Ergomed plc

Unaudited Preliminary Results for the year ended 31 December 2014

Strong 2014 trading performance
Significant backlog of signed contracts
Co-development portfolio expanding – significant data due in 2016
Well positioned for growth

London, UK – **25 March 2015**: Ergomed plc, ('Ergomed', AIM: ERGO) a profitable UK-based group dedicated to the provision of specialised services to the pharmaceutical industry and the development of new drugs, today announces its Preliminary Results for the year ended 31 December 2014.

Unaudited Financial Highlights

- Revenues up 40% in 2014 to £21.2 million (2013: £15.1 million)
- Gross profit up 16% in 2014 to £5.8 million (2013: £5.0 million – includes £1.3 million co-development milestone)
- Net assets £15.3 million as at 31 December 2014 (2013: £1.9 million)
- Cash and cash equivalents of £4.6 million as at 31 December 2014 (2013: £1.9 million)
- Successful initial public offering (IPO) on the AIM Market of the London Stock Exchange in July 2014
- Acquired PrimeVigilance at IPO for £6.0 million in cash and £3.0 million in shares
- £26.8 million of service contracts won in 2014. Total backlog of awarded contracts as at 1 March 2015 of approximately £60.0 million

Unaudited Pro forma Financial Highlights

The unaudited pro forma adjustments assume that PrimeVigilance was owned for all of 2013 and 2014 and adjusts for certain non-recurring pre-IPO related party expenses, a share option charge in 2014 and the 2014 IPO expenses (see note 9).

- Pro forma Revenues up 23% to £23.7 million (2013: £19.2 million)
- Pro forma recurring operating profit increased in 2014 to £2.7 million from £1.4 million in 2013 (excluding non-recurring milestone of £1.3 million received in H1 2013)

Co-development Highlights

- Three Phase III oncology co-development portfolio assets progressing well through ongoing studies
- Ferrer's Lorediplon for insomnia Phase II co-development deal signed in January 2014 on track to start Phase II clinical studies in H1 2015. Site selection and initiation has commenced and the study is on track
- Aeterna Zentaris (AEZS) signed Master Collaboration Agreement with Sinopharm A-Think for Zoptarelin Doxorubicin in China in December 2014. Ergomed will received a single digit percentage of any net income from this China deal under the AEZS co-development agreement for endometrial cancer signed in 2013
- Three important clinical study results expected in 2016 from two Phase III studies and one Phase II study in the current portfolio

Post-Period End Highlights

- Signed first orphan disease co-development agreement with Dilaforette for Phase II clinical development of sevuparin in patients with Sickle-Cell Disease (SCD) experiencing acute Vaso-Occlusive Crisis (VOC). The study is planned to start in H2 2015. Dilaforette was granted Orphan Drug Designation by the US Food and Drug Administration (FDA) for sevuparin in SCD in March 2015

- Expanded presence in Asia with opening of office in Taiwan. This expansion is a key element of the Company's strategic growth plan set out at the IPO and the Taipei base will be used as a hub for expansion into Asia

Commenting on the results, Miroslav Reljanovic, Chief Executive Officer of Ergomed plc, said: "Ergomed has delivered a strong performance in 2014, achieving significant year-on-year growth. Pro forma revenue increased by 23% and we saw a 40% increase in the value of new contracts won in the second half of 2014, reflecting strong demand across all divisions as well as Ergomed's well-established market position.

"We continue to advance our co-development pipeline, and were pleased to announce our fifth co-development agreement, and first co-development agreement in orphan drug development with Dilaforette for Sickle-Cell Disease treatment after the period end. We are looking forward to the clinical study results planned to be announced in 2016 from our co-development portfolio, including two Phase III studies and one Phase II study due next year.

"As outlined at IPO, global expansion is also a key element of the Company's strategic growth plan and the establishment of our new office in Taiwan is in line with our strategy to expand in Asia. Ergomed is well placed to continue to grow and develop its strategy as outlined at its IPO in July 2014 and I look forward to 2015 and beyond with confidence."

For further information, please contact:

Hume Brophy
Mary Clark, Supriya Mathur and Hollie Vile
Tel: + 44 203 440 5654
ergomed@humebrophy.com

Stifel Nicolaus Europe Limited
Advisers/Broker to the Company
Jonathan Senior, Giles Balleny
Tel: +44 207 710 7600

About Ergomed

Ergomed Plc is a profitable UK-based business providing drug development services to the pharmaceutical industry and has a growing portfolio of co-development partnerships. It operates in over 40 countries.

Ergomed provides clinical development, trial management and pharmacovigilance services to over 60 clients ranging from top 10 pharmaceutical companies to small and mid-sized drug development companies. Ergomed successfully manages clinical development from Phase I through to late phase programmes.

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

As well as providing high quality clinical development services, Ergomed is building a portfolio of co-development partnerships with pharma and biotech companies which share the risks and rewards of drug development. Ergomed leverages its expertise and services in return for carried interest in the drugs under development. 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 returns of Ergomed plc ("Ergomed") and 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.

Preliminary Results Statement

Introduction

Ergomed has two complementary businesses: Ergomed and PrimeVigilance.

Ergomed is a well-established, global, clinical research business providing services to the pharmaceutical and biotechnology industry. Ergomed also uses this drug development platform to run its co-development business – a growing portfolio of drug development partnerships with pharmaceutical and biotech companies. Under these agreements, Ergomed provides the same clinical research services, while contributing significantly to reduce the total cost of the clinical trial to the partner, and in return will receive a share of any future proceeds generated from the commercialisation of the partnered drug asset. Such proceeds can be generated from shorter term licensing deals and milestones and/or longer term product sales or royalties.

PrimeVigilance is a fast growing post-marketing pharmacovigilance and medical information business that works with pharmaceutical, generic and biotech companies assisting them in managing the global safety of their pharmaceutical drug products and late stage drug developments.

The Group has a clear growth strategy to become one of the leading global providers for:

- Post marketing services e.g. drug safety and medical information (pharmacovigilance)
- Rare disease/orphan drug development services
- Co-development partnerships

Chairman's Statement

Ergomed has made a strong start as a newly listed AIM Company, and on behalf of the Board I welcome our new shareholders. The Board are committed to delivering the strategy as set out in the IPO Admission Document with the goal of building significant value over the next few years through continuing to grow the established, profitable services businesses – Ergomed and PrimeVigilance. Concurrently, Ergomed will expand its co-development portfolio on a selected basis with the intention of delivering significant clinical data over the next few years that, if the data is positive, will generate additional income and value for shareholders as the partnered assets are commercialised.

I would like to thank the Board, Ergomed's employees and our advisors for all their hard work in 2014, and based on our continued combined efforts, I look to the future with confidence.

Rolf Stahel – Chairman

Chief Executive Officer's Review

2014 has been a transformational year for Ergomed, and we are excited by the continued prospects for growth for our business as outlined at the IPO on the AIM market in July 2014.

The Group had a successful year with a total of £26.8 million of contracts won in 2014, a 40% increase on 2013, reflecting a strong demand across all divisions and Ergomed's well-established market position.

The 2014 contract wins included several multi-million pound full service Phase II and Phase III studies and full service pharmacovigilance services to late stage biotech and pharma companies. The majority of these contracts are already in process and are scheduled to be completed over the next few years. Ergomed ended 2014 with a total backlog of contracted work from all its business segments with a value to be invoiced in the future of approximately £60.0 million. This strong close to the year has been driven by the continued recognition of the benefits of Ergomed's approach to drug development, co-development and drug safety services from new and existing partners.

Global demand for quality drug development services remains strong and Ergomed is benefiting from this demand. In addition, the fundraising environment for biotech in the US and EU will increase the need for clinical trial related services. Ergomed has significant experience of working with such biotech and pharmaceutical companies and has a track record of being able to tailor its full service capability to meet clients' particular requirements. Ergomed is also in the unique position of offering co-development partnerships and is committed to building its portfolio of co-development assets and delivering significant clinical data, thereby creating shareholder value in the next few years.

The Board was very pleased to acquire PrimeVigilance at the time of the IPO. PrimeVigilance is a fast growing business with a strong brand in its sector. Its specialisation in marketed drug safety services broadens the overall

Ergomed offering. While Ergomed is principally R&D focussed, PrimeVigilance typically targets companies marketing pharmaceutical and/or generic drugs. There is also the potential for synergy and cross selling between the two companies through their well-established business development networks.

In line with its strategy to expand through organic growth and acquisitions, Ergomed announced the opening of a new office in Taiwan in March 2015 – its first office in Asia. The new subsidiary company in Taipei will act as a hub for business activity across the country and the wider Asian market, ensuring Ergomed is best placed to support existing and new clients with business interests in the region. The Taiwan operations will be led by Executive Director of Global Clinical Operations, Dr Sy- Shi Wang. Born in Taiwan and now a US citizen, Dr Wang brings extensive international experience.

Co-development update

Ergomed's four late stage co-development partnerships progressed well in 2014. Under these agreements, Ergomed is contributing to the cost of the clinical trials and in return will receive a share of any proceeds generated from the commercialisation of the partnered drug asset.

Ergomed has the potential to receive over $100 million in future revenues from the three ongoing co-development deals it has in oncology with three different US listed biotechnology companies. The actual revenues that will be generated are dependent on the projects' future clinical results and also their subsequent commercialisation by our partners.

In January 2014, Ergomed signed a co-development agreement with Ferrer for a Phase II study in insomnia which is ready to start in H1 2015. Additionally, Ergomed's co-development partner Aeterna Zentaris signed a Master Collaboration Agreement for zoptarelin doxorubicin in China with Sinopharm A-Think in December 2014, triggering a payment to Ergomed of a single digit percentage of any net income from this China deal under the AEZS co-development agreement.

Ergomed continues to advance its leading co-development model and in February 2015 signed its fifth co-development agreement, and first co-development agreement in orphan drug development, with Dilaforette for Phase II clinical development of sevuparin in patients with Sickle-Cell Disease (SCD) experiencing acute Vaso-Occlusive Crisis (VOC). Ergomed will co-invest a proportion of its revenues from the clinical and regulatory activities of the trial in return for an equity stake in Dilaforette.

The status of Ergomed's current partnerships is summarised below.

***CEL-SCI (NYSE MKT: CVM)*:** Ergomed is working with CEL-SCI on the largest ever Phase III study in head and neck cancer with lead product Multikine. The trial will enrol approximately 880 patients with advanced primary head and neck cancer. CEL-SCI recently announced that a total of 252 patients had been enrolled, representing over one quarter of the total enrolment for the study. Four clinical sites in the US have been added and the trial is currently being expanded to the UK, Austria, Sri Lanka, Turkey and France. Ergomed and CEL-SCI have also agreed to commence Phase I studies in the additional indication of peri-anal warts in HIV/HPV co-infected patients and have commenced planning for a Phase II study in cervical dysplasia in HIV/HPV co-infected patients.

***Synta Pharmaceuticals (NASDAQ: SNTA*)**: Ergomed is in a co-development partnership on Synta's lead development candidate, ganetespib, in clinical studies for a number of cancer indications. Synta reported final results from the global, randomized, multi-center Phase IIb GALAXY-1 study in advanced non-small cell lung cancer (NSCLC) adenocarcinoma in May 2014. Final results from this trial, in particular encouraging overall survival results and tolerability profile in chemosensitive patients, supports the selection of the chemosensitive population for the pivotal Phase III GALAXY-2 study. Synta's pivotal Phase III GALAXY-2 study of ganetespib and docetaxel vs. docetaxel alone for the 2nd line treatment of patients with NSCLC adenocarcinoma remains on track to meet previously guided data readout timelines in H2 2015 and the final analysis to be conducted in 2016. In July 2014, Synta announced the advancement of ganetespib into a Phase III extension of the AML LI-1 (less intensive) study in newly diagnosed elderly patients with acute myeloid leukemia (AML) or high-risk myelodysplastic syndrome (MDS) who are not eligible for intensive chemotherapy. In addition, Synta has recently announced that enrolment has begun in the Phase I safety portion of the GANNET53 study in ovarian cancer.

***Aeterna Zentaris Inc. (NASDAQ: AEZS; TSX: AEZ)*:** Ergomed is working with Aeterna Zentaris on the Phase III pivotal study comparing zoptaerlin doxorubicin ("ZoptEC" study) as second line therapy for locally-advanced, recurrent or metastatic endometrial cancer. The ZoptEC study is being conducted over 120 sites in North America, Europe, Israel and other countries under a Special Protocol Assessment. Site initiation is complete and patient recruitment is on track with over 400 of the expected 500 patients entered into the study. The primary efficacy endpoint is improvement in median overall survival. The ZoptEC study is on track to reach the number of patients required to secure the first interim analysis in the H1 2015, and patient recruitment should be completed by year-end.

Ferrer*:* Ergomed has partnered with Ferrer on Lorediplon which is a novel, longer acting non-BZD hypnotic drug that modulates the GABAa receptor. Compared to other non-BZD receptor agonists (such as zolpidem), Lorediplon has demonstrated in preclinical and clinical studies a potent hypnotic profile and extended systemic half-life, properties that could confer potential clinical benefits in terms of sleep maintenance and sleep architecture. Ergomed is on track to start the Phase II study in insomnia with first patient to be dosed in H1 2015. Site selection and initiation has commenced and the study is on track.

Dilaforette*:* Ergomed is working with Dilaforette on the Phase II study of sevuparin in patients with Sickle-Cell Disease (SCD) experiencing acute Vaso-Occlusive Crisis (VOC). Dilaforette was granted Orphan Drug Designation by the US Food and Drug Administration (FDA) for sevuparin in SCD in March 2015. The study is planned to start in H2 2015. Dilaforette is part of the Karolinska Development AB (STO: KDEV, 'Karolinska Development') portfolio.

Outlook

Following its IPO, Ergomed has a strong balance sheet and a good backlog of signed contracts that will be delivered over the next few years. The co-development portfolio is on plan to deliver important clinical trial results in 2016. If these clinical trial results are positive they have the potential to deliver significant financial returns in cash to the Company. The Board expects to continue to expand its co-development portfolio in line with the objectives stated at the IPO. Ergomed also has a strong set of new co-development leads under discussion and the Board expects to expand the portfolio in 2015 in line with its stated strategy. The PrimeVigilance drug safety business is also trading in line with expectations and has a strong order book including some recent high quality contract wins in the UK and US. Ergomed is looking at several growth opportunities to add to its international footprint and strengthen its service offerings as outlined in the IPO Admission Document. We are working hard across the business to ensure that 2015 is another year of strong progress for Ergomed.

Miroslav Reljanovic M.D. - Chief Executive Officer

Financial Review

Key Performance Indicators

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

	2014 £m	**2013 £m**
Revenue	21.2	15.1
Gross profit	5.8	5.0
Operating profit (see note A below)	0.8	1.8
Cash and cash equivalents	4.6	1.9

Note A. Please refer to the pro forma financial information in note 9 that explains the adjustments between the pro forma operating profit and the operating profit in the above table.

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

- The expansion of the co-development portfolio and the addition of two new partnerships per year
- The development of new and/or the expansion of existing service offerings
- The delivery of high quality services that continue to meet the highest industry standards as evidenced by internal and external quality audits which have been completed satisfactory in both the current and prior years

Condensed Consolidated Statement of Comprehensive Income

Revenue for the year ended 31 December 2015 was £21.2 million (2013: £15.1 million). Note that 2013 included a non-recurring milestone payment from a co-development partner of £1.3 million. PrimeVigilance was acquired in July 2014 and the impact of this acquisition on the 2014 results is shown in note 6 and PrimeVigilance financial records are consolidated from the acquisition on 14 July 2014.

Gross profit was £5.8 million and gross margin was 27% (2013: gross profit £5.0 million and gross profit margin 33%. After adjusting for the non-recurring co-development milestone of £1.3 million received in 2013 the gross profit for 2013 was £3.7 million and gross margin 27%). Ergomed's gross margin fluctuates compared to a traditional clinical research organisation (CRO) service provider as Ergomed operates a hybrid model working with customers on a normal full priced basis as well as working with co-development partners where Ergomed is carrying out clinical studies at reduced fees in return for carried interests in the partnered product. The mix of full service work to co-development work in any given period will therefore affect the gross profit and gross margin.

Operating Expenses and Operating Profit

Administration expenses in 2014 of £3.7 million are higher than the prior year costs of £3.2 million mainly due to corporate costs and the inclusion of PrimeVigilance. There is also an increased depreciation/amortisation charge in 2014 of £0.4 million (2013: £nil) due to the amortisation of the intangible assets associated with the Ergomed Virtuoso acquisition that was completed in October 2013 and the PrimeVigilance acquisition that was completed in July 2014. There is also a non-cash share–based payment charge in the 2014 administration expense of £0.3 million relating to share options issued prior to the IPO in April 2014. Operating expenses for 2014 also include the non-recurring IPO costs of £0.6 million.

Operating profit in 2014 was £0.8 million (2013: £1.8 million). The 2014 profit is reduced in line with the increased expenses noted above. Also it should be noted that 2013 operating profit included a non-recurring milestone payment from a co-development partner of £1.3 million.

Condensed Consolidated Statement of Financial Position

As at 31 December 2014 total assets less total liabilities amounted to £15.3 million (2013: £1.9 million) including cash and cash equivalents of £4.6 million (2013: £1.9 million).

The principal movements in the Condensed Consolidated Balance Sheet/statements of financial position during the year were:

- Acquisition of PrimeVigilance in July 2014 and the associated acquisition of goodwill, intangible and other assets (see note 6)
- Increase in cash and cash equivalents of £2.6 million due to the net funds raised at the IPO
- Increase in trade and other receivables of £3.1 million reflecting the growth in revenues in 2014 and also the inclusion of PrimeVigilance trade and other receivables following its acquisition in July 2014
- Trade and other payables have also increased by £1.0 million due to increased trading and the inclusion of PrimeVigilance

- Issue of 6.875 million shares at £1.60 raising £11.0 million before expenses. In accounting for the costs associated with the IPO in July 2014 £1.6 million of allowable expenses have been debited to the share premium account

Condensed Consolidated Cash Flow Statement

Ergomed Group was profitable and cash generative during 2014 and 2013. The IPO in 2014 has had a significant impact on the cash flows for the year as noted below. At present the Group does not have any borrowings or long term debt apart from a few immaterial fixed asset finance leases.

The principal cash inflows in the year were the significant cash inflow from the IPO gross proceeds of £11.0 million and also cash inflow from operating activities of £0.8 million.

The principal cash outflows were the cash used to acquire PrimeVigilance of £6.3 million including expenses and also the total expenses and other costs directly relating to the IPO of £1.9 million. The Group also paid taxation of £0.4 million in 2014.

Financial Outlook

As stated at the IPO in the Admission Document, Ergomed's Board has set the objective of remaining profitable and cash generative. This is being achieved by running profitable healthcare services businesses alongside a managed portfolio of drug co-development partnerships where Ergomed contributes services at reduced prices in return for a carried interest in the potential commercial returns that may be generated in the future if the clinical studies are successful.

Ergomed currently has a strong contracted backlog of about £60.0 million and the overall trading environment for full service business is generally strong although still very competitive. Ergomed's Board believes it can continue to generate further growth and profits from both the Ergomed and PrimeVigilance businesses in 2015 and beyond, whilst at the same time expanding the co-development portfolio on a selected basis.

Going concern

As at 31 December 2014 the Group had £4.6 million in cash or cash equivalents and a strong backlog of signed contracts and is currently forecasting to be profitable and cash positive for the foreseeable future. Therefore, after due consideration of the cash flow forecasts the Directors are of the view that Ergomed will continue to have access to adequate resources to allow the Group to continue trading on normal terms of business for no less than 12 months from the date of signing of the financial statements and have therefore prepared the financial statements on a going concern basis.

UNAUDITED PRELIMINARY RESULTS

Condensed Consolidated Income Statement

	Notes	2014 £000s	2013 £000s
REVENUE		21,155	15,147
Cost of sales		(15,385)	(10,146)
Gross profit		5,770	5,001
Administrative expenses		(3,677)	(3,234)
Other operating income		54	9
Amortisation of acquired intangibles		(446)	-
Share-based payment charge		(338)	-
Exceptional items	3	(584)	-
OPERATING PROFIT		779	1,776
Investment revenues		-	4
Finance costs		(2)	(2)
PROFIT BEFORE TAXATION		777	1,778
Taxation		(199)	(232)
PROFIT FOR THE YEAR		578	1,546
EARNINGS PER SHARE			
Basic	5	2.4p	7.7p
Diluted	5	2.3p	7.4p

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

Condensed Consolidated Statement of Comprehensive Income

	2014 £000s	2013 £000s
Profit for the year	578	1,546
Items that may be classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(212)	8
Other comprehensive income for the period net of tax	(212)	8
Total comprehensive income for the period	366	1,554

Condensed Consolidated Balance Sheet

	2014 £000s	2013 £000s
Non current assets		
Goodwill	7,282	1,332
Other intangible assets	2,927	-
Property, plant and equipment	185	148
Investments	39	-
Deferred tax asset	323	2
	10,756	1,482
Current assets		
Trade and other receivables	6,396	3,283
Cash and cash equivalents	4,576	1,950
	10,972	5,233
Total assets	21,728	6,715
Current liabilities		
Borrowings	(7)	(29)
Trade and other payables	(5,657)	(4,615)
Current tax liability	(144)	(156)
Total current liabilities	(5,808)	(4,800)
Net current assets	5,164	433
Non-current liabilities		
Borrowings	(6)	(8)
Deferred tax liability	(575)	-
Total liabilities	(6,389)	(4,808)
Net assets	15,339	1,907
Equity		
Share capital	288	200
Share premium account	12,342	-
Share-based payment reserve	363	25
Translation reserve	(294)	(82)
Retained earnings	2,640	1,764
Total equity	15,339	1,907

Consolidated Statement of Changes in Equity

	Share capital £000s	Share Premium account £000s	Share-based Payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2012	200	-	25	(90)	218	353
Profit for the year	-	-	-	-	1,546	1,546
Other comprehensive income for the period	-	-	-	8	-	8
Total comprehensive income for the period	-	-	-	8	1,546	1,554
Balance at 31 December 2013	200	-	25	(82)	1,764	1,907
Share issues during the year (net of expenses)	88	12,342	-	-	-	12,430
Options granted during the period	-	-	338	-	-	338
Deferred tax credit taken directly to equity	-	-	-	-	298	298
Profit for the year	-	-	-	-	578	578
Other comprehensive income for the period	-	-	-	(212)	-	(212)
Total comprehensive income for the period	-	-	-	(212)	578	366
Balance at 31 December 2014	288	12,342	363	(294)	2,640	15,339

Condensed Consolidated Cash Flow Statement

	2014 £000s	2013 £000s
Cash flows from operating activities		
Profit before taxation	777	1,778
Adjustment for:		
Amortisation and depreciation	518	63
(Gain)/loss on disposal of fixed assets	(5)	(15)
Share based payment charge	338	-
Exchange adjustments	(208)	8
Exceptional items	584	-
Finance income	-	(5)
Finance expenses	2	2
Operating cash flow before changes in working capital and provisions	2,006	1,831
(Increase)/decrease in trade and other receivables	(2,046)	618
Increase/(decrease) in trade and other payables	44	(978)
Cash generated from operations	4	1,471
Taxation paid	(430)	(93)
Net cash (outflow)/inflow from operating activities	(426)	1,378
Investing activities		
Finance income received	-	5
Acquisition of property, plant and equipment	(63)	(70)
Acquisition of intangible assets	(83)	-
Investment in joint venture	(40)	-
Acquisition of subsidiary including expenses of acquisition	(6,285)	(669)
Receipts from sale of property, plant and equipment	12	38
Net cash outflow from investing activities	(6,459)	(696)
Financing activities		
Issue of new shares (net of expenses)	11,000	-
Expenses of fundraising	(1,870)	-
Finance expense paid	(2)	(2)
Increase in borrowings	11	-
Repayment of borrowings	(30)	(66)
Net cash inflow/(outflow) from financing activities	9,109	(68)
Net increase/(decrease) in cash and cash equivalents	2,224	614
Cash acquired with subsidiary	402	891
Cash and cash equivalents at start of the year	1,950	445
Cash and cash equivalents at end of year	4,576	1,950

ERGOMED PLC

NOTES TO THE UNAUDITED PRELIMINARY RESULTS
For the year ended 31 December 2014

1. BASIS OF PREPARATION

The unaudited preliminary results for the year ended 31 December 2014 were approved by the Board of Ergomed plc on 25 March 2015.The unaudited preliminary results do not constitute the statutory financial statements within the meaning of section 434 of the Companies Act 2006, but are an extract from the financial statements. It is based on, and is consistent with, that in the Group's statutory accounts for the year ended 31 December 2014 and those financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Financial statements for the year ended 31 December 2013 have been delivered to the Registrar of Companies.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, as adopted by the European Union (EU) (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS.

The audited statutory financial statements for the year ended 31 December 2014 are expected to be distributed to shareholders by early June 2015 and will be available at the registered office of the Company, 26-28 Frederick Sanger Road, Surrey Resarch Park, Guildford, Surrey, GU2 7YD. Details can also be found on the Group's website at: www.ergomedgroup.com.

GOING CONCERN

The unaudited preliminary results 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 expected date of signing of the financial statements in May 2015. This is based on the Directors having regard to the performance of the business, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group is financed by funds generated from profitable operations and equity.

The Directors have reviewed a cash flow forecast (“the Forecast”) for the period ending 31 December 2016. The Forecast represents the Directors’ best estimate of the Group’s future performance and necessarily includes a number of assumptions, including the level of revenues. The Forecast demonstrates that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of the financial statements.

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

The following areas are those in which the Directors have made critical judgements and estimates in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the unaudited preliminary results.

Revenue recognition

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

Impairment of Goodwill

Under IFRS, goodwill is reviewed for impairment at least annually. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The calculation of the recoverable amount requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to determine whether the recoverable amount is greater than the carrying value.

Bad debt provision

In determining the level of provisioning for bad debts, the Directors have considered the aging of trade receivables, and the payment history and financial position of debtors. They have made a provision of £200,000 against trade receivables.

Exceptional items

During the year, the company incurred costs related to the listing and to the acquisition of PrimeVigilance. The nature of these costs were legal, accounting and other professional fees. The Board considers these to be non-recurring in nature and presents them separately as exceptional items. These are detailed in note 6.

2. OPERATING SEGMENTS

Products and services from which reportable segments derive their revenues

The Directors are of the opinion that the Group operates as two business segments, being clinical research services ("CRS") and drug safety and medical information services ("DS&MI"). The results of the Group for the year ended 31 December 2013 are all attributable to clinical research services. The business segment, DS&MI relates to the results of PrimeVigilance following its acquisition by the Company on 15 July 2014.

Geographical information

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

	Revenue from external customers		
	CRS £000s	DS&MI £000s	2014 £000s
UK	2,744	1,107	3,851
Europe, Middle East and Africa	8,478	1,103	9,581
North America	5,856	855	6,711
Asia	984	-	984
Australia	-	28	28
	18,062	3,093	21,155

	Revenue from external customers		
	CRS £000s	DS&MI £000s	2013 £000s
UK	35	-	35
Europe, Middle East and Africa	8,019	-	8,019
North America	6,236	-	6,236
Asia	857	-	857
Australia	-	-	-
	15,147	-	15,147

	CRS £000s	DS&MI £000s	Eliminations £000s	Consolidated 2014 £000s
Revenue				
Third party sales	18,062	3,093	-	21,155
Intersegment sales and recharges	38	-	(38)	-
Total revenue	18,100	3,093	(38)	21,155

Information about major customers

In 2014, the Group had three customers that contributed 10 per cent or more to the Group's revenue. Revenues of approximately £4,424,000, £3,068,000 and £2,669,000 were recognised from these customers respectively for clinical research services.

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

3. EXCEPTIONAL ITEMS

	2014 £000s	2013 £000s
Expenses in relation to IPO	299	-
Expenses in relation to acquisition of PrimeVigilance (note 6)	285	-
	584	-

4. TAXATION

	2014 £000s	2013 £000s
Domestic current year tax		
UK corporation tax charge for the year	107	152
Adjustment in respect of prior years	1	(8)
Current UK company tax charge	108	144
Subsidiary company tax charges:		
Non UK corporation tax charge for the year	142	71
Adjustment in respect of prior years	3	-
Current tax charge	253	215
Deferred tax		
Deferred tax (credit)/charge	(54)	17
Tax on profit	199	232

In addition to the amounts charged to the income statement and other comprehensive income, the following amounts have been recognised directly in equity:

	2014 £000s	2013 £000s
Deferred tax		
Change in estimated excess tax deductions related to share-based payments.	298	-
Total income tax recognised directly in equity	298	-

5. EARNINGS PER SHARE

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

	2014 £'000	2013 £'000

Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	578	1,546
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	578	1,546

	2014 No.	2013 No.
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	24,075,342	20,000,000
Effect of dilutive potential ordinary shares		
Share options	993,600	941,176
Weighted average number of ordinary shares for the purposes of diluted earnings per share	25,068,942	20,941,176

6. ACQUISITION OF SUBSIDIARY – PRIMEVIGILANCE LIMITED

On 15 July 2014, Ergomed plc acquired 100 per cent of the issued share capital of PrimeVigilance Limited, a leading provider of drug safety and medical information services. PrimeVigilance Limited was acquired in order to broaden the range of healthcare services provided by the business and to thereby increase the profitability of Ergomed plc.

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

	Provisional Valuation £'000s	Adjustments £'000s	Final Valuation £'000s
Property, Plant and Equipment	62	-	62
Intangible assets	280	1,940	2,220
Total non current assets	342	1,940	2,282
Trade and other debtors	698	(100)	598
Accrued income	347	-	347
Cash and equivalents	302	100	402
Current assets	1,347	-	1,347
Trade and other creditors	(941)	-	(941)
Deferred revenue	(101)	-	(101)
Deferred tax	(26)	(388)	(414)
Financial liabilities	(1,068)	(388)	(1,456)
Total identifiable net assets	621	1,552	2,173
Goodwill	8,379	(1,552)	6,827
Total consideration	9,000	-	9,000
Satisfied by:			
Cash	6,000	-	6,000
Shares	3,000	-	3,000
Total consideration transferred	9,000	-	9,000
Net cash outflow arising on acquisition			
Cash consideration	6,000	-	6,000
Less: cash and cash equivalent balances acquired	(302)	(100)	(402)
	5,698	(100)	5,598

The provisional fair value of the financial assets includes receivables with a fair value of £698,000 and a gross contractual value of £698,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

Goodwill is valued at £6,827,000 which arises from the excess of purchase price of £9,000,000 over net assets of £2,173,000. None of the goodwill is expected to be deductible for income tax purposes.

PrimeVigilance contributed £3,093,000 revenue and £352,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of PrimeVigilance had been completed on the first day of the financial year, group revenues for the period would have been £2,494,000 higher and group profit would have been £347,000 higher.

Expenses incurred in relation to the acquisition of £285,000 have been charged as exceptional items in the Income Statement (note 3).

7. ACQUISITION OF SUBSIDIARY – ERGOMED VIRTUOSO SARL

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

A provisional valuation was used for the purposes of assessing the transaction for the statutory accounts for the year ended 31 December 2013. A subsequent valuation exercise performed during the measurement period has re-valued the identifiable assets acquired and liabilities assumed, and the amounts recognised are as set out in the table below.

	Provisional Valuation £'000s	**Adjustments £'000s**	**Final valuation £'000s**
Intangible assets	-	1,070	1,070
Total non current assets	-	1,070	1,070
Trade and other debtors	180	-	180
Prepayments and accrued income	120		120
Cash and equivalents	891	-	891
Current assets	1,191	-	1,191
Trade and other creditors	(852)	-	(852)
Deferred tax liability	-	(193)	(193)
Financial liabilities	(852)	(193)	(1,045)
Total identifiable net assets	339	877	1,216
Goodwill	1,332	(877)	455
Total consideration	1,671	-	1,671
Satisfied by:			
Cash	1,671	-	1,671
Total consideration transferred	1,671	-	1,671
Net cash outflow arising on acquisition			
Cash consideration	1,671	-	1,671
Less: cash and cash equivalent balances acquired	(891)	-	(891)
	780	-	780

The fair value of the financial assets includes receivables with a fair value of £180,000 and a gross contractual value of £180,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

Goodwill is valued at £455,000 which arises from the excess of purchase price of £1,671,000 over net assets of £1,216,000. None of the goodwill is expected to be deductible for income tax purposes.

Ergomed Virtuoso Sarl contributed £458,000 to revenue and £49,000 to the Group's profit for the period between the date of acquisition and 31 December 2013.

8. RELATED PARTY TRANSACTIONS

PrimeVigilance Limited, a company of which Miroslav Reljanovic and Neil Clark were shareholders and directors, was acquired by the Company for consideration comprising cash and shares on 15 July 2014 (note 6). Dividends, which were accrued at the time of acquisition, were subsequently paid to shareholders by PrimeVigilance Limited, in the following period when it was a subsidiary of the Company. Miroslav Reljanovic, who is a Director and shareholder of the Company, was paid £3,809,000 in cash and issued 1,190,257 ordinary shares of 1p each in the Company in consideration for his shares in PrimeVigilance Limited, and was paid an accrued dividend from PrimeVigilance Limited of £194,250. Neil Clark, who is a Director of the Company, was paid £294,000 in cash and issued 91,912 ordinary shares of 1p each in the Company for his shares in PrimeVigilance Limited, and was paid an accrued dividend from PrimeVigilance Limited of £15,000.

Ergomed d.o.o., a company registered in Croatia, is under the control of Miroslav Reljanovic, who is a Director and shareholder of the Company. During the year the Company was charged £619,000 (2013: £698,702) by Ergomed d.o.o. in respect of clinical research costs, other administration and telephone charges. At 31st December 2014 a balance of £14,000 was owed by the Company to Ergomed d.o.o. in respect of these costs (2013: £133,000). The Company also invoiced Ergomed d.o.o for loan interest of £nil (2013: £4,000) in relation to a loan from the Company to Ergomed d.o.o.. The loan was repaid during the year ended 31 December 2013.

Until 15 July 2014 the Company was under the same control as PrimeVigilance Limited as Miroslav Reljanovic was the majority shareholder in both companies. PrimeVigilance is a company registered in the UK but was not part of the same group. At 15 July 2014 PrimeVigilance Limited was acquired, and is now wholly owned, by the Company. During the period from 1 January 2014 to 15 July 2014, the Company charged £41,000 (year ended 31 December 2013: £193,000) to PrimeVigilance Limited in respect of administration and employee costs incurred by the Company on behalf of PrimeVigilance Limited.

At 31 December 2014, the related party receivables in relation to PrimeVigilance Limited were £nil (2013: £91,000). At 31 December 2014, the related party payables in relation to PrimeVigilance Limited were £nil (2013: £9,000).

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

9. *Pro Forma* Financial information – UNAUDITED AND UNREVIEWED

On 15 July 2014, Ergomed plc acquired the entire share capital of PrimeVigilance Limited. The following *Pro Forma* financial information combines the financial results of Ergomed plc and PrimeVigilance Limited prior to that date for illustrative purposes. The results of PrimeVigilance Limited for the year ended 31 December 2013 and the statement of financial position as at 31 December 2013 are based on the audited financial statements of that company. 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. In addition, the results of Ergomed plc presented in this Pro Forma financial information are adjusted to remove the profit margin charged by a related party in relation to services provided to Ergomed plc, as such services will be provided from internal resources in the period following the IPO. The Ergomed 2014 results in this Pro Forma financial information are also adjusted for the non-recurring IPO costs of £0.6m, a non-cash share option based payment charge of £0.3m and increased amortisation charge of £0.4m associated with the intangible assets associated with the two acquisitions of Ergomed Virtuoso and PrimeVigilance.

Pro Forma Consolidated Income Statement -2014

	2014 £000s	Pre-acquisition results of PrimeVigilance £000s	*Pro Forma* 2014 £000s
REVENUE	21,155	2,539	23,694
Cost of sales	(15,245)	(1,646)	(18,691)
Gross profit	5,910	893	6,803
Administrative expenses	(3,535)	(543)	(4,078)
Depreciation expense	(72)	(18)	(90)
Other operating income	54	2	56
OPERATING PROFIT	2,357	334	2,691
Investment revenues	-	-	-
Finance costs	(2)	-	(2)
PROFIT BEFORE TAXATION	2,355	334	2,689
Taxation	(330)	(35)	(365)
PROFIT FOR THE YEAR	2,025	299	2,324
EBITDA	2,429	352	2,781

The results of Ergomed plc are adjusted to remove the profit margin on services provided by a related party, exceptional costs arising from the IPO and acquisition of PrimeVigilance, share-based payment charge and amortisation of acquired intangible assets.

Pro Forma Consolidated Income Statement - 2013

	Year ended 31 December 2013		
	Adjusted Ergomed £000s	Prime Vigilance £000s	Pro Forma £000s
REVENUE	15,147*	4,085	19,232 *
Cost of sales	(9,817)	(2,328)	(12,145)
Gross profit	5,330	1,757	7,087
Administrative expenses	(3,082)	(1,217)	(4,299)
Depreciation expense	(63)	(23)	(86)
Share options	-	(2)	(2)
Other operating income	9	-	9
OPERATING PROFIT	2,194	515	2,709
Finance income	4	-	4
Finance costs	(2)	(1)	(3)
PROFIT BEFORE TAXATION	2,196*	514	2,710

Taxation	(287)	(120)	(407)
PROFIT FOR THE YEAR	1,909	394	2,303*

*The results of Ergomed plc are adjusted to remove the profit margin on services provided by a related party. The results for Ergomed for 2013 included a non-recurring milestone payment received from a co-development partner of £1.3m.