ERGOMED

PRESS RELEASE

Interim results for the six months ended 30 June 2019

- Revenue £35.2m (up 36.8%)
- Adjusted EBITDA £6.5m vs £0.0m in H1 2018
- Backlog £118.3m (up 26.9%)

Guildford, UK – 25 September 2019: 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 2019.

Financial Summary

Unaudited Figures in £ millions, unless otherwise stated	**First Half 2019**	**First Half 2018** *(Note 1)*	***% change***
Total Revenue	**35.2**	**25.7**	*+36.8*
Gross Profit	**14.5**	**9.0**	*+61.4*
Gross Margin (%)	*41.2%*	*34.9%*	-
EBITDA (adjusted) *(Note 2)*	**6.5**	**(0.0)**	-
Cash at 30 June	**8.1**	**7.4**	*+9.7*
Backlog at 30 June	**118.3**	**93.2**	*+26.9*
Basic earnings per share *(pence)*	**7.8p**	**(5.7)p**	-

Notes:
(1) First half 2018 originally reported under IAS 18 has been restated following the adoption of IFRS15 for the 2018 full year results.
(2) EBITDA (adjusted) is defined as profit before tax for the period plus finance costs, depreciation and amortization, share-based payment charge, acquisition related contingent consideration, change in fair value of contingent consideration, acquisition costs and exceptional items (Note 10 to the financial statements).

Dr Miroslav Reljanović, Executive Chairman of Ergomed, said:
“During the first half of 2019 Ergomed has taken further significant steps to fully focus on its services business model, execute its strategy to become a leading specialised CRO services business, and fulfil its future growth potential.

“We have strengthened the executive team and Board and further developed our differentiated offering in the clinical services marketplace both through the integration of previous acquisitions and through commercial integration. With an improved financial performance over the first half of 2019 and a strong backlog and H1 sales, Ergomed is now positioned for success through continued growth.”

Key Financial Highlights
- Revenue of £35.2 million, up 36.8% on a comparable IFRS 15 basis (H1 2018: £25.7 million)
- EBITDA (adjusted) of £6.5 million (H1 2018: break-even £0.0 million)
- Basic EPS profit of 7.8 p (H1 2018: (5.7)p loss)
- Cash and cash equivalents of £8.1 million at 30 June 2019 (30 June 2018: £7.4 million)
- Backlog of future contracted revenue £118.3 million, up 26.9% (30 June 2018: £93.2 million)

Operational Highlights (including post-period end)
Strengthening of the executive team and Board changes:
- Richard Barfield, former CFO of Chiltern International, to the Board as Chief Financial Officer
- Roy Ovel, formerly at ICON, Worldwide Clinical Trials and TFS, as Chief Commercial Officer
- Dr Jim Esinhart, former CEO of Chiltern International, Rolf Soderstrom, former CFO of BTG plc and Ian Johnson, former Chairman of Bioquell plc, as Non-Executive Directors
- Dr Jan Petracek has stepped down as Ergomed’s Chief Operating Officer and Board Director, as well as CEO of PrimeVigilance; Jonathan West, previously Chief Business Officer of PrimeVigilance, takes on role of President of PrimeVigilance
- Peter George to step down as Non-Executive Director (see separate announcement)

Meeting and conference call for analysts:
A briefing for analysts will be held at 11am BST on 25 September 2019 at the offices of Numis Securities Limited, 10 Paternoster Square, London, EC4M 7LT. Photo ID will be required for entry. There will be a simultaneous live conference call with Q&A.

Conference call details:

Participant dial-in: 0800 376 7922
International dial-in: +44 (0) 2071 928 000
Participant code: 1035098

Enquiries:

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About Ergomed plc
Ergomed provides specialist services to the pharmaceutical industry spanning all phases of clinical trials, post-approval pharmacovigilance and medical information. Ergomed's fast-growing, profitable services business includes a full range of high-quality contract research and clinical trial management (CRO) services under the Ergomed brand together with an industry-leading suite of specialist pharmacovigilance (PV) solutions, integrated under the PrimeVigilance brand, and an internationally recognized specialist expertise in orphan drug development, under the PSR brand. 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 AND FINANCIAL REVIEW

Financial summary

During the first half of 2019, Ergomed delivered continued strong top-line growth and financial performance across the business. A strong backlog at the beginning of the year, combined with new business won in H1 2019, helped drive revenue to £35.2 million with growth of 36.8% on a comparable basis under IFRS 15 (2018: £25.7 million).

EBITDA (adjusted) for the first half of 2019 was £6.5 million (including £0.9 million positive impact of the new leasing standard IFRS 16) compared with a restated EBITDA (adjusted) break-even in H1 2018 (adjusted due to IFRS 15 implementation from previously reported £(0.4) million loss in H1 2018).

Operational summary

The CRO business performed strongly over the first half of 2019. Revenue increased by 39.9% to £19.0 million from £13.6 million (restated to IFRS 15) in H1 2018. The backlog was £66.2 million at 30 June 2019, an increase of 28.0% (30 June 2018: £51.7 million).

During the period, further substantial progress was made as a standalone pharmaceutical services provider across all phases of clinical development on a global basis. The significant increase in revenues was driven by the ongoing implementation of studies from the strong backlog with which we started 2019, as well as by significant new contract wins in the period, whilst headcount in the division remained flat. We made further progress in the integration of PSR, the orphan drug specialist CRO acquired in October 2017, and in the first half of 2019 around 45% of all revenues and new awards were in the areas of orphan drugs and rare diseases. We expect this integration process to be completed by 31 December 2019. At the same time, the CRO business also won sizeable new awards during the period in other important therapeutic areas, including haematology, oncology and diabetes.

Since the half year end, the momentum achieved in the first half has been maintained. In September 2019 we were awarded a substantial Phase III full service trial with 1,400 patients, utilising innovative trial management technologies. This three-year, £17 million revenue award with a leading European clinical-stage specialty biotech company provides further validation of Ergomed's ability to win global large-scale trials.

The Pharmacovigilance (PV) business, under the PrimeVigilance brand, also performed well over the first half of 2019. Revenue increased 33.2% to £16.1 million in H1 2019 from £12.1 million in H1 2018. Pharmacovigilance revenues are not impacted by IFRS 15. The backlog was £52.1 million at 30 June 2019, an increase of 25.5% (30 June 2018: £41.5 million).

Revenue growth was driven both by new clients won in H1 2019 and existing clients who awarded further contracts incrementally to our existing work. New awards were won across the range of our services including Pharmacovigilance, Medical Information and the QPPV Network. Due in part to automation and business efficiency improvements, our headcount in the division remained flat.

In H1 2019, PrimeVigilance established a new advanced safety database as well as new consultation services in pharmacovigilance automation, and grew its consultancy offering in pharmacoepidemiology and risk minimisation services. The integrations of both Harefield Pharmacovigilance, acquired in 2018, and the pharmacoepidemiology business of Mesama Consulting, transferred in 2018, were completed, significantly strengthening our offerings. New awards in the period included a multi-million pound contract with a large European pharmaceutical company for pharmacovigilance services, and several successes were achieved in cross-selling medical information and pharmacovigilance services.

Since the half year end, the PV business has continued to gain momentum, in particular by winning new contracts providing evidence of success with the long-term automation strategy. In August 2019, PV was awarded a new £4.8 million contract which includes market-leading case intake automation, as well as post-marketing consulting and GDPR compliance. This contract includes extensive work in the Asia Pacific region. The PV business has also recently won a number of smaller contracts with Asian-based pharma companies.

During H1 2019, in line with our previously stated strategy to develop Ergomed as a pharmaceutical services business and reduce our commitment to co-development projects, no new co-development partnerships were signed. We continue to seek a licensing or financial partner (or partners) for the Haemostatix products Peprostat and ReadyFlow, whilst seeking to minimize our ongoing R&D expense and protect our intellectual property interests.

Board and Senior Executive Changes

We have strengthened our management team and Board during 2019 with several key hires. Richard Barfield, former CFO of Chiltern International, joined as CFO in June 2019 bringing with him more than 25 years' international experience at CFO level. Roy Ovel, formerly at ICON, Worldwide Clinical Trials and TFS, joined in April 2019 as Chief Commercial Officer, with a remit to complete the commercial integration of the business. Sally Amanuel, formerly head of global regulatory at World Wide Clinical Trials, joined in June 2019 as Head of Regulatory and Clinical Delivery.

Dr Jim Esinhart, former CEO of Chiltern and recognized as a leading figure in the global contract research and pharmaceutical industry, joined as Non-Executive Director in July, as did Rolf Soderstrom, former CFO of BTG plc who will chair Ergomed's Audit and Risk Committee. Ian Johnson, former Executive Chairman of Bioquell plc, was appointed Non-Executive Director in August.

Dr Jan Petracek has stepped down as Ergomed's Chief Operating Officer and Board Director, as well as CEO of PrimeVigilance. Jonathan West, previously Chief Business Officer or PrimeVigilance, has taken on the role of President of PrimeVigilance.

As announced today, Peter George will step down as a Non-Executive Director with immediate effect to focus on his other business activities.

Current trading and outlook

A strong first half performance and contracted backlog of £118.3 million (30 June 2018: £93.2 million) underpin Ergomed's ability to deliver its targets for 2019 and create a firm foundation for continued growth. The second half of the year has started well and the Company is trading in line with expectations for the full year.

We have a highly differentiated platform in clinical services and are well positioned to deliver further organic growth as we continue to establish Ergomed as a leading integrated specialized mid-tier pharmaceutical services company.

Dr Miroslav Reljanović

Financial review

Key performance indicators

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

£ million *(unless stated otherwise)*	**H1 2019**	**H1 2018** (re-stated)
Total Revenue	35.2	25.7
Gross profit	14.5	9.0
Gross margin %	41.2%	34.9%
EBITDA (adjusted) *(Note 10)*	6.5	(0.0)
Cash and cash equivalents	8.1	7.4

The Directors consider the principal non-financial performance indicators of the Group to be the delivery of high quality services that continue to meet the highest industry standards as evidenced by internal and external quality audits and the development or acquisition of new and/or the expansion of existing service offerings. Non-financial performance indicators are routinely reviewed by the Directors at Board meetings.

Adoption of IFRS 16 in 2019

From 1 January 2019 the Company has adopted IFRS 16 in relation to leases, predominantly for office premises. IFRS 16 requires the Company to recognise a lease liability and a corresponding right of use asset on the balance sheet. The lease liability and associated right of use asset at 30 June 2019 were £5.5 million and £5.4 million, respectively.

Additionally, under IFRS 16 the lease expense charged to the Income Statement is replaced with depreciation and interest charges relating to the right of use asset and lease liability, respectively. The impact on Net Income is broadly neutral, however these charges for depreciation and interest expense are excluded from the calculation of EBITDA in the six months ended 30 June 2019 whilst the lease expense in prior periods was included in the calculation of EBITDA. The adoption of IFRS 16 has, therefore, had a £0.9 million positive impact on reported EBITDA in the six months ended 30 June 2019 and is anticipated to have a £1.7 million positive impact on reported EBITDA for 2019 as a whole.

As prior years are not restated under the IFRS 16 methodology, for comparison purposes reference is made, where appropriate, to the financial results under the previous methodology to show the effect of IFRS 16 adoption.

Condensed consolidated statement of comprehensive income

Total revenue for the six months ended 30 June 2019 was £35.2 million (H1 2018: £25.7 million), an increase of 36.8%, driven by 39.9% growth from CRO services together with 33.2% growth in PV.

Gross profit was £14.5 million and gross margin was 41.2% (H1 2018: gross profit £9.0 million and gross margin 34.9%). Selling, general and administration expenses, including exceptional items and acquisition related costs were £9.2 million (H1 2018: £10.3 million). The potential risk of non-recoverability of certain trade receivables has been assessed and a provision for net impairment losses of £0.9million (H1 2018: £nil) has been made accordingly. There were no acquisition costs or exceptional items during the period. Research and development costs expensed in the period were £0.3million (H1 2018: £0.9 million) mainly relating to Peprostat and ReadyFlow.

EBITDA (adjusted) increased to £6.5 million in H1 2019 from break-even in H1 2018, with profit after tax of £3.6 million (H1 2018: loss of £(2.5) million). Basic earnings per share were 7.8p, up from (5.7)p loss per share in H1 2018.

Condensed consolidated balance sheet

Total assets less total liabilities increased by £5.0 million over the first half of 2019 and amounted to £33.4 million at 30 June 2019 (31 December 2018: £28.4 million) including cash and cash equivalents of £8.1 million (31 December 2018: £5.2 million).

The principal movements in the Condensed consolidated balance sheet in the first half of 2019 included an increase in property plant and equipment of £5.4 million relating mainly to the adoption of IFRS 16, an increase in cash and cash equivalents of £2.9 million, a decrease in trade and other payables of £2.0 million and an increase in borrowings of £3.9 million relating to the adoption of IFRS 16.

Condensed consolidated cash flow statement

The Group has no borrowings or long-term debt. At 30 June 2019, the Group's cash balance was £8.1 million (30 June 2018: £7.4 million, 31 December 2018: £5.2 million). Cash generated from operating activities increased to £3.3 million (H1 2018: £1.8 million) primarily due to the increased revenues and profitability of the business.

Net outflows from investing activities reduced to £1.3 million (H1 2018: £1.4 million) reflecting lower investment in office equipment and computer hardware. Inflows from financing activities for the period of £0.8 million mainly related to £0.9 million from share issues arising from share option exercises less £0.1 million for finance lease interest paid. Operating lease interest paid of £0.1 million related to the interest on the lease liability arising under IFRS 16, for which there is no comparative charge in H1 2018. The inflows from financing activities of £3.7 million for H1 2018 mainly related to a share placing in February 2018.

Going concern and medium-term viability

At 30 June 2019 the Group had £8.1 million in cash and cash equivalents and a backlog of £118.3 million of signed contracts. The Directors expect Ergomed's services businesses to be cash generative and, taking into account existing cash resources and after due consideration of cash flow forecasts, are of the view that the Group will continue to have access to adequate resources to allow it to continue trading on normal terms of business for no less than 12 months from the date of signing of the financial information for the six months ended 30 June 2019. The Directors have therefore prepared the financial information on a going concern basis.

The Board assesses the medium-term viability of the business periodically. In this regard, forecasts extending three years are considered appropriate because this matches the average contract duration of the PV business and, whilst CRO contracts can extend for longer periods, average duration is in line with that of the business and becomes less certain beyond that time. The Directors expect Ergomed's services business to continue to be cash generative.

INTERIM MANAGEMENT REPORT
FINANCIAL STATEMENTS AND NOTES

Consolidated Income Statement
For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018 (re-stated*)	Audited Year ended 31 December 2018
		£000s	£000s	£000s
REVENUE	2	35,179	25,724	54,112
Cost of sales		(14,783)	(13,208)	(26,788)
Reimbursable expenses		(5,907)	(3,541)	(8,070)
GROSS PROFIT		14,489	8,975	19,254
Selling, general and administrative expenses		(9,175)	(10,288)	(28,152)
Selling, general and administrative expenses comprises:				
Other selling, general and administrative expenses		(8,365)	(8,745)	(16,701)
Amortisation of intangible assets arising from acquisitions		(449)	(677)	(1,286)
Share-based payment charge		(321)	(359)	(758)
Acquisition-related contingent compensation		(40)	-	(972)
Change in fair value of contingent consideration for acquisitions		-	-	233
Acquisition costs	8	-	(66)	(174)
Exceptional items	9	-	(441)	(8,494)
Research and development		(306)	(863)	(1,578)
Net impairment losses on financial contract assets		(833)	-	(9)
Other operating income		19	16	39
OPERATING PROFIT/(LOSS)		4,194	(2,160)	(10,446)
Investment income		3	4	23
Unrealised gains on equity investments		73	-	277
Finance costs	4	(124)	(303)	(622)
PROFIT/(LOSS) BEFORE TAXATION		4,146	(2,459)	(10,768)
Taxation	5	(537)	(72)	1,788
PROFIT/(LOSS) FOR THE PERIOD		3,609	(2,531)	(8,980)
EARNINGS/(LOSS) PER SHARE				
Basic	3	7.8p	(5.7)p	(20.0)p
Diluted	3	7.5p	(5.7)p	(20.0)p

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

* Re-statements are explained in note 11

FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

	Unaudited Six months ended 30 June 2019 £000s	Unaudited Six months ended 30 June 2018 (re-stated) £000s	Audited Year ended 31 December 2018 £000s
Profit/(loss) for the period	3,609	(2,531)	(8,980)
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	240	13	120
Other comprehensive income for the period net of tax	240	13	120
Total comprehensive income for the period	3,849	(2,518)	(8,860)

FINANCIAL STATEMENTS AND NOTES

Consolidated Balance Sheet
At 30 June 2019

	Note	Unaudited 30 June 2019	Unaudited 30 June 2018 (re-stated*)	Audited 31 December 2018
		£000s	£000s	£000s
Non-current assets				
Goodwill		13,659	15,223	13,659
Other intangible assets		3,140	19,471	3,740
Property, plant and equipment		1,206	1,161	1,344
Right-of-use assets		5,393	-	-
Equity investments at fair value through profit and loss		2,697	1,214	2,065
Deferred tax asset		979	1,651	581
		27,074	38,720	21,389
Current assets				
Trade and other receivables	6	15,623	11,716	16,429
Other current assets		-	168	-
Accrued income		2,699	2,400	3,857
Current asset investments		-	90	-
Cash and cash equivalents		8,128	7,406	5,189
		26,450	21,780	25,475
Total assets		53,524	60,500	46,864
Current liabilities				
Borrowings including finance lease liabilities		(1,642)	(11)	(6)
Trade and other payables	7	(8,955)	(8,085)	(10,989)
Contingent and deferred consideration		(61)	(1,969)	(119)
Deferred revenue		(3,105)	(2,665)	(5,651)
Current tax liability		(1,080)	(196)	(422)
Total current liabilities		(14,843)	(12,926)	(17,187)
Net current assets		11,607	8,854	8,288
Non-current liabilities				
Borrowings including finance lease liabilities		(3,921)	(1)	-
Provisions		(377)	-	(216)
Contingent and deferred consideration		(541)	(10,094)	(544)
Deferred tax liability		(427)	(3,257)	(554)
Total liabilities		(20,109)	(26,278)	(18,501)
Net assets		33,415	34,222	28,363
Equity				
Share capital		467	449	452
Share premium account		25,252	24,326	24,384
Merger reserve		11,088	11,008	11,088
Share-based payment reserve		3,751	3,033	3,430
Translation reserve		1,122	775	882
Retained earnings		(8,265)	(5,369)	(11,873)
Total equity		33,415	34,222	28,363

* Re-statements are explained in note 11

FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2018

	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share option reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2017 *	428	20,616	11,008	2,674	762	(645)	34,843
Cumulative effect of adopting IFRS 15 net of tax *	-	-	-	-	-	(2,232)	(2,232)
Balance at 1 January 2018 *	428	20,616	11,008	2,674	762	(2,877)	32,611
Loss for the six month period **	-	-	-	-	-	(2,531)	(2,531)
Other comprehensive income for the period **	-	-	-	-	13	-	13
Total comprehensive income for the period **	-	-	-	-	13	(2,531)	(2,518)
Share-issue during the period for cash (net of expenses) **	21	3,710	-	-	-	-	3,731
Share-based payment charge for the period **	-	-	-	359	-	-	359
Deferred tax credit taken directly to equity **	-	-	-	-	-	39	39
Total transactions with shareholders in their capacity as shareholders **	21	3,710	-	359	-	39	4,129
Balance at 30 June 2018 **	449	24,326	11,008	3,033	775	(5,369)	34,222

* Audited

** Unaudited

FINANCIAL STATEMENTS AND NOTES

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2019

	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share option reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2017 *	428	20,616	11,008	2,674	762	(645)	34,843
Cumulative effect of adopting IFRS 15 net of tax *	-	-	-	-	-	(2,232)	(2,232)
Balance at 1 January 2018 *	428	20,616	11,008	2,674	762	(2,877)	32,611
Loss for the year *	-	-	-	-	-	(8,980)	(8,980)
Other comprehensive income for the year *	-	-	-	-	120	-	120
Total comprehensive income for the year *	-	-	-	-	120	(8,980)	(8,860)
Share-issue during the period for cash (net of expenses) *	21	3,768	-	-	-	-	3,789
Share-issues during the period for non-cash consideration *	1	-	80	-	-	-	81
Contingent share-issues during the period for non-cash consideration *	2	-	-	(2)	-	-	-
Share-based payment charge for the year *	-	-	-	758	-	-	758
Deferred tax credit taken directly to equity *	-	-	-	-	-	(16)	(16)
Total transactions with shareholders in their capacity as shareholders *	24	3,768	80	756	-	(16)	4,612
Balance at 31 December 2018 *	452	24,384	11,088	3,430	882	(11,873)	28,363
Profit for the period **	-	-	-	-	-	3,609	3,609
Other comprehensive income for the period **	-	-	-	-	240	-	240
Total comprehensive income for the period **	-	-	-	-	240	3,609	3,849
Share-issue during the period for cash (net of expenses) *	15	868	-	-	-	-	883
Share-based payment charge for the period **	-	-	-	321	-	-	321
Deferred tax credit taken directly to equity **	-	-	-	-	-	(1)	(1)
Total transactions with shareholders in their capacity as shareholders **	15	868	-	321	-	(1)	1,203
Balance at 30 June 2019 **	467	25,252	11,088	3,751	1,122	(8,265)	33,415

* Audited

** Unaudited

FINANCIAL STATEMENTS AND NOTES
Consolidated Cash Flow Statement
For the six months ended 30 June 2019

	Unaudited Six months ended 30 June 2019 £000s	Unaudited Six months ended 30 June 2018 (re-stated*) £000s	Audited Year ended 31 December 2018 £000s
Cash flows from operating activities			
Profit/(loss) before taxation	4,146	(2,459)	(10,768)
Adjustment for:			
Amortisation and depreciation	1,926	1,248	2,534
Impairment of goodwill, intangibles and other assets	-	-	18,222
Loss on disposal of fixed assets	2	5	33
Share-based payment charge	321	359	758
Equity investments in exchange for services provided	(567)	(460)	(1,054)
Change in fair value of contingent consideration for acquisition	-	-	(11,617)
Investment income	(3)	(4)	(23)
Gains on fair-value of equity investments	(73)	-	(277)
Finance costs	124	303	622
Operating cash flow before changes in working capital and provisions	5,876	(1,008)	(1,570)
Decrease/(increase) in trade and other receivables	1,831	3,989	(505)
Decrease/(increase) in other current assets	-	334	(248)
(Decrease)/increase in trade and other payables	(3,545)	(2,011)	3,221
Lease payments	(617)	-	-
Cash generated from operations	3,545	1,304	898
Taxation (paid)/received	(269)	448	146
Net cash inflow from operating activities	3,276	1,752	1,044
Investing activities			
Investment income received	2	4	5
Acquisition of intangible assets	(276)	(302)	(753)
Acquisition of property, plant and equipment	(143)	(343)	(834)
Receipts from sale of property, plant and equipment	4	3	7
Acquisition of subsidiaries net of cash acquired	-	-	(410)
Acquisition related earn-out paid	(930)	(751)	(751)
Net cash outflow from investing activities	(1,343)	(1,389)	(2,736)
Financing activities			
Issue of new shares	883	3,914	3,973
Expenses of fundraising	-	(183)	(183)
Lease interest paid	(123)	-	-
Finance costs paid	(1)	(2)	(4)
Increase in borrowings	18	-	-
Repayment of borrowings	(4)	(6)	(12)
Net cash inflow from financing activities	773	3,723	3,774
Net increase in cash and cash equivalents	2,706	4,086	2,082
Effect of foreign currency on cash balances	233	102	(111)
Cash and cash equivalents at start of the period	5,189	3,218	3,218
Cash and cash equivalents at end of period	8,128	7,406	5,189

* Re-statements are explained in note 11

FINANCIAL STATEMENTS AND NOTES

Notes

1. GENERAL INFORMATION

This consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Other than as described below under "IFRS 16, Leases", the interim financial statements have been prepared using accounting policies and methods of computation consistent with those used in the audited statutory financial statements for the year ended 31 December 2018 and International Reporting Standards (IFRSs) adopted for use in the European Union. While the financial information included in this interim statement has been compiled in accordance with the recognition and measurement principles of IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs and does not comply with IAS 34.

The information for the six month period ended 30 June 2019 is unaudited, but reflects all normal adjustments which are, in the opinion of the Board, necessary to provide a fair statement of results and the Group's financial position for and as at the period presented.

Statutory accounts for the year ended 31 December 2018 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.

At 30 June 2019 Ergomed had cash resources of £8.1 million (30 June 2018: £7.4 million; 31 December 2018: £5.2 million).

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 located on the Company website (www.ergomedplc.com) in the Investors section. These risks include competition; cancellation or delay of clinical studies by customers; foreign currency risk; dependency on pharmaceutical industry; legislation and regulation of the pharmaceutical and biotechnology industries; licenses, approvals and compliance; United Kingdom’s exit from the European Union (‘Brexit’); customers, pricing and payment terms; and dependence on a limited number of key clients. It is anticipated that the risk profile will not significantly change for the remainder of the year. Risk is an inherent part of doing business and the profitability and strong cash position of the Group, along with the growth profile of the business, leads the Directors to believe that the Group is well placed to manage business risks successfully.

Going concern

The Directors have considered cash flow forecasts for the group, detailing cash inflows and outflows for the period ending 31 December 2022. Based on their review of these forecasts and consideration of the economic environment in which the group operates, the Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial information for the six months ended 30 June 2019.

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 date of financial reporting.

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

IFRS 16, Leases ("IFRS 16")

On 1 January 2019, the Group adopted International Financial Reporting Standard ("IFRS") 16, Leases ("IFRS 16") using the modified retrospective approach. Therefore, the comparative financial information for the year ended 31 December 2018 has not been restated for the effect of this guidance and is prepared in accordance with the previous accounting guidance under IAS17.

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

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

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

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

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

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

The adoption of IFRS 16 has the following impact on the consolidated financial statements as at 30 June 2019:

- A lease liability of approximately £6.1 million and corresponding lease assets have been recorded upon adoption.

- Under IAS 17, the costs in respect of operating leases were charged to the income statement on a straight line basis over the lease term as a lease expense. Under IFRS 16, the cost in respect of leases are the depreciation of the right-of-use asset and an imputed interest charge arising on the lease liability. This may result in lease expenses being recognized sooner under IFRS 16 than under IAS17, however the impact is not anticipated to be material to the consolidated income statement.

- Under IFRS 16, the lease expense is replaced by depreciation and interest charges, which will be excluded from our key performance metric, EBITDA. The impact of this is anticipated to be an improvement in EBITDA of approximately £1.7 million in 2019.

The impact of adopting IFRS 16 on the key financial statement line items within the consolidated income statement for the six months ended 30 June 2019 compared to amounts determined in accordance with the previous guidance, IAS 17, is as follows:

	As reported £000s	Adjustments £000s	Under IAS 17 £000s
REVENUE	35,179	-	35,179
GROSS PROFIT	14,489	-	14,489
RENTAL CHARGES FOR RIGHT-OF-USE ASSETS	-	(867)	(867)
AMORTISATION OF RIGHT-OF-USE ASSETS	803	803	-
OPERATING PROFIT	4,194	(64)	4,130
FINANCE COSTS	(124)	123	(1)
PROFIT BEFORE TAXATION	4,146	59	4,205
PROFIT FOR THE PERIOD	3,609	59	3,668
EARNINGS PER SHARE			
Basic	7.8p		7.9p
Diluted	7.5p		7.6p

The impact of adopting IFRS 16 on the key financial statement line items within the balance sheet as at 1 January 2019 and 30 June 2019 is as follows:

	As at 1 January 2019			As at 30 June 2019		
	Under IFRS 16 £000s	Adjustments £000s	As reported under IAS 17 £000s	As reported under IFRS 16 £000s	Adjustments £000s	Under IAS 17 £000s
Non-current assets	27,508	(6,119)	21,389	27,074	(5,393)	21,681
Current liabilities	(18,603)	1,416	(17,187)	(14,843)	1,559	(13,284)
Non-current liabilities	(6,017)	4,703	(1,314)	(5,266)	3,905	(1,361)
Net assets	28,363	-	28,363	33,415	71	33,486

2. REVENUE

	CRO services £000s	PV services £000s	Total revenue £000s
Six months ended 30 June 2019 **	19,030	16,149	35,179
Six months ended 30 June 2018 (re-stated) **	13,604	12,120	25,724
Year ended 31 December 2018 *	26,580	27,532	54,112

* Audited
** Unaudited

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 2019 £000s	Unaudited Six months ended 30 June 2018 (re-stated) £000s	Audited Year ended 31 December 2018 £000s
Earnings/(loss) for the purposes of basic earnings per share being net profit attributable to owners of the Company	3,609	(2,531)	(8,980)
Earnings/(loss) for the purposes of diluted earnings per share	3,609	(2,531)	(8,980)
	No.	**No.**	**No.**
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	46,184,074	44,399,323	44,693,699
Effect of dilutive potential ordinary shares			
Share options	1,769,649	2,289,101	-
Shares to be issued in settlement of contingent consideration	115,514	218,551	158,810
Weighted average number of ordinary shares for the purposes of diluted earnings per share	48,069,237	46,906,975	44,852,509

4. FINANCE COSTS

	Unaudited Six months ended 30 June 2019 £000s	Unaudited Six months ended 30 June 2018 £000s	Audited Year ended 31 December 2018 £000s
Lease interest payable	123	-	-
Other interest payable	1	2	3
Changes in the fair value of contingent consideration	-	301	619
	124	303	622

5. TAXATION

	Unaudited Six months ended 30 June 2019 £000s	Unaudited Six months ended 30 June 2018 £000s	Audited Year ended 31 December 2018 £000s
Current tax	(1,065)	(227)	(28)
Deferred tax	528	155	1,816
	(537)	(72)	1,788

6. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2019 £000s	Unaudited 30 June 2018 £000s	Audited 31 December 2018 £000s
Trade receivables	11,235	8,984	11,735
Other receivables	2,331	1,387	2,437
Prepayments	1,134	1,035	1,225
Corporation tax receivable	923	310	1,032
	15,623	11,716	16,429

7. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2019 £000s	Unaudited 30 June 2018 £000s	Audited 31 December 2018 £000s
Trade creditors	2,933	3,855	4,379
Amounts payable to related parties *	55	89	585
Social security and other taxes	414	564	724
Other payables	1,049	921	1,575
Customer advances	648	579	734
Accruals	3,856	2,077	2,992
	8,955	8,085	10,989

* Amounts payable to related parties have credit terms of 30 days.

8. ACQUISITION COSTS

	Unaudited Six months ended 30 June 2018 £000s	Unaudited Six months ended 30 June 2018 £000s	Audited Year ended 31 December 2018 £000s
Acquisition of Harefield Pharmacovigilance	-	-	3
Acquisition of Pharmacovigilance Services	-	-	7
Other M&A activities	-	66	164
	-	66	174

9. EXCEPTIONAL ITEMS

	Unaudited Six months ended 30 June 2019 £000s	Unaudited Six months ended 30 June 2018 £000s	Audited Year ended 31 December 2018 £000s
Establishment of pharmacoepidemiology business	-	185	356
Cost reduction programme	-	-	760
Business reorganisation	-	256	557
Impairment of Haemostatix goodwill	-	-	2,143
Impairment of Haemostatix in process R&D	-	-	15,200
Impairment of Haemostatix other assets	-	-	834
Revaluation of Haemostatix contingent consideration	-	-	(11,617)
Onerous contract provision	-	-	216
Impairment of investment	-	-	45
	-	441	8,494

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

10. EBITDA and EBITDA (adjusted)

	Unaudited Six months ended 30 June 2019 £000s	Unaudited Six months ended 30 June 2018 (re-stated) £000s	Audited Year ended 31 December 2018 £000s
Operating profit/(loss)	4,194	(2,160)	(10,446)
Adjust for:			
Depreciation and amortisation charges within Other selling, general & administration expenses	1,477	571	1,248
Amortisation of acquired fair valued intangible assets	449	677	1,286
EBITDA	6,120	(912)	(7,912)
Share-based payment charge	321	359	758
Acquisition related contingent compensation	40	-	972
Change in fair value of contingent consideration for acquisitions	-	-	(233)
Acquisition costs (note 8)	-	66	174
Exceptional items (note 9)	-	441	8,494
EBITDA (adjusted)	6,481	(46)	2,253

11. RE-STATEMENTS

The Balance Sheet as at 30 June 2018 and the Income Statement and Cash Flow Statement for the six months ended 30 June 2018, previously reported in accordance with IAS 18, are now re-stated in accordance with IFRS 15. The impact of the restatement for adoption of IFRS 15 on the Consolidated Balance Sheet as at 30 June 2018 and the Income Statement and Cash Flow Statement for the six months ended 30 June 2018 is set out below.

Re-statement of Consolidated Income Statement
For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018	Adjustment	Unaudited Six months ended 30 June 2018 (re-stated)
	£000s	£000s	£000s
Service revenue	21,797	3,927	25,724
Reimbursement revenue	3,541	(3,541)	-
REVENUE	25,338	386	25,724
Cost of sales	(13,208)	-	(13,208)
Reimbursable expenses	(3,541)	-	(3,541)
GROSS PROFIT	8,589	386	8,975
Selling, general and administrative expenses	(10,288)	-	(10,288)
Selling, general and administrative expenses comprises:			
Other selling, general and administrative expenses	(8,745)	-	(8,745)
Amortisation of acquired fair valued intangible assets	(677)	-	(677)
Share-based payment charge	(359)	-	(359)
Acquisition costs	(66)	-	(66)
Exceptional items	(441)	-	(441)
Research and development	(863)	-	(863)
Other operating income	16	-	16
OPERATING LOSS	(2,546)	386	(2,160)
Investment revenues	4	-	4
Finance costs	(303)	-	(303)
LOSS BEFORE TAXATION	(2,845)	386	(2,459)
Taxation	(83)	11	(72)
LOSS FOR THE PERIOD	(2,928)	397	(2,531)
LOSS PER SHARE			
Basic	(6.6)p		(5.7)p
Diluted	(6.6)p		(5.7)p

Re-statement of Consolidated Balance Sheet
At 30 June 2018

	Unaudited 30 June 2018 £000s	Adjustment £000s	Unaudited 30 June 2018 (re-stated) £000s
Non-current assets			
Goodwill	15,223	-	15,223
Other intangible assets	19,471	-	19,471
Property, plant and equipment	1,161	-	1,161
Investments	1,214	-	1,214
Deferred tax asset	1,651	-	1,651
	38,720	-	38,720
Current assets			
Trade and other receivables	11,716	-	11,716
Other current assets	168	-	168
Accrued revenue	2,782	(382)	2,400
Current asset investments	90	-	90
Cash and cash equivalents	7,406	-	7,406
	22,162	(382)	21,780
Total assets	60,882	(382)	60,500
Current liabilities			
Borrowings	(11)	-	(11)
Trade and other payables	(8,085)	-	(8,085)
Deferred consideration	(1,969)	-	(1,969)
Deferred revenue	(1,232)	(1,433)	(2,665)
Taxation	(196)	-	(196)
Total current liabilities	(11,493)	(1,433)	(12,926)
Net current assets	10,669	(1,815)	8,854
Non-current liabilities			
Borrowings	(1)	-	(1)
Deferred consideration	(10,094)	-	(10,094)
Deferred tax liability	(3,253)	(4)	(3,257)
Total liabilities	(24,841)	(1,437)	(26,278)
Net assets	36,041	(1,819)	34,222
Equity			
Share capital	449	-	449
Share premium account	24,326	-	24,326
Merger reserve	11,008	-	11,008
Share option reserve	3,033	-	3,033
Translation reserve	759	16	775
Retained earnings	(3,534)	(1,835)	(5,369)
Total equity	36,041	(1,819)	34,222

Re-statement of Consolidated Cash Flow Statement
For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018	Adjustment	Unaudited Six months ended 30 June 2018 (re-stated)
	£000s	£000s	£000s
Cash flows from operating activities			
Loss before taxation	(2,845)	386	(2,459)
Adjustment for:			
Amortisation and depreciation	1,248	-	1,248
Loss/(gain) on disposal of fixed assets	5	-	5
Share-based payment charge	359	-	359
Equity investments in exchange for services provided	(460)	-	(460)
Investment income	(4)	-	(4)
Finance costs	303	-	303
Operating cash flow before changes in working capital and provisions	(1,394)	386	(1,008)
Decrease/(increase) in trade and other receivables	3,989	-	3,989
Decrease/(increase) in other current assets	334	-	334
(Decrease)/increase in trade and other payables	(1,625)	(386)	(2,011)
Cash generated from/(utilised in) operations	1,304	-	1,304
Taxation received/(paid)	448	-	448
Net cash inflow/(outflow) from operating activities	1,752	-	1,752
Investing activities			
Investment income received	4	-	4
Acquisition of intangible assets	(302)	-	(302)
Acquisition of property, plant and equipment	(343)	-	(343)
Receipts from sale of property, plant and equipment	3	-	3
Acquisition related earn-out paid	(751)	-	(751)
Net cash outflow from investing activities	(1,389)	-	(1,389)
Financing activities			
Issue of new shares	3,914	-	3,914
Expenses of fundraising	(183)	-	(183)
Finance costs paid	(2)	-	(2)
Repayment of borrowings	(6)	-	(6)
Net cash inflow/(outflow) from financing activities	3,723	-	3,723
Net increase/(decrease) in cash and cash equivalents	4,086		4,086
Effect of foreign currency on cash balances	102	-	102
Cash and cash equivalents at start of the period	3,218	-	3,218
Cash and cash equivalents at end of period	7,406	-	7,406