings and warranties contained in this Document are irrevocable. It acknowledges that Oriel and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed to have been made by its subscription of the Ordinary Shares are no longer accurate, it shall promptly notify Oriel and the Company. All representations, undertakings or warranties contained in this Document will survive completion of the Placing and Admission;

(bb) where it or any person acting on behalf of it is dealing with Oriel, any money held in an account with Oriel on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Oriel to segregate such money, as that money will be held by Oriel under a banking relationship and not as trustee;

(cc) any of its clients, whether or not identified to Oriel, will remain its sole responsibility and will not become clients of Oriel for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;

(dd) it accepts that the allocation of Ordinary Shares shall be determined by Oriel and the Company in their absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as they may determine;

(ee) time shall be of the essence as regards its obligations to settle payment for the Ordinary Shares and to comply with its other obligations under the Placing;

(ff) authorises Oriel to deduct from the total amount subscribed under the Placing the aggregation commission (if any) (calculated at the rate agreed with the Company) payable on the number of Ordinary Shares allocated under the Placing;

(gg) has the power and capacity to enter into and perform its obligations in relation to the Placing and has obtained all necessary consents and authorities to enable it to do the same and, if it is a body corporate, it is validly subsisting under the laws of the jurisdiction of its incorporation; and

(hh) it has the funds available to pay the full amount for the Ordinary Shares allocated to it and shall pay the same when due.

**5. United States Purchase and Transfer Restrictions**

By participating in the Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company and Oriel that:

(a) it is not a US Person, is not located within the United States, is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S of the Securities Act and is not acquiring the Ordinary Shares for the account or benefit of a US Person;

(b) it acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from registration under the Securities Act;

(c) unless the Company expressly consents in writing otherwise, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an ''employee benefit plan'' as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a ''plan'' as defined in Section 4975 of the Internal Revenue Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Internal Revenue Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Internal Revenue Code. In addition, if a Placee is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Internal Revenue Code, its purchase, holding, and disposition of the Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;

(d) that if any Ordinary Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

''THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, EXERCISED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR AN EXEMPTION THEREFROM AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.''

(e) if in the future the Placee decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions may be subject to any compulsory transfer provisions as provided in the Articles;

(f) it is purchasing the Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the Securities Act or any other applicable securities laws;

(g) it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person's status under the US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the US securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;

(h) it acknowledges and understand the Company is required to comply with FATCA and that the Company will follow FATCA's extensive reporting and withholding requirements. The Placee agrees to furnish any information and documents which the Company may from time to time request, including but not limited to information required under FATCA;

(i) it is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, Oriel or their respective directors, officers, agents, employees and advisors being in breach of the laws of any jurisdiction in connection with the Placing or its acceptance of participation in the Placing;

(j) it has received, carefully read and understands this Document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Document or any other presentation or offering materials concerning the Ordinary Shares to or within the United States or to any US Persons, nor will it do any of the foregoing; and

(k) if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the Placee has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

**6. Supply and Disclosure Of Information**

If Oriel, the Registrars or the Company or any of their agents request any information about a Placee's agreement to subscribe for Ordinary Shares under the Placing, such Placee must promptly disclose it to them.

**7. Miscellaneous**

The rights and remedies of Oriel, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.

Each Placee agrees to be bound by the Articles once the Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Ordinary Shares under the Placing and the appointments and authorities mentioned in this Document (and any non-contractual obligations arising out of or in connection with the same) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Oriel, the Company and the Registrars, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Ordinary Shares under the Placing, references to a Placee in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

Oriel and the Company expressly reserve the right to modify the Placing (including, without limitation, the timetable and settlement) at any time before allocations are determined. The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in paragraph 6.1 of Part V of this Document.

**8 Additional Definitions**

**"Excluded Territory"** means the United States of America, Canada, Japan, and Australia and any other jurisdiction where the extension or availability of the Placing would breach applicable law.

**"EEA State"** means any member state of the European Economic Area which has implemented the Prospectus Directive.

**"Prospectus Directive"** means EU Directive 2003/71/EC (as amended) and including any implementing measure in any EEA State.

**"ERISA"** means the United States Employee Retirement Income Security Act 1974, as amended.

**"FACTA"** means Foreign Account Tax Compliance Act 2010, as amended.

**"US Person"** has the meaning given to it in Regulation S under the Securities Act.

**"Securities Act"** the United States Securities Act of 1933, as amended.

ERGOMED

ADMISSION DOCUMENT

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United Kingdom

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**www.ergomedgroup.com**

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