

Interim results for the six months ended 30 June 2021

Strong organic growth and acquisitions drive increased revenue and profit
Growth in new sales awards and order book underpins high levels of forward visibility

- **Total revenue growth of 38.8% over H1 2020 to £56.0 million (up 48.1% in constant currency*)**
- **Adjusted EBITDA of £12.1 million up 33.0%**
- **Basic adjusted earnings per share of 16.8p, up 48.7%**
- **Service fee revenue growth of 29.3% (11.1% on a like-for-like basis, 18.2% in constant currency*)**
- **CRO revenue up 90.2% over H1 2020 to £27.2 million, with like-for-like growth of 16.1% (up 24.5% in constant currency*)**
- **Net new sales awards in H1 2021 increased by 50.8% over H1 2020**
- **Growth in order book maintained - up 18.0% since 1 January 2021 (£193.0 million) and up 50.5% on prior year to £227.8 million, providing high visibility into H2 2021 and beyond**
- **Continued international expansion with growing presence in the USA**
- **North America revenues up 70.8% to £35.5 million with recent acquisitions Ashfield Pharmacovigilance and MedSource fully integrated**
- **Cash balance increased to £24.6 million and debt free**

*Constant currency growth is calculated by restating H1 2021 performance using H1 2020 exchange rates

Guildford, UK – 28 September 2021: Ergomed plc, (LSE: ERGO) ('Ergomed' or the 'Company'), a company focused on providing specialised services to the global pharmaceutical industry, announces its unaudited interim results for the six months ended 30 June 2021.

Financial Summary

<i>Figures in £ millions, unless otherwise stated</i>	First Half 2021	First Half 2020	% change
Total Revenue	56.0	40.4	38.8
Service Fee Revenue	47.6	36.9	29.3
Like-for-like Service Fee Revenue (Note 1)	41.0	36.9	11.1
Gross Profit	23.0	18.5	24.3
Gross Margin (%)	41.1%	45.8%	-4.7 ppts
Gross Margin Service Fee (%)	48.2%	50.1%	-1.9 ppts
Adjusted EBITDA (Note 2)	12.1	9.1	33.0
Net cash at 30 June	24.6	14.1	74.5
Order book at 30 June	227.8	151.4	50.5
Basic adjusted earnings per share (pence) (Note 3)	16.8p	11.3p	48.7

Notes:

(1) Like-for-like Service Fee revenue excludes H1 2021 Service Fee revenues of £6.6m in MedSource acquired on 11 December 2020.

(2) Adjusted EBITDA is defined as operating profit for the period plus depreciation and amortisation, share-based payment charge, and other income and costs further detailed in Note 7 to the financial statements which management believes are not reflective of the Group's underlying trading performance.

(3) Basic adjusted earnings per share is defined as basic earnings per share after adjustment for certain income and costs detailed in Note 3 to the financial statements which management believes are not reflective of the Group's underlying trading performance.

Dr Miroslav Reljanović, Executive Chairman of Ergomed, said: "The excellent financial results that Ergomed has reported in the first half of 2021 reflect continued strong organic growth and the successful integration of value-enhancing acquisitions with significant new business won in both the pharmacovigilance and CRO businesses. Global demand for our services continues to strengthen and our confidence in the long-term growth of the Company is underpinned by the buoyant markets in which we operate, our acquisition strategy, and the robust platform provided by our order book and balance sheet."

Key Financial Highlights

- Revenue of £56.0 million, up 38.8% (H1 2020: £40.4 million)
- Adjusted EBITDA of £12.1 million, up 33.0% (H1 2020: £9.1 million)
- Basic adjusted earnings per share of 16.8p, up 48.7% (H1 2020: 11.3p)
- Net cash of £24.6 million, up 74.5% (30 June 2020: £14.1 million)

Operational Highlights

- Robust sales performance with net new sales awards up 50.8%
- Order book of future contracted revenue up 50.5% to £227.8 million (30 June 2020: £151.4 million) and up 18.0% since 1 January 2021 (£193.0 million)
- CRO division delivered strong growth with revenue up 90.2% over H1 2020 to £27.2 million, including the MedSource business acquired in 2020, with like-for-like growth of 16.1% (24.5% in constant currency)
- Integration of recent acquisitions of Ashfield Pharmacovigilance and MedSource completed
- North America revenues up 70.8% to £35.5 million, despite foreign exchange headwinds

Webcast and conference call for analysts:

A webcast and conference call for analysts will be held at 10.30am BST today, 28 September 2021.

Webcast link: <https://edge.media-server.com/mmc/p/4p2rdmjm>

Conference call details

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About Ergomed plc

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

Forward-looking Statements

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

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

INTERIM MANAGEMENT REPORT

OPERATIONAL REVIEW

Introduction

Ergomed continued to make significant strategic progress in the first half of 2021, demonstrating its ongoing robustness globally throughout the COVID-19 pandemic, concluding its strategic transition to a services-based business model, and completing the integration of recent acquisitions. A further period of strong operational and financial performance was achieved in H1 2021, underlining the value of Ergomed's services model and the strength of the foundations which the Company is building for long-term growth.

Favourable market dynamics have continued and strengthened in the areas in which Ergomed operates, with increased research and development investment generally and particular strength in Ergomed's specialist areas of rare disease and oncology, where the Company's physician- and patient-centric model is also a key competitive advantage. In addition, regulatory scrutiny and harmonisation are also increasing, and the COVID-19 pandemic is accelerating innovation and the adoption of digital technologies. With the Company's growing order book, recognised expertise and brand recognition in our specialist fields, and complementary geographies and service offerings, Ergomed is well placed to take advantage of these favourable market dynamics.

Financial summary

Ergomed reported strong financial performance in the first half of 2021 with total revenues of £56.0 million (H1 2020: £40.4 million), an increase of 38.8% (48.1% in constant currency). Service fee revenues of £47.6 million (H1 2020: £36.9 million) were up 29.3% (37.7% in constant currency). This increase in revenues was driven by a robust order book at the beginning of 2021, combined with substantial levels of new business wins over the first half. Significant revenue growth in North America continued and was up 70.8% compared to H1 2020, despite the impact of foreign exchange headwinds. Like-for-like service fee revenue, excluding revenue from MedSource, the US-based CRO acquired in December 2020, grew 11.1% (18.2% in constant currency).

Adjusted EBITDA for the first half of 2021 was up 33.0% to £12.1 million compared to £9.1 million in H1 2020.

Cash generation in H1 2021 was strong and derived entirely from earnings with no debt or equity financing. After the payment of a property lease surrender premium of £0.5 million and taxation of £2.1 million in H1 2021 as the business switched to quarterly instalment payments, the net cash at 30 June 2021 was up 74.5% at £24.6 million compared to H1 2020. The Company continues to be debt free with committed banking facilities of £30 million available to support expansion.

Operational summary

Ergomed had an excellent first half with overall growth in revenue driven by increasing demand for its services across the business.

Ergomed's international expansion is continuing at pace. The Company's operational presence in the US continues to develop rapidly with strong organic growth alongside the integration of the two new US businesses acquired in 2020. There is also ongoing expansion into further geographic areas, including the development of operational capabilities in key European countries as well as the new operation in Japan, the fourth largest pharmaceutical market in the world. Ergomed is also recognised as a global provider of COVID-19 research support with involvement in a number of COVID-19 projects in its CRO and PV businesses.

A strong business development performance saw net sales of new business for H1 2021 increase by 50.8% to £90.8 million (H1 2020: £60.2 million), accelerated by effective cross-selling activities between the CRO and PV businesses as well as the expanded geographic territory and client bases from the two US acquisitions in 2020. The order book remains robust at £227.8 million at the end of H1 2021, up 18.0% from £193.0 million at 31 December 2020 and up 50.5% on the prior year (H1 2020: £151.4 million), providing excellent visibility of contracted revenues into the second half of 2021 and beyond. The order book has continued to develop well in the third quarter of 2021 with further substantial wins.

The increase in total revenues of 38.8% to £56.0 million (H1 2020: £40.4 million) was achieved across both the PrimeVigilance and Clinical Research Services businesses.

PrimeVigilance

Ergomed's pharmacovigilance (PV) business saw total revenue increase to £28.8 million in H1 2021 from £26.1 million in H1 2020, up by 10.3% (16.2% in constant currency). Reported gross profit increased from £13.4 million to £14.6 million, up 9.0%, whilst gross margin was broadly flat at 50.7% (H1 2020: 51.3%).

During the first half of 2021, further progress was made through strategic partnerships with key vendors to develop the technology suite and optimise processes and systems to support increased revenues and profitability. The Japan office is now fully operational, with local pharmacovigilance experts providing fully integrated and comprehensive medical information and PV services compliant with Japan's Pharmaceutical and Medical Devices Agency requirements.

Clinical Research Services (CRO)

The Clinical Research Services (CRO) division has seen further acceleration of the growth that resumed in the second half of 2020. Including MedSource, acquired in December 2020, the CRO division saw its total revenue increase by 90.2% from £14.3 million in H1 2020 to £27.2 million in H1 2021 (up 106.4% in constant currency). Excluding MedSource, the CRO division revenue increased by 16.1% (24.5% in constant currency) from £14.3 million in H1 2020 to £16.6 million in H1 2021.

Reported gross profit in the CRO division increased by 64.7% to £8.4 million (H1 2020: £5.1 million) and service fee gross margin was 44.2% (H1 2020: 45.9%). The reduction in overall gross margin was as anticipated and was due to foreign exchange headwinds and increased staffing in the USA to facilitate further revenue growth from the Company's growing order book.

During the first half of 2021, substantial operational progress was achieved, which is expected to further strengthen Ergomed's CRO services and accelerate patient recruitment on behalf of clients. This included the expansion of operational capabilities in Spain, Bulgaria, Romania and Georgia, significant organisational improvements including the enhancement of global study start-up capabilities, and the rationalisation of standard operating procedures. Ergomed's strategic focus on rare disease and oncology was strengthened with over 80% of revenues now generated in these therapeutic areas.

The MedSource CRO business performed well over the first half of 2021. In July 2021 Ergomed agreed with the former MedSource owners that the earn-out agreed as part of the acquisition terms would be accelerated with final payments totalling \$3.8 million (£2.7 million) to be paid during the third quarter of 2021. This has facilitated the full integration of all CRO activities in North America under the Ergomed CRO brand and management, and enabled the business to realise fully the benefit of a wider CRO operational base in North America significantly ahead of schedule.

Acquisitions

The acquisitions of Ashfield Pharmacovigilance and MedSource in 2020 have proved successful with both businesses now fully integrated and delivering significant new sales, cross-selling benefits and cost synergies. Both acquisitions were completed using internally generated cash resources without utilising available debt facilities and have significantly augmented Ergomed's underlying organic growth. The Company continues to review acquisition opportunities to further grow the CRO and PV businesses and deliver enhanced shareholder value.

Board Changes

As previously announced, Rolf Soderstrom has informed the Board of his intention to step down from the Board to focus on his other business activities and will leave the Board on 30 September 2021. We thank Rolf for the significant contribution he has made to Ergomed's growth and success during the recent period and we wish him well in all his future endeavours.

During the first half the Board was strengthened by the appointments as Non-Executive Directors of Dr Llew Keltner, M.D., Ph.D., in April, and Mark Enyedy, in June.

Current trading and outlook

The excellent results that Ergomed has reported in the first half of 2021 reflect continued strong organic growth and the successful integration of value enhancing acquisitions with significant new business won in both the pharmacovigilance and CRO businesses. Global demand for our services continues to strengthen and our confidence in the long-term growth of the Company is underpinned by the buoyant markets in which we operate, our acquisition strategy, and the robust platform provided by our order book and balance sheet.

Dr Miroslav Reljanović
Executive Chairman

FINANCIAL REVIEW

The unaudited primary financial statements of Ergomed plc for the six months ended 30 June 2021 are presented later in this announcement along with the key accounting policies, notes to the financial statements and the independent review report from KPMG.

Key performance indicators

The Directors consider the principal financial performance indicators of the Company and its subsidiary undertakings (together the 'Group') to be:

£ million <i>(unless stated otherwise)</i>	H1 2021	H1 2020
Total revenue	56.0	40.4
Gross profit	23.0	18.5
Gross margin% on service fee revenue	48.2%	50.1%
Profit after tax	6.6	4.3
Adjusted EBITDA <i>(Note 7)</i>	12.1	9.1
Cash and cash equivalents	24.6	14.1
Cash generated from operating activities	10.6	8.2
Basic adjusted earnings per share <i>(Note 3)</i>	16.8p	11.3p

Consolidated income statement

Total revenue on a reported basis for the six months ended 30 June 2021 was £56.0 million (H1 2020: £40.4 million), an increase of 38.8%, driven by growth in the PV division (up 10.3%) and the CRO division (up by 16.1% on a like-for-like basis), as well as revenues of £10.6 million in MedSource acquired in December 2020. Revenues in the key North American market grew by 70.8% to £35.5 million (H1 2020: £20.8 million), despite the impact of adverse foreign exchange headwinds.

Gross profit was £23.0 million and service fee gross margin was 48.2% (H1 2020: gross profit £18.5 million and service fee gross margin 50.1%), the slightly lower gross margin percentage being an anticipated result of foreign exchange headwinds and increased staffing in the USA ahead of expected further revenue growth. Selling, general and administration expenses including acquisition related costs were £14.8 million (H1 2020: £11.3 million). The potential risk of non-recoverability of certain trade receivables including as a result of COVID-19 has been assessed and the provision for net impairment losses remains at £0.9 million (H1 2020: £0.9 million). Research and development costs expensed in the period were £0.04 million (H1 2020: £0.10 million), the reduction being due to the strategic withdrawal from co-development projects.

Adjusted EBITDA increased to £12.1 million in H1 2021 from £9.1 million in H1 2020, with profit after tax up 53.5% at £6.6 million (H1 2020: £4.3 million). Basic adjusted earnings per share were up 48.7% to 16.8p (H1 2020: 11.3p).

Consolidated balance sheet

Net assets increased by £6.0 million during the first half of 2021 and amounted to £58.9 million at 30 June 2021 (31 December 2020: £52.9 million) including net cash and cash equivalents of £24.6 million (31 December 2020: £19.0 million).

Cash flow statement

At 30 June 2021, the Group's net cash balance was £24.6 million, having paid a property lease surrender premium of £0.5m and taxation of £2.1m in H1 2021 as the business switched to quarterly instalment payments (net cash at 30 June 2020: £14.1 million, 31 December 2020: £19.0 million).

Cash generated from operating activities was £10.6 million (H1 2020: £8.2 million) primarily due to the increased revenues and profitability of the business. Ergomed has no debt.

Net outflows from investing activities decreased to £0.9 million (net outflows from investing activities H1 2020: £7.9 million). Net outflows on financing activities for the period of £1.6 million was primarily related to lease costs and interest paid.

Richard Barfield
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO ERGOMED PLC

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes. Our review was conducted in accordance with the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*'.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects in accordance with IAS 34 as adopted for use in the UK and the AIM Rules.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules. As disclosed in note 1, the annual financial statements of the Group for the period ended 30 June 2021 were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for ensuring that the condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK.

Our responsibility

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

Scope of review

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

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

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

This report is made solely to the Entity in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Entity those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entity for our review work, for this report, or for the conclusions we have reached.

KPMG

27 September 2021

Chartered Accountants, Statutory Audit Firm

1 Stokes Place

St Stephen's Green,

Dublin 2,

Ireland

Consolidated Income Statement
For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
		£000s	£000s	£000s
REVENUE	2	56,042	40,379	86,391
Cost of sales		(24,671)	(18,343)	(38,686)
Reimbursable expenses		(8,354)	(3,498)	(8,055)
GROSS PROFIT		23,017	18,538	39,650
Selling, general and administrative expenses		(14,848)	(11,327)	(27,518)
Selling, general and administrative expenses comprises:				
Other selling, general and administrative expenses		(13,201)	(10,147)	(24,591)
Amortisation of acquired fair valued intangible assets		(728)	(675)	(1,332)
Share-based payment charge		(431)	(488)	(742)
Acquisition costs	6	(488)	(17)	(853)
Research and development expenses		(36)	(99)	(152)
Net impairment losses on trade receivable and contract assets		(533)	(937)	(285)
Other operating income	5	926	704	1,839
OPERATING PROFIT		8,526	6,879	13,534
Finance income		1	7	8
Change in fair value of equity investments		-	(686)	(511)
Finance costs	4	(213)	(234)	(403)
PROFIT BEFORE TAXATION		8,314	5,966	12,628
Taxation	8	(1,681)	(1,687)	(2,946)
PROFIT FOR THE PERIOD		6,633	4,279	9,682

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

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	£000s	£000s	£000s
OTHER COMPREHENSIVE INCOME			
Profit for the period	6,633	4,279	9,682
Exchange differences on translation of foreign operations	(1,001)	291	(59)
Other comprehensive income for the period net of tax	(1,001)	291	(59)
Total comprehensive profit for the period	5,632	4,570	9,623

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

	Note	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Unaudited Year ended 31 December 2020
		£000s	£000s	£000s
EARNINGS PER SHARE				
	3			
Basic		13.6p	8.9p	20.0p
Diluted		13.0p	8.4p	19.2p

	Note	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Unaudited Year ended 31 December 2020
		£000s	£000s	£000s
ADJUSTED EBITDA				
(Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation)				
	7	12,111	9,113	19,370
ADJUSTED EARNINGS PER SHARE				
	3			
Basic		16.8p	11.3p	25.8p
Diluted		16.1p	10.7p	24.7p

Consolidated Balance Sheet
As at 30 June 2021

	Note	Unaudited 30 June 2021	Unaudited 30 June 2020	Audited 31 December 2020
		£000s	£000s	£000s
Non-current assets				
Goodwill	9	25,646	17,895	24,605
Other intangible assets	10	7,683	4,508	9,618
Property, plant and equipment		1,957	1,916	1,742
Right-of-use assets		3,731	5,630	4,715
Equity investments		-	-	-
Deferred tax asset		5,343	3,184	4,898
		<u>44,360</u>	<u>33,133</u>	<u>45,578</u>
Current assets				
Trade and other receivables	11	21,966	17,418	22,224
Accrued revenue	2	4,268	4,957	5,553
Cash and cash equivalents	12	24,571	29,116	18,994
		<u>50,805</u>	<u>51,491</u>	<u>46,771</u>
Total assets		<u>95,165</u>	<u>84,624</u>	<u>92,349</u>
Current liabilities				
Borrowings	12	-	(15,000)	-
Lease Liabilities		(1,338)	(2,000)	(1,978)
Trade and other payables	13	(13,180)	(11,549)	(15,702)
Contingent and deferred consideration		-	-	(328)
Deferred revenue	2	(15,489)	(5,139)	(13,829)
Current tax liability		(1,676)	(2,098)	(1,775)
		<u>(31,683)</u>	<u>(35,786)</u>	<u>(33,612)</u>
Net current assets		<u>19,122</u>	<u>15,705</u>	<u>13,159</u>
Non-current liabilities				
Lease Liabilities		(2,429)	(4,015)	(3,128)
Provisions		(19)	(353)	(317)
Deferred tax liability		(2,101)	(796)	(2,426)
		<u>(4,549)</u>	<u>(5,164)</u>	<u>(5,871)</u>
Total liabilities		<u>(36,232)</u>	<u>(40,950)</u>	<u>(39,483)</u>
Net assets		<u>58,933</u>	<u>43,674</u>	<u>52,866</u>
Equity				
Share capital	14	490	482	489
Share premium account		116	27,207	3
Merger reserve		1,349	11,088	1,349
Share-based payment reserve		5,473	4,788	5,042
Translation reserve		(386)	965	615
Retained earnings		51,891	(856)	45,368
Total equity		<u>58,933</u>	<u>43,674</u>	<u>52,866</u>

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

	Share capital	Share premium account	Merger reserve	Share-based payment reserve	Translation reserve	Retained earnings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 January 2020	473	25,790	11,088	4,300	674	(5,505)	36,820
Profit for the period	-	-	-	-	-	4,279	4,279
Other comprehensive income for the period	-	-	-	-	291	-	291
Total comprehensive income for the period	-	-	-	-	291	4,279	4,570
Shares issued on exercise of share options	9	1,417	-	-	-	-	1,426
Equity-settled share-based payment charge	-	-	-	488	-	-	488
Deferred tax credit taken directly to equity	-	-	-	-	-	370	370
Total transactions with shareholders in their capacity as shareholders	9	1,417	-	488	-	370	2,284
Balance at 30 June 2020	482	27,207	11,088	4,788	965	(856)	43,674
Profit for the period	-	-	-	-	-	5,403	5,403
Other comprehensive income for the period	-	-	-	-	(350)	-	(350)
Total comprehensive income for the period	-	-	-	-	(350)	5,403	5,053
Shares issued on exercise of share options	5	438	-	-	-	-	443
Equity-settled share-based payment charge	-	-	-	254	-	-	254
Deferred tax credit taken directly to equity	-	-	-	-	-	2,091	2,091
Shares issued for non-cash consideration	2	-	1,349	-	-	-	1,351
Transactions with shareholders – capital reduction							
Capitalisation of Merger reserve to B Ordinary Shares	11,088	-	(11,088)	-	-	-	-
Cancellation of B Ordinary Shares	(11,088)	-	-	-	-	11,088	-
Cancellation of Share Premium	-	(27,642)	-	-	-	27,642	-
Total transactions with shareholders in their capacity as shareholders	7	(27,204)	(9,739)	254	-	40,821	4,139
Balance at 31 December 2020	489	3	1,349	5,042	615	45,368	52,866
Profit for the period	-	-	-	-	-	6,633	6,633
Other comprehensive income for the period	-	-	-	-	(1,001)	-	(1,001)
Total comprehensive income for the period	-	-	-	-	(1,001)	6,633	5,632
Shares issued on exercise of share options	1	113	-	-	-	-	114
Equity-settled share-based payment charge	-	-	-	431	-	-	431
Deferred tax credit taken directly to equity	-	-	-	-	-	(110)	(110)
Total transactions with shareholders in their capacity as shareholders	1	113	-	431	-	(110)	435
Balance at 30 June 2021	490	116	1,349	5,473	(386)	51,891	58,933

Consolidated Cash Flow Statement
For the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	£000s	£000s	£000s
Cash flows from operating activities			
Profit before taxation	8,314	5,966	12,628
Adjustment for:			
Amortisation and depreciation	2,623	2,411	4,843
Profit on disposal of Right-of-use assets	(145)	-	-
Share-based payment charge	431	488	742
Change in fair value of equity investments	-	686	511
RDEC income	(559)	(527)	(1,188)
Finance costs	213	234	403
Other non-cash movements	162	(3)	8
Operating cash flow before changes in working capital and provisions	11,039	9,255	17,947
Decrease/(increase) in trade, other receivables and accrued revenue	1,672	(4,071)	(6,137)
(Decrease)/increase in trade, other payables and deferred revenue	(1,833)	3,039	7,182
(Decrease)/increase in provisions	(298)	19	(18)
Cash generated from operating activities	10,580	8,242	18,974
Taxes paid	(2,059)	(119)	(926)
Net cash from operating activities	8,521	8,123	18,048
Cash flows from investing activities			
Finance income received	1	7	8
Acquisition of intangible assets	(14)	(128)	(542)
Acquisition of property, plant and equipment	(545)	(261)	(432)
Proceeds from the sale of property, plant and equipment	14	12	46
Proceeds on the disposal of equity investments	-	36	175
Acquisition of subsidiaries, net of cash acquired	-	(7,613)	(12,031)
Acquisition related earn-out paid	(318)	-	-
Net cash used in investing activities	(862)	(7,947)	(12,776)
Cash flows from financing activities			
Proceeds from the issue of new ordinary shares	114	1,427	1,869
Finance costs paid	(105)	(103)	(157)
Payment of lease liabilities	(1,607)	(1,107)	(2,189)
Proceeds from borrowings	-	15,000	15,000
Repayment of borrowings	-	-	(15,000)
Net cash (used in)/from financing activities	(1,598)	15,217	(477)
Net increase in cash and cash equivalents	6,061	15,393	4,795
Effect of foreign currency on cash balances	(484)	(536)	(60)
Cash and cash equivalents at start of the period	18,994	14,259	14,259
Cash and cash equivalents at end of period	24,571	29,116	18,994

Notes to the Consolidated Financial Statements For the six months ended 30 June 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The interim financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The condensed financial statements have been prepared under the historical cost convention, except for the fair value of certain financial instruments which are further detailed in note 16.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2020.

These condensed financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the Company's Annual Report which is available on the Company website (www.ergomedplc.com). The principal risks were: competition; cancellation or delay of clinical trials or projects by customers including as a result of COVID-19; COVID-19 pandemic, natural disaster; dependency on pharmaceutical industry; legislation and regulation of the pharmaceutical and biotechnology industries; quality and third party oversight; information security and data privacy; UK withdrawal from the European Union; access to capital; retention of senior and key employees; and dependence on a limited number of key clients.

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements and are summarised below.

Source of estimation uncertainty	Overview
Bad debt provision	The Group had provisions against trade receivables and accrued revenue at the period end of £841,000 (2020: £959,000) which resulted in a charge to the Income Statement in the period of £533,000 (2020: £937,000).
Impairment of goodwill	The impairment provision against goodwill at the period end was £2,143,000 (2020: £2,143,000) and related fully against the investment in Haemostatix Limited. £nil (2020: £nil) was charged to the Income Statement in the period.
Fair value assessments	<p>During the year ended 31 December 2020 the Group acquired Ashfield Pharmacovigilance, Inc. ('Ashfield') and MS Clinical Services, LLC. and its subsidiaries ('MedSource'). At the acquisition date the Group is required to estimate the fair value of identifiable assets acquired and the liabilities assumed. Due to the substantial nature of the acquisitions, the Group engaged third-party qualified valuation experts to establish the appropriate techniques and inputs to complete this work.</p> <p>Contingent consideration is measured using a discounted cash flow approach, utilising management's forecasts to estimate the likely pay out and discounting these using a risk-adjusted weighted average cost of capital. The contingent consideration payable in respect MedSource is categorised as level 3 within the fair value hierarchy. The fair value of contingent consideration and has been assessed at £nil as no conditions, including the subsequent agreement of a revised earn-out and settlement agreement, existed at the reporting date.</p> <p>The Company has a 12-month measurement period from the date of acquisition, and therefore the measurement period will end on 11 December 2021.</p>

Accounting policy	Critical judgements
Revenue from customer contracts	Revenue for CRO services is recognised based on the costs incurred on a project as a proportion of total expected costs to determine a percentage of completion which is applied to the estimate of the transaction price. Given the long-term nature and complexity of clinical trials, the forecast costs to complete is judgemental and can impact the timing and value of revenue recognised for the CRO business.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date these interim financial statements are approved. The Directors have reviewed cash flow forecasts for the period through to 31 December 2023, which is derived from the 2021 Board approved budget and a medium-term cash flow forecast through to 31 December 2023, which is an extrapolation of the approved budget under multiple scenarios and growth rates. The 2021 budget and medium-term forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues. The 2021 budget and medium-term forecast demonstrate that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date these interim financial statements are approved.

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

Business Combinations

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

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

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

2. REVENUE AND OPERATING SEGMENTS

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

30 June 2021 Geographical market and major service lines

	CRO services	PV services	Total services
	£000s	£000s	£000s
Geographical market by client location			
UK	2,444	4,534	6,978
Rest of Europe, Middle East and Africa	4,058	6,243	10,301
North America	18,843	16,661	35,504
Asia	1,860	1,399	3,259
	<u>27,205</u>	<u>28,837</u>	<u>56,042</u>

30 June 2020 Geographical market and major service lines

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

31 December 2020 Geographical market and major service lines

	CRO services	PV services	Total services
	£000s	£000s	£000s
Geographical market by client location			
UK	3,589	8,590	12,179
Rest of Europe, Middle East and Africa	10,146	13,183	23,329
North America	15,828	30,836	46,664
Asia	1,753	2,466	4,219
	31,316	55,075	86,391

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

	30 June 2021	30 June 2020	31 December 2020
	£000s	£000s	£000s
Contract assets			
Trade receivables	18,900	14,791	19,079
Accrued revenue	4,268	4,957	5,553
	23,168	19,748	24,632
Contract liabilities			
Deferred revenue	(15,489)	(5,139)	(13,829)
Customer advances	(247)	(490)	(408)
	(15,736)	(5,629)	(14,237)

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

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

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

Operating segments

Information reported to the Company's Board, which is the chief operating decision maker ('CODM'), for the purpose of resource allocation and assessment of segment performance, is focused on the Group operating as two business segments, being Clinical Research Services ('CRO') and Pharmacovigilance ('PV'). All revenues arise from direct sales to customers. The segment information reported below all relates to continuing operations. The PV segment includes the revenues of Ashfield Pharmacovigilance, Inc. ('Ashfield') following its acquisition by the Group in January 2020. The CRO segment includes the revenues of MS Clinical Services, LLC. and its subsidiaries ('MedSource') following its acquisition by the Group in January 2020.

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

30 June 2021

	CRO	PV	Consolidated
	£000s	£000s	total
			£000s
Segment revenues	27,205	28,837	56,042
Cost of sales	(10,664)	(14,007)	(24,671)
Reimbursable expenses	(8,176)	(178)	(8,354)
Segment gross profit	8,365	14,652	23,017

Selling, general and administration expenses	(14,848)
Selling, general and administration expenses comprises:	
Other selling, general and administration expenses	(13,201)
Amortisation of acquired fair valued intangible assets	(728)
Share-based payment charge	(431)
Acquisition costs	(488)
Research and development expenses	(36)
Net impairment of trade receivables and contract assets	(533)
Other operating income	926
Operating profit	8,526
Finance income	1
Change in fair value of equity investments	-
Finance costs	(213)
Profit before tax	8,314

30 June 2020

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	14,265	26,114	40,379
Cost of sales	(5,891)	(12,452)	(18,343)
Reimbursable expenses	(3,268)	(230)	(3,498)
Segment gross profit	5,106	13,432	18,538
Selling, general and administration expenses			(11,327)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			(10,147)
Amortisation of acquired fair valued intangible assets			(675)
Share-based payment charge			(488)
Acquisition costs			(17)
Research and development expenses			(99)
Net impairment of trade receivables and contract assets			(937)
Other operating income			704
Operating profit			6,879
Finance income			7
Change in fair value of equity investments			(686)
Finance costs			(234)
Profit before tax			5,966

31 December 2020

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	31,316	55,075	86,391
Cost of sales	(12,737)	(25,949)	(38,686)
Reimbursable expenses	(7,584)	(471)	(8,055)
Segment gross profit	10,995	28,655	39,650
Selling, general and administration expenses			(27,518)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			(24,591)
Amortisation of acquired fair valued intangible assets			(1,332)
Share-based payment charge			(742)

Acquisition costs	(853)
Research and development expenses	(152)
Net impairment of trade receivables and contract assets	(285)
Other operating income	1,839
Operating profit	13,534
Finance income	8
Change in fair value of equity investments	(511)
Finance costs	(403)
Profit before tax	12,628

Segment net assets

	30 June 2021 £000s	30 June 2020 £000s	31 December 2020 £000s
CRO	27,609	9,932	24,156
PV	31,324	33,742	28,710
Consolidated total net assets	58,933	43,674	52,866

3. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June 2021 £000s	Unaudited Six months ended 30 June 2020 £000s	Unaudited Year ended 31 December 2020 £000s
EARNINGS			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of the Company	6,633	4,279	9,682
Adjustments to earnings:			
Amortisation of acquired fair valued intangible assets	728	675	1,332
Share-based payment charge	431	488	742
Acquisition costs (note 6)	488	17	853
Pay in lieu and non-compete compensation	45	-	232
Change in fair value of equity investments	-	686	511
RDEC income (2017)	-	(527)	(527)
Grants in recognition of employment creation in Serbia	-	(155)	(307)
Tax effect of adjusting items	(101)	(34)	(41)
Adjusted earnings for the purposes of basic and diluted earnings per share	8,224	5,429	12,477
	No.	No.	No.
NUMBER OF SHARES			
Weighted average number of shares for the purposes of basic earnings per share	48,910,834	48,050,454	48,323,814
Dilution effect of:			
Share options	2,293,726	2,678,812	2,176,170
Weighted average number of shares for the purposes of diluted earnings per share	51,204,560	50,729,266	50,499,984

4. FINANCE COSTS

	Unaudited Six months ended 30 June 2021 £000s	Unaudited Six months ended 30 June 2020 £000s	Audited Year ended 31 December 2020 £000s
Operating lease interest	108	131	245
Other Interest payable	105	103	158
	<u>213</u>	<u>234</u>	<u>403</u>

5. OTHER OPERATING INCOME

	Unaudited Six months ended 30 June 2021 £000s	Unaudited Six months ended 30 June 2020 £000s	Audited Year ended 31 December 2020 £000s
Foreign grant income	298	147	574
RDEC income	559	527	1,188
Other income	69	30	77
	<u>926</u>	<u>704</u>	<u>1,839</u>

6. ACQUISITION COSTS

	Unaudited Six months ended 30 June 2021 £000s	Unaudited Six months ended 30 June 2020 £000s	Audited Year ended 31 December 2020 £000s
Acquisition of Ashfield Pharmacovigilance	-	17	14
Acquisition of MedSource	327	-	825
Other acquisition costs	161	-	14
	<u>488</u>	<u>17</u>	<u>853</u>

7. EBITDA and Adjusted EBITDA

	Unaudited Six months ended 30 June 2021 £000s	Unaudited Six months ended 30 June 2020 £000s	Unaudited Year ended 31 December 2020 £000s
Operating profit	8,526	6,879	13,534
Adjusted for:			
Depreciation and amortisation charges within Other selling, general & administration expenses	1,895	1,736	3,511
Amortisation of acquired fair valued intangible assets	728	675	1,332
EBITDA	11,149	9,290	18,377

Adjusted for:			
Share-based payment charge	431	488	742
RDEC Income (2017)	-	(527)	(527)
Grants in recognition of employment creation in Serbia	-	(155)	(307)
Acquisition costs (note 6)	488	17	853
Pay in lieu and non-compete compensation	43	-	232
Adjusted EBITDA	12,111	9,113	19,370

The Directors make certain adjustments to EBITDA to derive Adjusted EBITDA, which they consider are more reflective of the Group's underlying trading performance, enabling comparisons to be made with prior periods.

8. INCOME TAX EXPENSE

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2021 was 20.2% (twelve months ended 31 December 2020: 23.3%).

9. GOODWILL

Reconciliation of carrying amount:	Total £000s
Balance at 30 June 2020	17,895
Arising on business combinations	7,250
Translation movement	(540)
Balance at 31 December 2020	24,605
Fair value adjustment arising on business combinations	1,520
Translation movement	(479)
Balance at 30 June 2021	25,646

10. OTHER INTANGIBLE ASSETS

	Total £000s
Cost	
At 1 July 2020	27,497
Acquisitions through business combinations	6,179
Additions	414
Translation movement	(314)
At 31 December 2020	33,776
Fair value adjustment arising on business combinations	(586)
Additions	14
Disposals	(211)
Translation movement	(190)
At 30 June 2021	32,803

Amortisation	
At 1 July 2020	22,989
Charge for the year	1,138
Translation movement	31
At 31 December 2020	24,158
Charge for the year	1,024
Translation movement	(62)
At 30 June 2021	25,120
Net Book Value	
At 30 June 2021	7,683
At 31 December 2020	9,618
At 30 June 2020	4,508

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2021 £000s	Unaudited 30 June 2020 £000s	Audited 31 December 2020 £000s
Trade receivables	18,900	14,791	19,079
Other receivables	834	901	1,241
Derivative asset – Foreign currency forward contracts	13	-	-
Prepayments	1,572	1,475	1,482
Corporation tax receivable	647	251	422
	<u>21,966</u>	<u>17,418</u>	<u>22,224</u>

12. CASH AND CASH EQUIVALENTS AND BORROWINGS

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

	Unaudited 30 June 2021 £000s	Unaudited 30 June 2020 £000s	Audited 31 December 2020 £000s
Cash and cash equivalents	24,571	29,116	18,994
Borrowings	-	(15,000)	-
Cash and cash equivalents net of borrowings	<u>24,571</u>	<u>14,116</u>	<u>18,994</u>

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2021 £000s	Unaudited 30 June 2020 £000s	Audited 31 December 2020 £000s
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Trade payables	3,435	2,224	4,197
Amounts payable to related parties	52	123	55
Social security and other taxes	859	732	1,112
Other payables	1,451	596	1,295
Derivative liability – Foreign currency forward contracts	98	-	-
Customer advances	247	490	408
Accruals	7,038	7,384	8,635
	<u>13,180</u>	<u>11,549</u>	<u>15,702</u>

14. ORDINARY SHARE CAPITAL

	Number	£000s
Ordinary shares of £0.01 each		
Balance at 30 June 2020	48,215,791	482
Exercise of share options	503,735	5
Shares to be issued for non-cash consideration	155,558	2
Balance at 31 December 2020	48,875,084	489
Exercise of share options	80,155	1
Balance at 30 June 2021	48,955,239	490

15. ACQUISITION OF SUBSIDIARY – MEDSOURCE

On 11 December 2020, the Group acquired all of the issued share capital in MS Clinical Services, LLC, MedSource UK Ltd and MS Clinical Services (Canada) Inc (“MedSource”) for \$16,200,000 in cash, adjusted for net debt, and paid at the closing of the transaction, with further consideration of \$1,800,000 payable in Ergomed plc equity issued at a price based on the average daily closing price for 30 days preceding the acquisition (155,558 shares at a price of £8.76) upon the satisfaction of certain representations and warranties. Up to a further \$7,000,000 is payable, 90% in cash and 10% in equity, depending on MedSource's financial results in the year to 31 December 2021.

MedSource is a full-service CRO with a focus on complex diseases and study designs. The acquisition greatly expands the geographical presence of Ergomed's CRO service offering in the US whilst complementing the current business specialism in oncology and rare disease.

	Book values £000s	Fair value adjustments £000s	Provisional valuation £000s
Intangible assets	475	5,118	5,593
Property, plant and equipment	89	-	89
Right-of-use assets	-	131	131
Total non-current assets	564	5,249	5,813
Trade and other receivables	3,062	-	3,062
Cash and equivalents	4,346	-	4,346
Current assets	7,408	-	7,408
Trade and other payables	(2,348)	-	(2,348)
Lease liability	-	(131)	(131)
Deferred Revenue	(6,528)	(1,086)	(7,614)
Deferred tax liability	-	(1,454)	(1,454)

Financial liabilities	(8,876)	(2,671)	(11,547)
Total identifiable net assets	(904)	2,578	1,674
Goodwill			8,769
Total consideration			10,443
Satisfied by			
Cash			9,092
Equity			1,351
Total consideration			10,443
Net cash outflow arising on acquisition			
Cash consideration			8,764
Less: cash and cash equivalent balances acquired			(4,346)
Add: deferred consideration			328
Transaction expenses			1,152
			5,898

The fair value of intangible assets relates to customer relationships of £4,317,000 and contracted order book of £1,276,000. The Group incurred acquisition related costs of £825,000 related to due diligence and legal activities in the year ended 31 December 2020 and £327,000 in the period to 30 June 2021. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement.

In order to facilitate the full integration of all CRO activities under the Ergomed CRO brand and management, and fully realise the benefit of a wider CRO operational base in North America before the originally planned and anticipated earn-out and handover period at the end of 2021, the management of the Company and MedSource agreed a revised earn-out and settlement agreement after the period end on 23 July 2021. The revised earn-out and settlement agreement will give rise to final payments totalling \$3.8 million in H2 2021, resulting in total expenditure of \$17.9 million for the purchase of MedSource. Further details regarding management's assumption of the contingent consideration fair value at the reporting date are set out in note 16 – Financial Instruments.

The Company has a 12-month measurement period from the date of acquisition, and therefore the measurement period will end on 11 December 2021.

16. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Carrying amount				Fair value	
	Financial assets at fair value through profit and loss £000s	Financial assets at amortised cost £000s	Financial liabilities at amortised cost £000s	Financial liabilities at fair value through profit and loss £000s	Total £000s	Total £000s
30 June 2021						
Financial assets						
Equity investments	nil	–	–	–	nil	nil
Trade receivables	–	18,900	–	–	18,900	18,900
Accrued revenue (contract asset)	–	4,268	–	–	4,268	4,268
Other receivables	–	834	–	–	834	834

Derivative asset - Foreign currency forward contracts	13	–	–	–	13	13
Cash and cash equivalents	–	24,571	–	–	24,571	24,571
	13	48,573	–	–	48,586	48,586
Financial liabilities						
Lease liabilities	–	–	3,767	–	3,767	3,767
Trade payables	–	–	3,435	–	3,435	3,435
Amounts payable to related parties	–	–	52	–	52	52
Other payables	–	–	1,451	–	1,451	1,451
Derivative liability - Foreign currency forward contracts	–	–	–	98	98	98
Customer advances	–	–	247	–	247	247
Contingent and deferred consideration	–	–	–	nil	nil	nil
Accruals	–	–	7,038	–	7,038	7,038
	–	–	15,990	98	16,088	16,088

	Carrying amount				Fair value	
	Financial assets at fair value through profit and loss £000s	Financial assets at amortised cost £000s	Financial liabilities at amortised cost £000s	Financial liabilities at fair value through profit and loss £000s	Total £000s	Total £000s
30 June 2020						
Financial assets						
Equity investments	nil	–	–	–	nil	nil
Trade receivables	–	14,791	–	–	14,791	14,791
Accrued revenue (contract asset)	–	4,957	–	–	4,957	4,957
Other receivables	–	901	–	–	901	901
Cash and cash equivalents	–	29,116	–	–	29,116	29,116
	–	49,765	–	–	49,765	49,765
Financial liabilities						
Borrowings	–	–	15,000	–	15,000	15,000
Lease liabilities	–	–	6,015	–	6,015	6,015
Trade payables	–	–	2,224	–	2,224	2,224
Amounts payable to related parties	–	–	123	–	123	123
Other payables	–	–	596	–	596	596
Customer advances	–	–	490	–	490	490
Contingent and deferred consideration	–	–	–	–	–	–
Accruals	–	–	7,384	–	7,384	7,384
	–	–	31,832	–	31,832	31,832

	Carrying amount				Fair value	
	Financial assets at fair value through profit and loss £000s	Financial assets at amortised cost £000s	Financial liabilities at amortised cost £000s	Financial liabilities at fair value through profit and loss £000s	Total £000s	Total £000s
31 December 2020						
Financial assets						
Equity investments	nil	–	–	–	nil	nil
Trade receivables	–	19,079	–	–	19,079	19,079

Accrued revenue (contract asset)	–	5,553	–	–	5,553	5,553
Other receivables	–	1,241	–	–	1,241	1,241
Cash and cash equivalents	–	18,994	–	–	18,994	18,994
	–	44,867	–	–	44,867	44,867
Financial liabilities						
Lease liabilities	–	–	5,106	–	5,106	5,106
Trade payables	–	–	4,197	–	4,197	4,197
Amounts payable to related parties	–	–	55	–	55	55
Other payables	–	–	1,295	–	1,295	1,295
Customer advances	–	–	408	–	408	408
Contingent and deferred consideration	–	–	–	328	328	328
Accruals	–	–	8,635	–	8,635	8,635
	–	–	19,696	328	20,024	20,024

Financial instruments measured at fair value

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

	30 June 2021 £000s	30 June 2020 £000s	31 December 2020 £000s
Financial assets			
Equity investments – Level 1	–	nil	–
Equity investments – Level 3	nil	nil	nil
Foreign currency forward contracts used for hedging – Level 2	13	–	–
Financial assets measured at fair value	13	–	–
Financial liabilities	–	–	–
Foreign currency forward contracts used for hedging – Level 2	98	–	–
Deferred and contingent consideration – Level 3	nil	–	328
Financial liabilities measured at fair value	98	–	328

Deferred and contingent consideration (Level 3)

Deferred and contingent consideration is measured using a discounted cash flow approach, utilising management's forecasts to estimate the likely pay out and discounting these using a risk-adjusted weighted average cost of capital, both of which are significant unobservable inputs. The contingent consideration payable in respect of MS Clinical Services, LLC. and its subsidiaries ('MedSource') is categorised as level 3 within the fair value hierarchy. The fair value of contingent consideration and has been assessed at £nil as no conditions, including the subsequent agreement of a revised earn-out and settlement agreement, existed at the reporting date. The deferred consideration for MedSource at 31 December 2020 of £328,000 is categorised as level 3 within the fair value hierarchy and is due upon the verification of the net assets acquired by the Group at the acquisition date and was settled in cash during in H1 2021.

Foreign currency forward contracts (Level 2)

The Group's foreign currency forward contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

Equity investments (Level 1 and 3)

Equity investments which are publicly quoted are measured based on the quoted market price. Unlisted equity investments are measured based on the market price of recent share issuances or, where not available, management's best estimate of the realisable value of those investments. The level 1 investment held as at 30 June 2020 related to Asarina Pharma AB and was disposed of in H2 2020 for proceeds (net of sale costs) of £175,000. The level 3 investment in Modus Therapeutics Holding AB at the reporting date had a £nil fair value, representing management's best estimate of the realisable value of the investment. The Modus investment was fully impaired during prior financial periods after the results of the most recently completed clinical trials were published.

Valuation techniques and significant unobservable inputs

The significant input for the fair value estimate is management's estimate of the probability that the contract's target level will be achieved. The following table provides information about the sensitivity of the fair value measurement to changes in that input:

Description	Significant Unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
Contingent consideration	Probability of meeting earn-out targets	0%	An increase in the acquisition Adjusted EBITDA forecast of >12% for FY 2021 would result in earn-out consideration payments.
Equity investments – Modus (Level 3)	Probability of Modus securing additional funding for clinical trials	0%	The sensitivity is binary; either additional funds can be secured or not. Securing additional funding may not necessarily result in an increase in the fair value.

Given the nature and term of the deferred consideration balance as at the reporting date and 31 December 2020, the sensitivity of the fair value to possible increases in the significant unobservable inputs for the period were immaterial.

There are no major interrelationships between the significant input (management's estimate of the probability that the contract's target level will be achieved) and the unobservable inputs.

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Deferred and contingent consideration £000s	Equity investments £000s
At 30 June 2020	–	nil
Fair value of deferred and contingent consideration arising on business combinations	(328)	–
At 30 December 2020	(328)	nil
Cash settled in the period	318	–
Translation movement	10	–
At 30 June 2021	nil	nil

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has a limited exposure to IBORs in its existing financial instruments which will be reformed as part of these market-wide initiatives.

The Group's main financial instrument IBOR exposure at the reporting date is its borrowing facility (revolving credit and accordion facility) with HSBC. This facility was undrawn at the reporting date.

The potential IBOR exposure of the Group is dependent upon the currency in which the borrowing is drawdown. At 30 June 2020 the £15 million borrowing was in GBP and therefore, the exposure was to sterling LIBOR. The alternative reference rate for sterling LIBOR is the Sterling Overnight Index Average (SONIA).

On 5 March 2021, the Financial Conduct Authority announced that panel bank submissions for all LIBOR settings will cease as at 31 December 2021, after which representative LIBOR rates will no longer be available. The Group plans to finish the process of amending contractual terms in respect of its facility with HSBC by the end of 2021.

The Group anticipates that the IBOR reform will not have a significant financial or operational impact on the business.