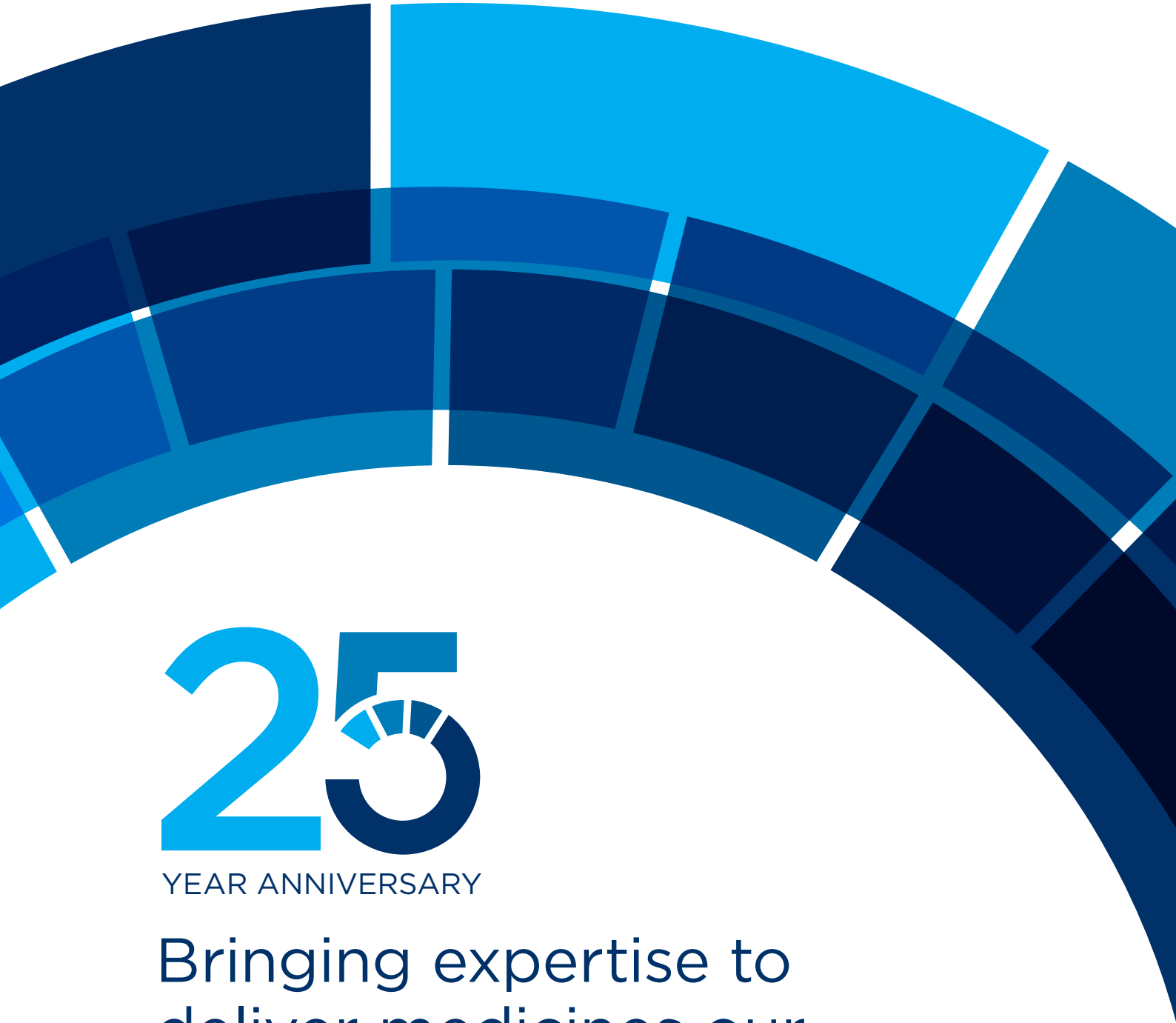
ERGOMED



25 YEAR ANNIVERSARY

Bringing expertise to deliver medicines our world can trust

Ergomed plc
Annual Report and Accounts 2022

ERGOMED | 25 YEARS

OUR VISION

Global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety

OUR MISSION

Bringing expertise to deliver medicines our world can trust

Investment case

Read about how Ergomed's investment case is positioned around highly complementary offerings in established growth markets

More details on **page 08**

Our business model

See how Ergomed's business model is delivering growth and creating value for all stakeholders

More details on **page 14**

Responsible business

Environmental, Social and Governance ('ESG') – read how Ergomed keeps these matters at the heart of being a responsible business

More details on **page 35**

STRATEGIC REPORT

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GLOBAL REACH THROUGH OUR THREE CORE STRATEGIC FOCUSES

GROW

see page 18

BUILD

see page 20

INVEST

see page 22

THE SUCCESS OF OUR BUSINESS IS GROUNDED IN OUR CULTURE;

The way we think, interact and service our stakeholders. Ergomed is shaped by its culture which focuses on patients and a determination to deliver the benefits of new and safe medicines and therapies.

see **pages 24 to 25**

INTEGRITY & TRUST

DRIVE & PASSION

QUALITY

AGILITY & RESPONSIVENESS

BELONGING

COLLABORATION

2022 highlights

OPERATIONAL

Successfully completed the acquisition and operational integration of ADAMAS

£24.2m **Total Net Cash Consideration**

+ c.100 **Complementary Clients Added**

See more details on **pages 20 to 21**

Continued successful focus on business development and driving cross-selling opportunities

2022 order book growth:

+23.1% **vs 31 December 2021**

See more details on **pages 26 to 29**

Unutilised debt facilities to support strategic growth priorities

Up to £80.0m

increased from £30m previously

Continued organic expansion into complementary geographies across the Group with new legal entities established

France, Italy, Ireland, Portugal, and Romania

See more details on **page 05**

Celebrating our track record of excellent service delivery for clients

25 years

Ergomed CRO established in 1997

See more details on **pages 06 to 07**

Launch of Rare Disease Innovation Centre in Ergomed CRO

An Ergomed initiative designed to provide strategic guidance and tailored innovative solutions to sponsors focused on rare disease drug development

FINANCIAL

Total Revenue

£145.3m

2021: £118.6m

Gross profit

£59.1m

2021: £48.4m

Adjusted EBITDA*

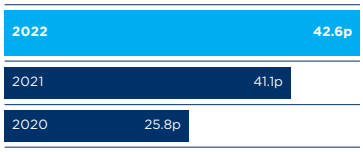
£28.4m

2021: £25.4m

Net cash

£19.1m

2021: £31.2m



Basic adjusted earnings per share*

42.6p

2021: 41.1p

* Adjusted EBITDA and adjusted earnings per share are 'Alternative Profit Measures' and are defined on page 33.

At a glance

We provide full-service clinical trial and pharmacovigilance solutions to the pharmaceutical and biotechnology industries

ERGOMED

CLINICAL RESEARCH SERVICES ('CRO')

Clinical research is the process of developing new medical therapies, drugs and knowledge for safe and effective use in healthcare. CRO is the outsourced management of this research to specialist service providers who organise all aspects of a clinical trial, including the creation and management of the trial team, recruitment of medical experts, patient recruitment, regulatory affairs, medical writing, quality management and clinical safety. We offer:

- High-quality clinical research and trial management services across all trial phases (I to IV) through the Ergomed brand
- Specialist focus on oncology and rare disease therapeutic areas
- A global footprint
- An innovative site-support services model which focuses on enhancing patient recruitment and engagement

CRO 2022 revenue

£71.4m

PRIMEVIGILANCE

PHARMACOVIGILANCE SERVICES ('PV')

Pharmacovigilance is the science and activities relating to the detection, understanding and prevention of adverse effects or other drug-related problems throughout the lifecycle of a drug. Pharmacovigilance has evolved to include other drug lifecycle services including medical information and Qualified Person Responsible for Pharmacovigilance ('QPPV') networks. We offer:

- PV services to clients through the PrimeVigilance brand including case processing, signal and risk management, pharmacoepidemiology, audits, training, advisory literature services, medical information and QPPV
- A global platform, with offices in the US, UK, Asia, and throughout Europe
- Support for pharmaceutical, biotechnology and genetics companies in managing the global safety of their products, from clinical trial to post-marketing
- A continued focus on investing in intelligent automation to provide more efficient analysis and reporting of adverse medical events

PV 2022 revenue

£73.9m

ADAMAS

REGULATORY COMPLIANCE AUDIT SERVICES

Driving pharmaceutical industry good practice ('GxP')

In February 2022, Ergomed acquired ADAMAS Consulting, a leading global specialist consultancy firm. The acquisition of ADAMAS has resulted in the addition to the Ergomed Group of new complementary regulatory audit compliance and consulting service capabilities to offer clients, including:

- Good Clinical Practice ('GCP'),
- Good Pharmacovigilance Practice ('GVP'),
- Good Manufacturing Practice ('GMP'),
- Good Laboratory Practice ('GLP'), and
- Computer Systems Compliance ('CSC').

Employees
1,400+

Patients served since formation
190,000

Trials supported since formation
1,900

Trial sites utilised since formation
14,000

Pharmacovigilance patient cases processed per annum
300k+

Total Revenue
+22.5%

Service fee revenue
+24.0%

Ergomed CRO Total Revenue
+22.9%

PrimeVigilance Total Revenue
+22.1%

Segmental revenue

CRO	49%
PV	51%

GLOBAL SERVICE COVERAGE

North America

World's largest pharmaceutical market.

High-growth market for Clinical Research Services ('CRO') and Pharmacovigilance ('PV').

Ergomed has a strong CRO and PV operational presence in North America building upon the acquisitions of MedSource and Ashfield PV in 2020.

Ergomed North America revenue
£90.6m
2021: £74.4m

UK & EMEA

Second largest pharmaceutical market globally.

Ergomed has enhanced its CRO and PV operational presence in France, Italy, Ireland, Portugal, and Romania. The geographical expansion complements the previously existing offices in the UK, Bulgaria, Croatia, the Czech Republic, Germany, the Netherlands, Poland, Serbia, and Spain.

Ergomed provides a comprehensive network of CRO and PV specialists with in-depth knowledge of EU and country-specific regulatory requirements.

Ergomed also offers service coverage and provides patient access throughout the Middle East and Africa.

Ergomed UK and EMEA revenue
£49.5m
2021: £36.9m

Asia Pacific

Asia region is the fastest growing market globally for CRO and PV services.

India, Japan and China are driving growth in the region fuelled by large populations and a rising incidence of disease.

Ergomed has ambitions to further expand its Asia Pacific presence.

PrimeVigilance has an office presence in Japan to support ongoing client requirements in the region.

Ergomed Asia Pacific revenue
£5.2m
2021: £7.2m

Our journey

25 YEARS OF ERGOMED

Founded in 1997, Ergomed has developed into a global company offering specialised services to the pharmaceutical industry.

TIME LINE

1997

Ergomed founded

Clinical investigator Dr. Miroslav Reljanović founds Ergomed in Zagreb, Croatia.

2008

PrimeVigilance founded

Well-known drug safety expert, Elliot Brown, and Dr. Reljanovic form PrimeVigilance, which aims to be a leading specialist in pharmacovigilance services.

2014

The Queen's Award for Enterprise: International Trade 2014

Ergomed plc IPO on London Stock Exchange

Ergomed is successfully added to the AIM market of the London Stock Exchange and trades under the symbol ERGO.

2015

Sound Opinion acquired

Ergomed acquires Sound Opinion, a medical information service company, to bolster the PrimeVigilance offering.

2016

PharmInvent and O+P, GASD acquired

Ergomed acquires German-based CRO companies, O+P, and GASD, and pharmacovigilance and regulatory services business, PharmInvent.

2017

PSR Orphan Experts acquired

Ergomed acquires PSR Group BV, a specialist orphan drug CRO, to further enhance its expertise in rare diseases.

2020

Ashfield Pharmacovigilance Inc. acquired

Ergomed acquires the US-based specialist pharmacovigilance provider to increase its support for US clients.

2020

MedSource LLC acquired

Ergomed acquires MedSource, an award-winning, oncology focused US-based CRO to further grow its footprint in the US.

2022

25 YEARS

ADAMAS Consulting Group Limited acquired

Ergomed acquires ADAMAS, a leading global regulatory compliance provider.

Investment case

ATTRACTIVE GROWTH MARKETS

25%+

Ergomed Group revenue CAGR (2014-2022)

CRO

The CRO market continues to see increasing investment in clinical trials by pharma and biotech companies, driven by a trend towards outsourcing across the industry with particular focus on specialty trials for chronic diseases.

The overall CRO market size is currently estimated at c. $40-50 billion and is expected to grow annually at c. +6% (CAGR) over the medium-term. Ergomed specialises in the rare disease and oncology subsets of the CRO market (estimated to be up to $20 billion combined) which are expected to outpace the overall CRO market growth, driven by the increasing prevalence of personalised medicine for rare and chronic diseases with high unmet medical needs.

PV

The global PV market size is currently estimated at c. $6 billion and is expected to grow at c. +10-15% (CAGR) over the medium-term, driven by an increase in the global harmonisation of regulations, greater regulatory focus on drug safety and a strong outsourcing trend globally.

MARKET OVERVIEW

Overall CRO market size

c. $40-50bn

c. +6% medium-term CAGR

Oncology & Rare Disease CRO market size

c. $20.0bn

c. +10% medium-term CAGR

Overall PV market size

c. $6bn

c. +10-15% medium-term CAGR

GxP audit

c. $1bn

c. +15% medium-term CAGR

Sources: Various market reports including IQVIA Institute, Evaluate Pharma World Preview, GrandView Research, and company estimates.

STRONG MARKET POSITION

£295.0m

Order book at 31 December 2022

Strong growth supplemented with strategic acquisitions has resulted in a robust order book, underpinning anticipated growth in the near-term.

The acquisition of ADAMAS during 2022 further enhances Ergomed's global coverage with a service offering complementary to our existing services and an established presence in North America, Europe and Asia.

Ergomed's 2020 acquisitions of MedSource and Ashfield Pharmacovigilance have greatly increased operational coverage in the North American CRO and PV markets, the largest pharmaceutical market globally. Ergomed also continues to strengthen its presence in the rapidly growing Asian market, with the opening of two key offices in Japan and India in recent years.

Ergomed's CRO business specialises in the oncology and rare disease therapeutic areas. Strong growth in the rare disease and oncology markets is expected to outpace the wider CRO market over the medium-term. Ergomed is well embedded in these high-growth therapeutic areas with the vast majority of its new business wins across oncology and rare disease.

PrimeVigilance is a leading independent, full-service safety specialist provider offering strong brand recognition within the global PV market and is well placed to capitalise on strong PV market growth drivers including rising outsourcing rates, implementation of PV regulatory regimes globally, and higher incidence rates of chronic disease.

COMPLEMENTARY OFFERINGS

The CRO, PV and new Regulatory Compliance platforms are complementary, allowing Ergomed to assist clients in managing their requirements from drug development through to post marketing drug safety monitoring.

The complementary business streams, and combined CRO and PV marketing and business development functions, facilitate fertile cross-selling opportunities and client retention.

The acquisition and operational integration of ADAMAS during 2022 allows the existing CRO and PV business segments to access c. 100 new clients and facilitates further cross-selling activities from the enhanced Group offerings.

CONSOLIDATION OPPORTUNITY

9 acquisitions

completed since IPO in 2014

With the ongoing consolidation across both the top-end and mid-tier CRO market, there are a shrinking number of mid-tier CRO providers. Additionally, the PV market remains fragmented with PrimeVigilance being one of the leading standalone PV providers.

Ergomed is one of the few listed mid-tier CRO providers globally and is well positioned to consolidate in a fragmented industry.

Ergomed has successfully demonstrated its strong position through several strategic acquisitions in both CRO and PV since its IPO in 2014, including the acquisitions of Ashfield Pharmacovigilance and MedSource in 2020 and the acquisition of ADAMAS in February 2022.

STRONG LEADERSHIP

Ergomed has strong and established leadership across its Board and management team led by Dr Miroslav Reljanović, founder and Executive Chairman of Ergomed plc and co-founder of PrimeVigilance.

Ergomed continues to strengthen its Board with the appointment of a new Non-Executive Director in June 2022 and a senior Independent Director in December 2022. Ergomed also made three new appointments to its Executive Management team, including the addition of a new SVP, Capital Markets in February 2022, a new Chief Transformation and Technology Officer in November 2022 and post the year-end, the appointment of a new Chief Financial Officer in February 2023.

These new appointments add a significant depth of experience and expertise to the Group and will enhance the delivery of Ergomed's value proposition to our clients through all of our platforms.

Ergomed also welcomed the ADAMAS management team who joined the Group from February 2022.

The Ergomed team has established a strong track record of delivering high organic growth and successful acquisition integration.

Market opportunity

Continued growth forecast across all stages of the drug development lifecycle.

GLOBAL HEALTHCARE MARKET TRENDS

Rising Healthcare spending

Global spending on health has more than doubled in real terms over the past two years (estimated at $9 trillion in 2021) driven by longer life expectancy and the increased prevalence of chronic diseases. However, the growth in spending has not necessarily been matched by improved outcomes resulting in healthcare payors and stakeholders looking to reduce costs, drive value based healthcare, improve efficiencies and ultimately patient outcomes.

Continued growth in pharmaceutical spending

Globally, the pharmaceutical and emerging biopharma industry continues to drive innovation with new launches and an expanding product development pipeline, coupled with focus shifting towards specialty, orphan, biologic and oncology drugs. The global pharmaceutical market is projected to exceed $1.8 trillion by 2026, growing at a CAGR of +3-6%[1] while the R&D pipeline of products has more than doubled over the past 10 years driven by emerging pharma and biotech companies.

Outsourcing

The pharmaceutical services sector continues to benefit from the shift to outsourcing, including clinical research to specialist CRO providers to allow pharma and biotech companies to focus on core competencies, access greater levels of specialist expertise and ultimately lower development costs through shorter trial lengths. This is also evident across PV services where increased complexity and more stringent requirements drive pharma and biotech companies to work with experienced partners.

Technology and data driving industry disruption

Technological disruption continues to support the transformation of the healthcare industry, through a patient's journey from diagnosis to treatment. Intelligent automation is supporting the healthcare industry's evolution and its drive for efficiency, optimisation, improved decision making and ultimately improved patient outcomes.

Shifting disease focus

Over half of the novel active substances approved by the US FDA in 2022 carried an orphan drug designation. The orphan drug market, which refers to drugs used to treat rare diseases, is forecast to reach c. $24.2bn by 2027, almost doubling in size from 2020 and growing at a CAGR of c.+12% over the forecast period[2].

REGIONAL TRENDS AND MARKET DRIVERS

North America

In 2021 North America accounted for 45% of the global CRO market and 72 out of 84 novel active substances launched globally[3].

North America is also the largest pharmacovigilance market globally, primarily due to strong governmental drug safety regulations, growing clinical trial activities, and the large concentration of pharmaceutical companies in the region.

The integration of Ashfield PV (rebranded PrimeVigilance USA) and MedSource during 2020 and 2021, has substantially grown Ergomed's operating base in North America, allowing it to better serve existing clients and access new clients in the region.

North America represented 62.3% of total Ergomed Group revenue in 2022.

Europe & UK

Europe remains a key CRO market, representing 27% of the global market in 2021[3]. Ergomed celebrated 25 years in business during 2022 and has a strong historical footprint in the region with office locations in 18 countries.

Europe is at the forefront of driving safety through the EMA pharmacovigilance system which covers the 27 European Union member states. The European pharmacovigilance market was estimated to be worth c.$1.5bn in 2022[4].

During 2022, Europe and the UK represented 34.1% of total Ergomed Group revenue.

Asia-Pacific

The Asia-Pacific CRO and PV markets are the fastest growing globally, with the CRO market alone growing at 15%+, varying by individual geography[3]. Larger populations, growth in outsourcing rates, increasing numbers of clinical trials, and a high incidence rate of disease are driving growth in the region.

Ergomed has an established CRO presence in India and is looking to expand. PrimeVigilance has an office presence in Japan to support ongoing client requirements in the region. Ergomed continues to focus on further expansion in the region.

GROW

Continuing to deliver sustainable high growth through our complementary CRO & PV platforms

BUILD

Further penetrating our high growth markets through strategic acquisitions and organic expansion into priority geographies

INVEST

Continuing to invest in our people and technology innovation

Ergomed CRO key growth drivers

- 25-year track record of delivering 1,900 clinical trials, with 190,000 patients across 14,000 sites.
- Exposure to higher growth therapeutic areas: Ergomed specialises in providing services for oncology and rare disease clinical trials, which are growing at a faster rate than the wider CRO market.
- Established presence in the largest geographical CRO markets of North America and Europe, aided by recent acquisitions.
- Unique and innovative site support model for clinical trials, which focuses on patient advocacy whilst simultaneously reducing the burden on trial physicians.
- Differentiation through specialism in the oncology and rare disease therapeutic areas.
- Increasing number of clinical trials: The number of registered clinical trials as of March 2023 was 443,000, representing an increase of over 500% since 2010[5].
- Growth in outsourcing penetration with increasing demand for specialised and bespoke clinical trial services.

PrimeVigilance key growth drivers

- Established brand with over 15 years' experience in implementing high quality and fully compliant PV regimes across clinical trials and post-marketing activities, supported by high renewal rates and strong client retention.
- Expanding geographical footprint across Europe, North America, and Asia. Expansion has been underpinned by recent acquisitions (Ashfield PV, USA) and organic operational expansion (Japan).
- The growing prevalence of chronic disease and ageing populations globally is necessitating the need for a growing amount of safer and more effective drugs.
- Increasing approvals of specialty drugs which are not widely used are contributing to higher levels of adverse drug reactions ('ADRs')[4].
- Growth in outsourcing penetration, driven by cost efficiency, superior expertise and service delivery, and technology requirements related to data management and security.
- The implementation of new pharmacovigilance regulations and tightening of existing regulations in both established and emerging markets.

ADAMAS

ADAMAS was acquired by Ergomed in February 2022 and is a well-established provider of regulatory audit compliance and consulting services to the global pharmaceutical industry.

ADAMAS operates across Good Clinical Practice ('GCP'), Good Pharmacovigilance Practice ('GVP'), Good Manufacturing Practice ('GMP'), Good Laboratory Practice ('GLP') and Computer Systems Compliance ('CSC'), and remote services. Collectively these services are referred to as GxP.

ADAMAS has a broad, established client base, with an expansive global reach, including the US, Europe and Asia, with over 100 active clients and having worked with over 700 pharmaceutical companies including 40 of the 50 largest global pharma and biotech companies.

1. The Global use of Medicines 2022 – Outlook to 2026 *(IQVIA, 2022)*
2. Orphan Drug Report *(Evaluate Pharma, 2022)*
3. CRO market at the end of 2021 *(Fortune Business Insights, 2022)*
4. Pharmacovigilance Market Growth, Future Prospects, Competitive Analysis *(Acute Market Reports, 2021)*
5. ClinicalTrials.gov

Executive Chairman's statement

25 years of operational and financial growth.

2022 marked the 25th anniversary of Ergomed with another strong operational and financial performance. The Company continued to deliver on its growth strategy through organic growth, geographical expansion and an effective acquisition strategy.

Miroslav Reljanović
Executive Chairman

FINANCIAL RESULTS

In 2022, Ergomed delivered another year of strong financial results. Revenues for 2022 of £145.3 million were in line with market expectations an increase of 22.5% over the prior year. Adjusted EBITDA was also in line with expectations at £28.4 million, an increase year on year of 11.5% from £25.4 million. In addition, Ergomed's strong sales performance in 2022 resulted in an orderbook of £295.0 million, up 23.1% from the beginning of the year.

The acquisition of ADAMAS in February 2022 was immediately accretive and supported the organic growth in the business over 2022. The Company increased its multi-currency revolving credit facility in 2022 from £30.0 million to £80.0 million, comprising a £50.0 million facility, and an additional £30.0 million accordion. The Group remains debt free at year-end with these new facilities available to support continued expansion. This robust financial performance positions the Company strongly to continue to deliver its strategy in 2023 and beyond.

DELIVERY OF GROWTH STRATEGY

Organic Growth

Ergomed continued to deliver on its growth strategy throughout 2022 through a combination of organic growth and M&A. Organically, the Company has increased its orderbook, winning awards from both new and existing clients, some of which have been generated through cross-divisional selling opportunities by continuing to focus on strong execution and operational delivery, and the benefits of our expanded geographical presence. In 2022, new operations were opened in France, Italy, Ireland, Romania and Portugal, helping clients to access our services on a global level.

Operationally the Company continues to focus on providing specialist services to the pharmaceutical industry. The CRO business specialises in the higher growth oncology and rare disease areas and also offers clients a unique site support model focusing on effective site management, efficient vendor management and increased patient recruitment and retention.

The Company has continued to invest in technology to enhance its digital capabilities and increase its service offering to our client base. The investment in technology will continue into 2023 and beyond, with the strategic focus to continue to maximise the potential of technology across the business to support our transformation and continued growth, geographic expansion and cross selling opportunities; combine best in class industry solutions with our proprietary solutions to deliver innovative leading solutions for our clients; and ensure that technology applications are fit for purpose to drive operational efficiencies where appropriate.

Acquisitive Growth

During 2022, Ergomed continued to execute a well-disciplined M&A strategy, ensuring that any acquisitions are aligned with the Company's vision and are complementary to its current service offering.

In February 2022, Ergomed acquired ADAMAS Consulting Group Limited. ADAMAS is a well-established, leading provider of mission-critical regulatory compliance and consulting services to the global pharmaceutical industry offering a full range of independent quality assurance services and specialising in the auditing of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems. ADAMAS has over 100 active clients and has worked with over 700 pharmaceutical companies including 40 of the 50 largest global pharma and biotech companies.

This acquisition has enhanced our client offering and Ergomed's global presence in the US, Europe and APAC. ADAMAS delivered a strong financial performance in 2022 and we anticipate continued growth in 2023 and beyond.

The Board continues to actively consider further acquisition opportunities that will complement and strengthen the existing CRO and PV service offerings and provide access to new customers and geographies.

BOARD AND LEADERSHIP CHANGES

During 2022, we welcomed two significant additions to Ergomed's Board of Directors, John Dawson and Anne Whitaker, who bring with them a wealth of international experience in the healthcare industry and expert knowledge of the life science sector which will be invaluable as the Group continues to grow.

In March 2022, John Dawson, CBE joined the Ergomed Board as an independent Non-Executive Director and Chair of the Audit Committee. In December 2022, after nine months of serving on the Board, John was appointed as Senior Independent Director. He is a highly experienced and globally respected figure in the healthcare and life sciences sector. John was most recently Chief Executive Officer of Oxford Biomedica plc, widely recognised for the successful delivery at unprecedented speed of the Oxford/AstraZeneca COVID-19 vaccine.

In June 2022, Anne Whitaker joined the Ergomed Board as an independent Non-Executive Director. Anne Whitaker joined with extensive life sciences industry experience, having worked across the pharmaceutical, biotech and specialty pharma sectors for the last 30 years in the US and internationally. Anne previously held a number of senior executive roles at Sanofi, GlaxoSmithKline, Bausch Health Company and Synta Pharmaceuticals, and most recently, she held the position of Chief Executive Officer, and subsequently Chairperson of Aerami Therapeutics, a private life science company.

In November 2022, Michael Spiteri was appointed as Chief Transformation and Technology Officer of Ergomed and simultaneously stepped down as a Non-Executive Director. Michael's strong understanding of the Company's strategy alongside his many years of technology and transformation experience, will drive development across Ergomed's automation and digital learning capabilities.

Post year-end, on 3 February 2023, Richard Barfield resigned as Chief Financial Officer and a Director of the Board of Ergomed. We would like to thank Richard for his invaluable contribution to the Company and wish him all the best in his retirement.

Simultaneously on 3 February 2023, Jonathan Curtain was appointed Chief Financial Officer and a Director of the Board of Ergomed. Jonathan joined Ergomed in November 2022 as Deputy Chief Financial Officer and has worked closely with Richard and the Board of Directors during this time to ensure an organised and smooth transition. Jonathan has over 13 years of life science industry experience, most recently holding the position of Senior Vice President of Corporate and Commercial Finance at Icon plc a leading a global CRO company listed on NASDAQ. During his time at the company, he played a key role in significant M&A transactions, including debt and equity fundraising, commercial finance, taxation, treasury, investor relations and overall financial management. He is a Fellow of the Institute of Chartered Accountants with over 20 years' experience since receiving his ACA qualification at KPMG. His experience will continue to strengthen Ergomed's leadership and help deliver our global growth strategy.

SUMMARY

The continued operational and financial growth of Ergomed over the past 25 years is a direct result of the hard work, resilience and commitment of all our colleagues; the invaluable insight and expertise of our Board of Directors; and our strong and robust business strategy. I would like to thank all Ergomed employees for their contributions over this period.

Looking forward into 2023, with a strong order book and effective strategy, Ergomed will continue to build on the robust operational and financial platform built over the past 25 years.

Miroslav Reljanović
Executive Chairman
21 March 2023

Our business model

We have a differentiated, sustainable and flexible business model. It's the platform for our growth strategy and generates value for our key stakeholder groups.

WE LEVERAGE OUR RESOURCES, RELATIONSHIPS AND COMPETITIVE ADVANTAGE...

GLOBAL COVERAGE

Ergomed has a comprehensive global network of CRO and PV experts.

SPECIALIST KNOWLEDGE AND EXPERTISE

Ergomed's management and staff are highly qualified and knowledgeable in their specialist fields of expertise.

LONG-TERM CLIENT RELATIONSHIPS

Building long-term and trusted client relationships through all phases of clinical development and post-approval pharmacovigilance has been the cornerstone of Ergomed's success over its 25 years in existence.

TECHNOLOGY

Ergomed continues to invest in technology to provide a more valuable service to clients and flexible work environments for our people across the CRO and PV businesses.

RECOGNISED BRANDS

The Ergomed Group includes the Ergomed Clinical Research and PrimeVigilance brands, both of which have excellent reputations and are well established within the global CRO and PV markets. The recently acquired ADAMAS brand is also well recognised in the industry as a leading provider of mission-critical regulatory compliance and consulting services.

...TO DELIVER OUR SERVICES AND SUPPORTING ACTIVITIES...

WHAT WE DO

Ergomed's complementary full service offering, with its 25-year track record in specialist clinical research and strength in pharmacovigilance, provides significant benefits to clients across the pharmaceutical and biotechnology industries.

CRO SERVICES

- High-quality contract research and clinical trial management across all phases (I to IV).
- Unique and innovative site-support clinical trial model which puts patients and sites at the centre.
- Management of the most complex clinical trials.
- Specialism in rare disease and oncology trials.
- Regulatory compliance and consulting services related to clinical operations (delivered through ADAMAS).

PV SERVICES

- Essential – case processing, reporting and statutory filing, internal audits.
- Intermediate – signal management, risk evaluation and management, qualified person oversight, external audits/ inspections.
- Premium – pharmacoepidemiology, risk mitigation protocols, referral procedures, strategic consultancy.
- Regulatory compliance and consulting services related to pharmacovigilance (delivered through ADAMAS).

UNDERPINNED BY STRATEGIC ACQUISITIONS

We have completed nine acquisitions since IPO in mid-2014, including one in 2022 and two in 2020, demonstrating our ability to successfully identify and integrate suitable strategic targets. The acquisition of ADAMAS in 2022 has strengthened Ergomed's premium consulting services in addition to increasing our global reach; particularly across North America, Europe and Asia.

COMPLEMENTARY CAPABILITIES

Our comprehensive range of services in both the PV and CRO sectors are highly complementary and allow us to support pharmaceutical and biotechnology companies through all phases of clinical development, post-approval pharmacovigilance and medical information services. The ADAMAS acquisition further enhances these offerings providing quality assurance and quality management services on a global basis.

EXPERIENCED LEADERSHIP

See **page 56**

PATIENT ADVOCACY

See **page 48**

GOVERNANCE

See **page 58**

...AND CREATE VALUE FOR OUR STAKEHOLDERS

OUR CLIENTS

Partnering with Ergomed gives clients global access to specialist CRO and PV services across all product lifecycle phases. Ergomed's specialist knowledge and staff expertise, investment in technology and patient advocacy deliver a value-enhancing and efficient service to clients.

OUR PEOPLE

Through a positive work environment which promotes diversity and inclusion, we allow our colleagues to meet their potential and thrive in their chosen profession.

OUR SUPPLIERS

Ergomed believes in building long-term supplier partnerships through shared values of knowledge, expertise and transparency. These partnerships, combined with financial stability, allow sustainable growth for both Ergomed and its suppliers.

PATIENTS AND COMMUNITIES

Having been founded by a physician, Ergomed has a long history of putting patients and their families at the centre of the work it does. Through a focus on patient advocacy, Ergomed is increasing patient and community engagement and improving the discovery, development and evaluation of new effective medicines.

OUR INVESTORS

Organic growth, underpinned by highly qualified management and staff, strategic acquisitions in growth markets and sectors, in addition to investments in technology, are delivering continued and sustainable shareholder value.

See more details on **pages 36 to 37**

Our strategy

Targeting global leadership in specialised pharmaceutical services and delivering superior returns.

At Ergomed, we are focused on the creation of long-term value and delivering superior returns for all our stakeholders.

Our strategy is delivered through three core pillars: driving growth across all parts of our business, continuing to build our global footprint through acquisitions, geographic expansion, and continuously investing in our people and technology to deliver value creation and superior returns into the future.

Strategic objectives

GROW

- Outpace wider CRO and PV market growth by leveraging our 25 years' experience, unique site support model, and brand strengths to drive organic growth.
- Continued client focus through excellence in the delivery of our CRO and PV services.
- Continue to identify and deliver synergies and cross-selling opportunities between Ergomed CRO and PrimeVigilance.

BUILD

- Supplement organic growth with strategic and complementary acquisitions to strengthen our market positions and service offerings.
- Integrate recent acquisitions to further enhance global coverage and capabilities.
- Strengthen geographical footprint through expansion into our priority regions of North America, Europe, and Asia.

INVEST

- Continue to invest in our people, attracting talent, and supporting their wellbeing and growth through the provision of training, flexible working arrangements, and a focus on wellbeing.
- Further investment in digital, automation, and data technology to drive increased efficiency and accuracy across both our CRO and PV platforms.

Our strategy drives continuous improvement across all of our businesses. Our improved performance in recent years has been underpinned by targeting the high growth therapeutic areas of oncology and rare disease in our CRO business, expanding further geographically into our priority markets of North America and Europe, supplementing our strong organic performance with strategic and accretive acquisitions, and continued investment in technology solutions and our people.

2022 performance

- Revenue CAGR (2014–2022): 25%+.
- 2022 Total Revenue Growth: +22.5%.
- Order book growth of +23.1% to £295.0m, reflecting the continued success of our business development activities and the strength of our relationships with existing clients.

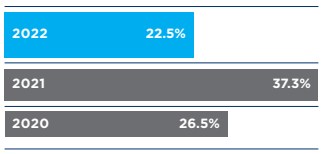
- Acquisition of ADAMAS in February 2022 for net consideration of £24.2 million, providing Ergomed with access to over 100 new clients and expansion into the highly complementary regulatory services market.
- Successful and rapid integration of ADAMAS across our existing CRO and PV platforms.
- Continued expansion of our footprint into complementary geographies, with new legal entities established in France, Italy, Ireland, Portugal, and Romania.

- 220+: the number of people promoted within the Ergomed Group during 2022.
- 305,000: the number of case versions processed by PrimeVigilance in 2022.
- Appointment of Michael Spiteri as Chief Transformation and Technology Officer in November 2022 to continue to drive the implementation of our digital transformation strategy.

Strategy in action

GROW

With over 25 years of experience and a revenue CAGR of 25%+ since IPO in 2014, we have an established strong track record of growth across both our CRO and PV businesses. Our growth has been founded on strong and trusted client relationships, continued excellence in the provision of our differentiated and innovative clinical trials solutions, our market leading pharmacovigilance services and brand strength, and our highly qualified and experienced people.



New clients added through ADAMAS acquisition

c. 100

2022 Total Revenue Growth

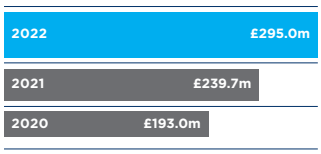
+22.5%

2021: +37.3%

- We continued to deliver strong revenue and profit growth across both our CRO and PV businesses in 2022.
- The newly acquired and rapidly integrated ADAMAS business supplemented our organic growth, expanded our suite of service offerings, and provided access to 100+ new clients.
- During 2022, we further expanded our geographic reach by establishing new legal entities in five European countries, leveraging the ADAMAS operational presence in North America, Europe, and Asia, and continuing to maximise the geographical footprint of historical acquisitions in CRO & PV.
- Through our complementary CRO & PV service offerings, we assist our clients in managing clinical development from 'first patient' through to regulatory approval, post marketing, and regulatory compliance. The complementary nature of both businesses, along with combined business development functions, have facilitated enhanced cross-selling opportunities between CRO & PV. During 2022, we continued to develop our cross-selling capabilities and business development pipeline opportunities across the Group. The acquisition of ADAMAS during the year has further bolstered cross-pollination across the Group through its network of new clients and additional service capabilities.

BUILD

Having completed 9 acquisitions since our IPO in 2014, we have a strong record of successfully identifying and integrating complementary businesses which strengthen our position in key markets. Recent and historical acquisitions have allowed us to further penetrate priority geographies such as North America, Europe, and Asia. We will continue to execute strategic acquisitions which support the development of our integrated pharmaceutical solutions strategy.



ADAMAS acquisition net cash consideration

£24.2m

Order Book at 31 December 2022

£295.0m

2021: £239.7m

- We successfully completed the acquisition of ADAMAS in February 2022 for a net cash consideration of £24.2m. The ADAMAS suite of regulatory consulting and audit services is highly complementary to our existing capabilities, and specialised in the auditing of pharmaceutical manufacturing processes, clinical trials, and pharmacovigilance systems. ADAMAS further enhances our global footprint through its operational presence in North America, Europe, and Asia. We continue to experience synergistic benefits from ADAMAS, having successfully integrated the company during 2022.
- Order book growth of 23.1% in the 12 months to 31 December 2022, reflecting the continued success of our business development activities and the strong relationships we have with existing clients. Our robust order book underpins our future performance and provides excellent revenue visibility over the medium- term.
- Our CRO business celebrated 25 years since its foundation during 2022 and has continued its long tradition of specialism and innovation with the launch in February 2022 of the Ergomed Rare Disease Innovation Centre. The centre will provide best-in-class global solutions to address the challenges faced by rare disease sponsors to help them reduce clinical trial timelines, optimise patient experience, and bring effective rare disease therapies to market more quickly. The centre will also utilise our innovative site support model, specifically designed to provide specialised support to research sites and patients participating in rare disease and oncology clinical research.

INVEST

Our people are the foundation of our business. We strive to support our people through learning and development, flexible working arrangements, and a focus on wellbeing. Empowering our people allows us to maintain our client focus and continued excellence in service delivery.

Pharmaceutical services pivoted to technology swiftly to meet the pandemic-based challenge of virtual care. We believe that digital, automation, and data technology is now at an inflection point where application can drive increased efficiency and accuracy across our businesses for the benefit of our clients, and ultimately patients. We aim to accelerate existing investments in intelligent automation, machine learning and core platform technologies that will support our business plans and the continued innovation of our service offerings for our clients.

Number of staff promoted within the Ergomed Group during 2022

c. 220+

Our people

Investing in our people is at the forefront of delivering our strategy. Over 40% of our workforce has a PhD, MD, or advanced life science qualification. Continued learning and personal development are critical to wellbeing, and ultimately the continued delivery of excellent client service.

During 2022, we designed and delivered 20 key training programmes focused on personal development, leadership, line management, technical knowledge and soft skills. These were attended by 835 learners who completed over 3,000 hours of training. All our people attended mandatory data protection and privacy training.

Since July, all Ergomed staff have access to an extensive professional development catalogue of over 10,000 e-learning courses, books and podcasts on a wide range of professional skills, leadership and management topics via our enterprise Learning Management System.

Our reputation as an employer dedicated to its people means that we continue to attract highly experienced, top talent.

In 2022, we recruited several senior people from industry; in CRO, in PrimeVigilance, and across multiple corporate departments. We welcomed 60 people to the Ergomed Group as part of the ADAMAS acquisition in February 2022, bringing with them significant experience to further support our international growth strategy. We also promoted over 220 people, demonstrating our commitment to the career progression of our people.

During 2022, we made several appointments to strengthen our Board and Executive Management Team, including Chief Financial Officer, Chief Transformation and Technology Officer, SVP Capital Markets & Strategy, Senior Independent Board Director, and Non-Executive Board Director.

Transformation & Technology

In November 2022, Michael Spiteri was appointed as Chief Transformation and Technology officer, whilst simultaneously stepping down as a Non-Executive Director of the Board. Michael's strong understanding of our strategy, alongside his many years of transformation and technology experience, will further drive the development of our automation and digital learning capabilities across our CRO and PV platforms.

As the drive towards automation continues across the industry, PrimeVigilance has continued to invest in developing technology capabilities and strategic partnerships with industry-leading vendors to enhance our service offering.

During 2022, PrimeVigilance continued to upgrade its case management and signal detection systems whilst deploying more regulatory gateways to enhance its service offering to our client base. Further investment in PV technology and transformational capabilities will continue in 2023.

Our technology and transformation strategy is focused on the implementation of 3 core themes:

- **Growth:** Continue to maximise the potential of technology across the business to support our transformation and continued growth, geographic expansion, and cross-selling opportunities.
- **Client experience:** Combine best-in-class industry solutions with our proprietary solutions to deliver innovative, leading services for our clients and drive our competitive advantage.
- **Operational efficiencies:** Ensure that technology applications are fit for purpose to drive operational efficiencies using intelligent automation, machine learning, and data science, improving accuracy, repeatability, and traceability.

INVEST

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- **Operational efficiencies:** Ensure that technology applications are fit for purpose to drive operational efficiencies using intelligent automation, machine learning, and data science, improving accuracy, repeatability, and traceability.

Our values in action

Ergomed has a strong corporate culture guided by a common set of six core values. They help us bring expertise to deliver medicines our world can trust, and better serve our stakeholders.

Quality

In 2022, Ergomed continued to invest in technology and people. Ergomed hired senior level experts, who brought in significant levels of industry knowledge and expertise to our clients within quality assurance and operational departments.

In addition, Ergomed employees were given access to a new digital learning management system ('LMS') with more than 10,000 courses to support professional development through a modern, learner-centric LMS. The new LMS enhances our Learning and Development Centre of Excellence, and includes learning curricula focused on leadership, digital transformation and upskilling, client relationships, quality and teamwork, as well as personal development.

Agility & Responsiveness

In 2022, our organisational structure and global footprint expanded and adapted to our growing client and patient base. Ergomed has continued to ensure our organisational capability leads the growing capabilities of our employees in supporting client imperatives.

Our values shape all that we do

INTEGRITY & TRUST

We hold ourselves to the highest level of ethical standards, ensuring honesty and transparency in everything we do. Our decisions follow sound, moral principles, that create the foundation of mutual trust and allow our staff to be empowered and accountable.

QUALITY

We strive for the highest quality in all our activities, by creating a culture of continuous improvements and efficiencies. Our employees are supported with training and development to ensure our high standard is maintained.

BELONGING

We are an organisation built on diversity and inclusion and we create a community amongst our workforce and partners. We are one team who support each other to achieve our goals.

DRIVE & PASSION

We go the extra mile. We are proud and passionate about making a difference to patients' lives across the world and strive to improve public health.

AGILITY & RESPONSIVENESS

We are flexible, adaptable and responsive to meet our clients' needs whilst having patient safety at the forefront of everything we do.

COLLABORATION

Your business is our business. We build strong and respectful relationships, both with our clients and our colleagues, driving towards common goals to deliver the best solutions for drug development and patient safety.

Operational review

Pharmacovigilance ('PV') Services

PRIMEVIGILANCE

In 2022, there was strong operational and financial performance across both the pharmacovigilance services and clinical research service division. The successful integration of the ADAMAS acquisition and continued geographical expansion have ensured the Company has maintained strong growth throughout 2022.

MARKET OUTLOOK

The increase of adverse events ('AE') globally, due to disease complexity and access to new sources of information through enhanced technology, have necessitated new PV obligations. In addition, developing regulations and globalisation are further fuelling growth in the industry.

The increasing global requirement for pharmacovigilance services coupled with a perpetual drive to improve drug safety through regulation, continues to drive the transition towards specialist outsourced PV providers and continued market growth. This, coupled with an increasing demand for outsourced PV services, has been a consistent driver of Ergomed's growth.

FINANCIAL PERFORMANCE

The addition of a proportion of ADAMAS' revenues alongside organic growth in PrimeVigilance, saw revenues increase by £13.4 million from £60.5 million in 2021 to £73.9 million in 2022 (22.1% increase, 14.3% on a constant currency basis). Gross margins continued to be strong for the PV business at 50.2% in 2022.

MANAGEMENT AND STAFF

With employees located across more than 20 countries, and capabilities across 150+ countries, the business continues to invest in talent acquisition across the globe. 85% of PrimeVigilance's employees have a pharmacy or life science degree, with over 60 physicians, 30+ in-house EU/ UK Qualified Persons for Pharmacovigilance ('QPPVs') and more than 10 former Regulatory agency inspectors and assessors.

The breadth and depth of staff and professionals supporting PrimeVigilance are reflected in the quality of services provided. Testament to this are PrimeVigilance's high customer renewal and retention figures and the fact that PrimeVigilance participated in over 290 regulatory inspections and audits, representing a more than 20% increase compared to the previous year.

TECHNOLOGY INVESTMENT

In 2022, PrimeVigilance continued to upgrade its case management and signal detection systems whilst deploying more regulatory gateways to enhance the service offering to our client base. Significant investment in PV technology and transformational capabilities will continue into 2023.

Constantly evolving regulations, geographic expansion, investment in technology and people, combined with high renewal rates and strong client retention, mean that our pharmacovigilance business is well placed to continue delivering its growth strategy into 2023 and beyond.

PV revenue

£73.9m

2021: £60.5m

Clinical Research Services ('CRO')

ERGOMED

The CRO market has continued to experience significant expansion with strong annual growth in oncology and rare disease research expected to continue over the coming years. This specific growth in Ergomed's core focus areas is underpinned by broader market trends, including increased outsourcing penetration with growing demand for specialised and bespoke clinical trial services.

FINANCIAL PERFORMANCE

The addition of a proportion of ADAMAS' revenues, alongside organic growth in CRO, saw revenues increase by £13.3 million from £58.1 million in 2021 to £71.4 million in 2022 (22.9% increase, 14.7% on a constant currency basis). This included a service fee revenue increase of £10.9 million from £39.9 million to £50.8 million (27.3% increase, 18.9% on a constant currency basis).

ONCOLOGY AND RARE DISEASE FOCUS

Ergomed's CRO business works across all therapeutic areas, as a specialist provider of clinical trial services with a particular strength in patient recruitment in oncology and rare disease trials.

Strong growth in the rare disease and oncology markets is expected to outpace the wider CRO market over the medium-term as oncology trials are generally more complex and the higher level of unmet medical needs. Furthermore, studies are often confronted by challenges including low patient enrolment, increased research costs and trial protocols with increased study-related procedures. This helps to explain why oncology and rare diseases trials receive the highest levels of funding and makes the case for outsourcing to CROs which are better positioned to address these challenges. Ergomed's expertise and focus in these specialist areas supports its CRO growth strategy and is evidenced by the fact that over 80% of 2022 revenues related to oncology and rare disease, where similarly specialist expertise is also required.

The orphan drug market, which refers to drugs used to treat rare diseases, is forecast to reach c. $24.2bn by 2027, almost doubling in size from 2020 and growing at a CAGR of c.+12% over the forecast period. Ergomed has continued to strengthen relationships with biopharmaceutical sponsor companies, patient advocacy groups, technology innovators and service providers to accelerate rare disease drug development.

PATIENT AND CLINICIAN FOCUS

Ergomed's unique and innovative site support model for clinical trials focuses on patient advocacy whilst simultaneously reducing the burden on trial physicians. Ergomed offers site management to support sites in enhanced training, effective patient recruitment, patient retention and providing solutions to logistical and administrative complexities of clinical trials.

Ergomed's focus on oncology and rare disease is one of its core strengths. Drug development for rare and orphan diseases is challenging for many reasons, including complex biology, limited knowledge of the history and progression of the disease and the inherently small patient population available for clinical trials who are usually geographically dispersed. Ergomed adopts a patient-centric approach, working closely with patient advocacy groups throughout development to fully understand patient and caregiver needs. Greater patient engagement optimises clinical study design, outcome measures and endpoint development and Ergomed maintains a Patient Organisation Advisory Board, comprising representatives of patient groups in the field of rare diseases with a dedicated Patient Engagement Officer.

BUSINESS DEVELOPMENT

Ergomed consolidated order book maintained strong growth in 2022. The order book continues to highlight Ergomed's growing presence in its key markets as well as the resilience of the sectors in which it operates. In addition it provides strong visibility of revenue for 2023 and later years.

OUTLOOK

Ergomed continued to make excellent progress in delivering its growth strategy in 2022. The acquisition of ADAMAS broadened our service offering and global presence to support the organic growth in both our pharmacovigilance and CRO businesses. Ergomed has started 2023 in a strong position and remains well positioned for the year ahead and beyond. We remain focused on delivering our vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

For and on behalf of the Board of Directors

Miroslav Reljanović
Executive Chairman
21 March 2023

CRO revenue

£71.4m

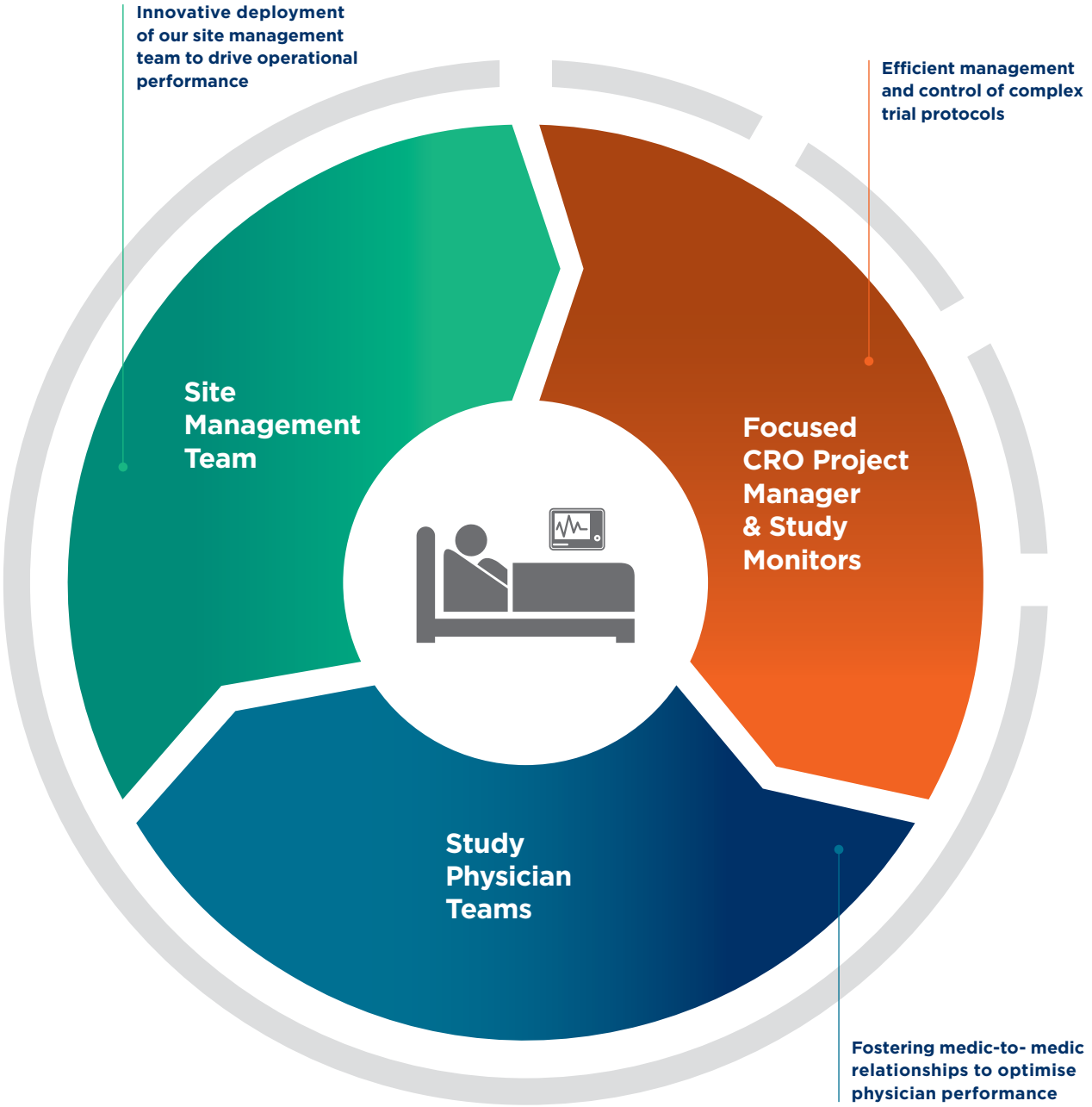
2021: £58.1m

Our unique site support model

Site support model that puts patients and sites at the centre

An integrated part of our management of larger, challenging, and complex clinical trials (Oncology & Rare Disease)

- Constant site control and support
- Increased recruitment speed and volume
- Higher retention rates
- Reduction of screening failures
- Superior compliance to GCP and trial protocol
- Efficient vendor management at trial sites
- Peer-to-Peer physician support to develop trial best practice and maximize investigator performance



CASE STUDY: GLOBAL PHASE III HEAD AND NECK CANCER TRIAL

Ergomed was appointed by a sponsor to replace an underperforming CRO during a global Phase III Head & Neck Cancer study

Study Specifications

- Global Head and Neck Cancer Study
- Phase III Trial
- 900 patients
- 120 study sites
- 18+ countries

Rescue challenges for Ergomed to remediate

- Low recruitment rates and delay in overall recruitment
- Lack of site staff training to support complex protocol
- Medical deviations identified

Ergomed Mitigating Actions via SSM

- Introduced motivational tools to boost recruitment (referral agreements, co-monitoring visits)
- Clear enrolment targets set and monitored
- Detailed re-training of site staff on study protocol and medical criteria
- Medical plan amended to meet requirements for medical data review

Results

- Enrolment over 400% higher than prior to Ergomed's involvement
- 560% increase in patient flow
- Peak performance: 40 patients enrolled per month across 120 study sites

Financial review

Robust 2022 financial performance provides a strong platform for sustained future growth.

Ergomed delivered another strong financial performance in 2022. The Group demonstrated its continued resilience throughout the year with organic and acquisitive growth in both the CRO and PV divisions positioning Ergomed well for 2023.

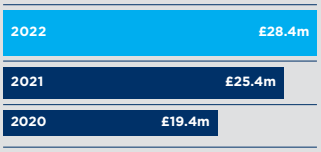
Jonathan Curtain
Chief Financial Officer

The Group ended the 2022 financial year in a robust financial position. The closing order book was at a record high level of £295.0 million at 31 December 2022, underpinning the strength of the Group and potential revenue growth for 2023 and beyond. The acquisition of ADAMAS has expanded Ergomed's global reach in the US, Europe and APAC delivering growth in both the CRO and PV divisions as well as broadening our service offering and client relationships. Our strong cash conversion and substantial unutilised bank facilities, provide support for organic investment and growth in future years, as well as enabling us to continue our disciplined M&A strategy.

Gross profit

£59.1m

2021: £48.4m



Adjusted EBITDA

£28.4m

2021: £25.4m

KPIS AND APMS

Key Performance Indicators ('KPIs')

The table below summarises the KPIs that management uses to measure the financial performance of the Group.

£ millions (unless otherwise stated)	2022	2021
Total revenue	**145.3**	118.6
CRO	**71.4**	58.1
PV	**73.9**	60.5
Gross profit	**59.1**	48.4
Gross margin	**40.7%**	40.8%
EBITDA	**24.7**	19.7
Adjusted EBITDA	**28.4**	25.4
Basic adjusted earnings per share	**42.6p**	41.1p
Cash generated from operations	**23.6**	22.0
Cash and cash equivalents	**19.1**	31.2

ALTERNATIVE PERFORMANCE MEASURES ('APMS')

In measuring and reporting financial information, management reviews Alternative Performance Measures ('APMs'), such as EBITDA, adjusted EBITDA and basic adjusted earnings per share, which are not defined measures under financial reporting standards. Management believes that these measures, when considered in conjunction with defined financial reporting measures, provide management and stakeholders with a broader understanding of the performance of the business.

Operating profit is the financial reporting measure under IFRS most comparable to EBITDA and adjusted EBITDA.

The Directors make certain adjustments to EBITDA to derive adjusted EBITDA, which they consider more reflective of the Group's underlying trading performance, enabling comparisons to be made with prior periods. Certain adjustments include share-based payments and associated tax charges, acquisition costs and pay in lieu and non-compete compensation. These costs are cash costs but are not considered as normal recurring trading items and therefore are not included in adjusted EBITDA.

Operating profit is reconciled to EBITDA and adjusted EBITDA as follows:

	2022 £000s	2021 £000s
Operating profit	**18,873**	14,624
Adjusted for:		
Depreciation and amortisation charges within 'Other selling, general & administration expenses'	**3,075**	3,447
Amortisation of acquired fair valued intangible assets	**2,763**	1,599
EBITDA	**24,711**	19,670
Adjusted for:		
Share-based payment charge and associated tax charges	**1,049**	817
Acquisition costs	**1,669**	1,776
Earn-out consideration	**—**	2,949
Pay in lieu and non-compete compensation	**927**	211
Adjusted EBITDA	**28,356**	25,423

Adjusted basic earnings per share is calculated on a similar basis to basic earnings per share but uses a profit measure which, like adjusted EBITDA, is adjusted for non-recurring trading items (see note 15 of the financial statements).

Management reviews the Group's performance monthly on a constant currency basis. Constant currency is calculated by restating 2022 performance using 2021 exchange rates for the relevant period. Constant currency allows management to review underlying performance without the impact of foreign exchange.

Basic adjusted earnings per share

42.6p

2021: 41.1p

Cash generated from operations

£23.6m

2021: £22.0m

GROWTH

Ergomed's Clinical Research Services ('CRO') and Pharmacovigilance ('PV') divisions have continued to demonstrate strong growth throughout 2022. Bolstered by the acquisition of ADAMAS in February 2022, the Company continues to enhance its service offering and geographical presence, resulting in a strong order book going into 2023 giving the Company confidence for future years.

Revenues for 2022 were £145.3 million on a reported basis, an increase of 22.5% over prior year (2021: £118.6 million), in line with expectations (up 14.5% in constant currency). Gross profit increased from £48.4 million in 2021 to £59.1 million in 2022 with gross margin maintained at 41% (2021: 41%) through resilient and effective cost management in the period.

The CRO division saw total revenue increase by 22.9% from £58.1 million in 2021 to £71.4 million in 2022 (up 14.7% in constant currency). This included service fee revenue up 27.3% to £50.8 million (2021: £39.9 million) (up 18.9% in constant currency).

The PV division saw total revenue increase by 22.1% from £60.5 million in 2021 to £73.9 million in 2022 (up 14.3% in constant currency).

The strong revenue growth and continued focus on profitability resulted in adjusted EBITDA in line with expectations at £28.4 million, an increase of 11.5% over the prior year (2021: £25.4 million).

FINANCIAL STRENGTH

The growth in revenue and profitability achieved during 2022 led to strong cash generation at an operating level. Cash generated from operations before changes in working capital and provisions was £23.6 million, an increase of £1.6 million over the prior year (2021: £22.0 million).

The Group's balance sheet continued to strengthen with net assets increasing from £67.2 million at 31 December 2021 to £84.8 million at 31 December 2022. Cash and cash equivalents decreased by £12.1 million to £19.1 million (2021: £31.2 million) following the cash payment of £24.2 million in February 2022 for the acquisition of ADAMAS. Excluding the one-off cash payment, cash and cash equivalents increased by £12.1 million from 2021 to 2022. The Group remained debt free at year-end.

OUTLOOK

Ergomed continued to make excellent progress in delivering its growth strategy in 2022. The acquisition of ADAMAS broadened our service offering and global presence to support the organic growth in both our pharmacovigilance and CRO businesses.

In 2023, Ergomed remains focused on delivering our vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

Jonathan Curtain
Chief Financial Officer
21 March 2023

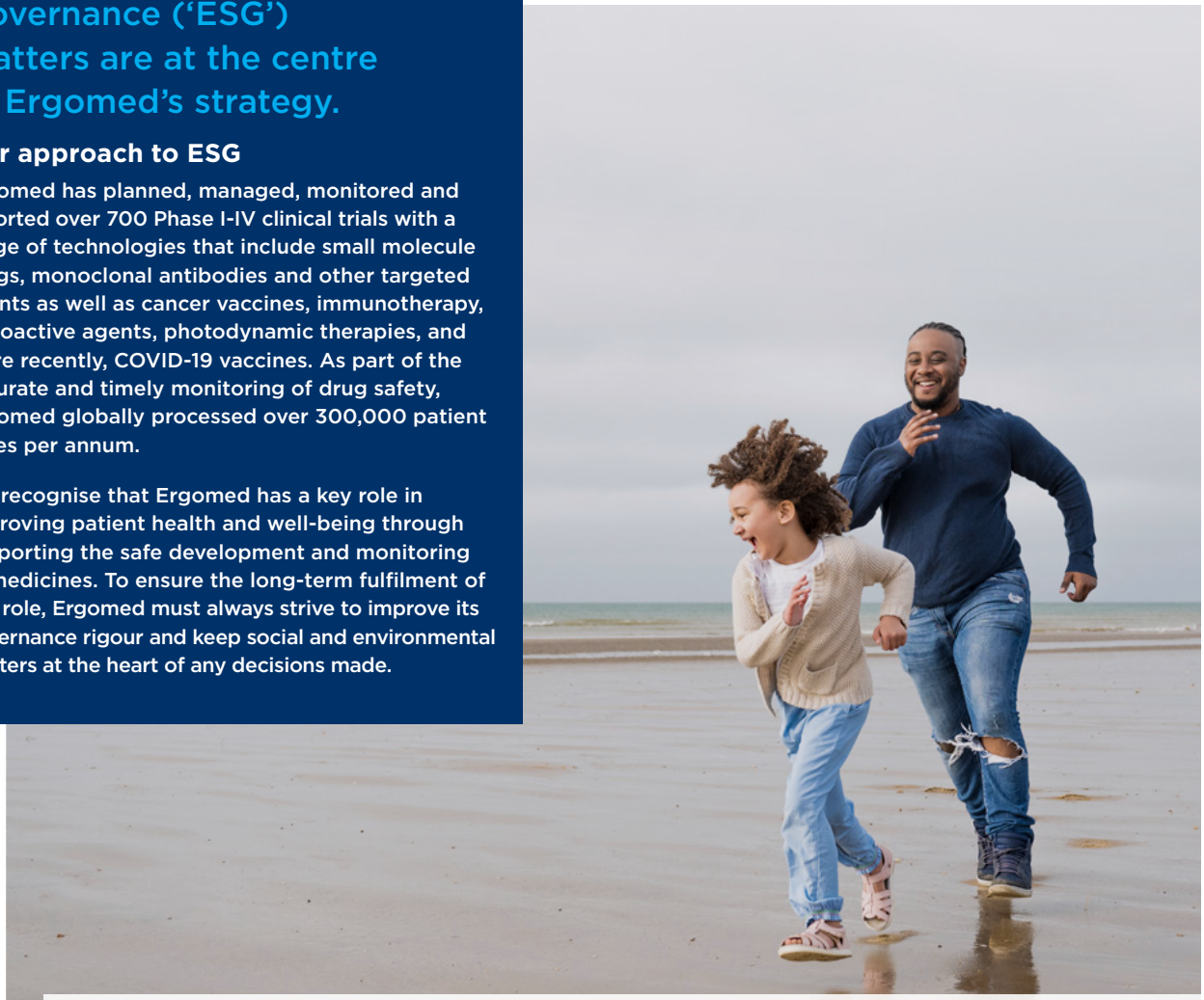
Responsible business

Environmental, Social and Governance ('ESG') matters are at the centre of Ergomed's strategy.

Our approach to ESG

Ergomed has planned, managed, monitored and reported over 700 Phase I-IV clinical trials with a range of technologies that include small molecule drugs, monoclonal antibodies and other targeted agents as well as cancer vaccines, immunotherapy, radioactive agents, photodynamic therapies, and more recently, COVID-19 vaccines. As part of the accurate and timely monitoring of drug safety, Ergomed globally processed over 300,000 patient cases per annum.

We recognise that Ergomed has a key role in improving patient health and well-being through supporting the safe development and monitoring of medicines. To ensure the long-term fulfilment of this role, Ergomed must always strive to improve its governance rigour and keep social and environmental matters at the heart of any decisions made.



OUR STRATEGY BENEFITING OUR STAKEHOLDERS

Outpace CRO and PV market growth by leveraging brand strengths	Investors
Provide outstanding service to all our customers' clinical trial outsourcing and pharmacovigilance requirements	Clients, Patients & Communities, Regulatory bodies
Continue to realise pharmacovigilance and clinical research synergies and cross-selling opportunities	Investors
Augment organic growth with strategic and selective acquisitions	Investors
Integrate recent acquisitions to consolidate growth potential	Colleagues, Clients, Patients & Communities, Investors
Strengthen geographical footprint through expansion to developing regions	Clients, Investors
Increase investment in people, attracting the best talent worldwide, and foster personal growth within our business	Colleagues, Suppliers, Clients
Invest in technology and digital transformation to enhance client and patient service	Suppliers, Clients, Patients & Communities, Regulatory bodies

Stakeholder engagement

We believe that, to maximise value and secure our long-term success, we must listen to and engage with our key stakeholders.

Our main stakeholders	Their material issues	How we engage
Clients	• Regulatory compliance • Professional expertise and service offering • Open and fair business agreements	Ergomed has a regulatory group with experienced leadership who engage with regulatory bodies in all the relevant countries as well as aligned support from our quality assurance group to ensure compliance. Our team is built up of the experienced relevant industry experts to support our core services of clinical trials and pharmacovigilance services. We have a specialised contracts and legal team focused on meeting regulatory and industry standards. We use social media to encourage dialogue with all stakeholders, including clients. We post on topics such as company news, exhibitions we are attending, webinars we are involved in, company and employee achievements and corporate social responsibility activities.
Colleagues	• Opportunities for development, progression and to make a difference • Diversity and inclusion	We encourage effective, professional, respectful and open communication at all levels, both written and oral, in our offices globally. This is done both formally, through performance reviews, 360 feedback cycles, and an annual employee engagement survey and informally through discussion forums and town hall meetings.
Suppliers	• Long-term partnerships • Open and fair business agreements • Financial stability	We have stable relationships with suppliers for core service provisions that are based on shared values and financial stability. We regularly engage with suppliers and ensure that we pay our suppliers to agreed terms. Each year we publish a statement setting out Ergomed's approach to managing its supply chain. More information on Ergomed's approach can be found at our website.
Regulatory and government bodies	• Compliance • Openness and transparency • Proactive engagement with new regulations	We work in a strictly controlled regulatory environment and our specialist teams, systems and processes are designed to meet these requirements. We work directly with the relevant authorities to ensure all relevant information is shared in a timely manner. Our team maintains an ongoing database as well as specialist information departments collating up to date regulatory information.

Our main stakeholders	Their material issues	How we engage
Patients and Communities	• Safety • Security and privacy of data • Engagement and compassion	Our staff, systems and processes are focused on ensuring patient safety as our number one priority. Our legal and operations teams are regularly implementing processes and continually monitoring our compliance with data privacy. We are particularly focused on patient engagement in our clinical trials and appoint a Patient Engagement Officer. Our individual offices support a variety of local charities, with a focus on those related to healthcare.
Investors	• Financial performance • Alignment of long-term goals • Regulatory compliance and good governance	We regularly communicate with our shareholders through a variety of channels: public announcements and press releases using the London Stock Exchange's Regulatory Information News Service ('RNS'), analyst briefings, face-to-face meetings with significant institutional shareholders, presentations at investor conferences and press interviews. We continually update our website (www.ergomedplc.com). This is the primary source of information about the Group, giving an overview of activities and detailing all recent announcements, significant developments, presentations, webinars and press interviews and our Annual Reports. We seek feedback from investors through direct interaction between the Executive Chairman and Chief Financial Officer at meetings following our interim and final results. There is also regular dialogue with shareholders via the Company's nominated adviser and corporate broker, Numis Securities. We encourage all our shareholders to attend our Annual General Meeting, which provides a forum and time for shareholders to meet the Board and ask questions. In addition, the Company seeks to stay abreast of shareholder expectations and reactions through its dedicated investor email address: ir@ergomedplc.com

Environmental, Social and Governance Report

Ergomed has a strong corporate culture guided by a common set of six core values which help us deliver our mission of bringing expertise to deliver medicines our world can trust, and better serve our stakeholders.

Our mission gives Ergomed a clear purpose and focuses on our vision of being a global leader in specialised pharmaceutical services addressing unmet medical needs and patent safety, ultimately improving health outcomes on a global level and improving the lives of patients accessing our medicines whilst also delivering greater value and sustainability to our stakeholders.

We recognise that Ergomed has a key role in improving patient health and well-being through supporting the safe development and monitoring of medicines. To ensure the long-term fulfilment of this role, Ergomed must always strive to improve its governance rigour and keep social and environmental matters at the heart of any decisions made. As part of our journey to continually improve our Environmental, Social and Governance ('ESG') Agenda, Ergomed created a formal ESG Committee in 2022, led by our Executive Chairman, Dr Miroslav Reljanović, who will have responsibility for setting, driving and monitoring ESG objectives throughout the organisation.

The Committee formalised three priority areas of focus for the Group with each area having key initiatives and objectives for the coming year and long-term goals to successfully achieve Ergomed's ESG strategy. Moving forward Ergomed will engage external and internal stakeholders to understand what key elements they need to incorporate to drive a successful ESG model. We will seek to align our ESG model with the United Nations Sustainable Development Goals ('SDGs') and incorporate the Ten Principles of the United Nations Global Compact ('UNGC') into our ESG strategies, policies and procedures.

The Board accepts ultimate responsibility of Ergomed's ESG performance. As the ESG model develops, the Company will continue to raise awareness amongst all staff members and encourage involvement in our ESG initiatives globally.

ENVIRONMENTAL

Ergomed has been focusing on reducing its environmental impact for the past number of years particularly in the area of energy efficiency. In 2022 Ergomed continued to reduce office footprint and energy requirements in office spaces as a result of remote working. Although these improvements are largely driven as a result of COVID-19, Ergomed is determined to change behaviours on an ongoing basis so that such improvements can continue in the long term and meet our ESG strategy.

CLIMATE ACTION

Ergomed has continued to capture UK emissions as required by the SECR regulations which came into effect on 1 April 2019. The SECR mandatory reporting covers Scope 1 direct emissions, natural gas and diesel for electricity generation, Scope 2 indirect emissions from purchased electricity and Scope 3 emissions from business travel in employee owned or hired vehicles. The results are shown in the table on page 45. During 2022 a total of 158.4 tonnes of CO_2 have been emitted which compares to 191.5 tonnes for the prior financial year, emphasising the continued effort of Ergomed to reduce emissions. 2023 will see the roll out of Ergomed's Sustainable Office Guide putting in place several initiatives to further reduce our impact on the environment.

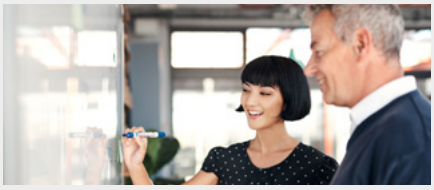
During 2023 Ergomed has set the goal of capturing and reporting global emissions and wastage data which will be reported in 2023 results in line with TCFD requirements.

Priority areas

ENVIRONMENTAL

SOCIAL

GOVERNANCE



ESG goals

1. **Climate action**
   Issuing our Environmental Protection and Sustainability Policy and Programme
2. **Resource conservation**
   Implementation of our sustainability and reduction targets set until 2025
3. **Engaging employees**
   To jointly design effective sustainable practices and support local community initiatives

1. **Patient centric design**
   Further integration of patient perspectives to our initiatives and patient engagement
2. **Diversity, equity& inclusion**
   Comprehensive Programme and KPIs roll-out
3. **Corporate giving**
   Charitable Donations Committee establishment
4. **Power of our people**
   Employee volunteerism strategy roll-out

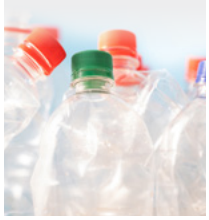
1. **Employee awareness and training**
   Mandatory core and refresher trainings programme implementation
2. **Corporate disclosure and transparency**
   Communicate our ESG efforts and issues of public interest
3. **Suppliers and vendors transparency & quality**
   Commitment to maintaining stringent compliance and quality standards through our extensive supplier and vendors network

UN SDGs

RESOURCE CONSERVATION

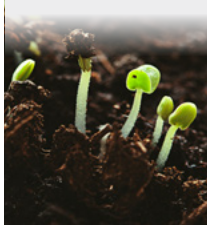
In 2023, as part of our Sustainable Office Guide, conserving resources will be at the forefront of Ergomed's ESG strategy. Programmes will include promoting energy efficiencies, commitment to buying energy efficient items with the ENERGY STAR ® or similar accreditation, switching to automatic lights and programmable thermostats. Reduction in paper and plastic use, commitment to print only where no alternative option, introducing a double-sided printing policy, purchasing recycled paper only and launching a ban on single use plastic from offices. Recycling and water usage, promoting recycling throughout all office locations, ensuring consistent and appropriate messaging, introducing colour-coded recycling bins and signage to achieve this, banning bottled water and encouraging employees to use reusable water bottles. Travel, endorsing less travel but where travel cannot be avoided, we will continue to look to utilise more sustainable commuting options. Ergomed will celebrate a number of environmental events throughout the year to promote their commitment to resource conservation.

18 March
Global recycling day



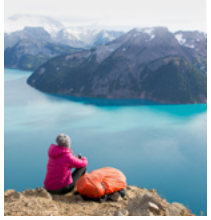
22 March
World water day

25 March
Earth hour



22 April
Earth day

21 September
Global emissions day



05 October
Energy efficiency day

ENGAGING EMPLOYEES

In order to achieve ESG initiatives Ergomed recognises that engagement from employees is fundamental. To raise awareness and promote engagement, Ergomed plan to launch employee driven initiatives that will include: environmentally focused volunteering activities, employee led work groups where the organization seeks direct employee engagement, as well as training and communication focused on individual contribution by each employee towards implementation of our global environmental protection strategy.

SOCIAL

Our strength lies in our talented people and Ergomed is committed to contributing to a fairer and more socially inclusive world. As well as having a positive impact on our employees and customers, we are aware of the positive contribution we can make to wider society.

PATIENT CENTRIC DESIGN

Having been founded by a physician, Ergomed has a long history of putting patients and their families at the centre of the clinical research and improving medicine research and development by incorporating patient needs and priorities.

Ergomed has a 25-year track record of delivering 1,900+ clinical trials, with 190,000+ patients across 14,000+ sites. The number of registered clinical trials as of March 2023 was 443,000, representing an increase of over 500% since 2010.

In 2022 Ergomed announced the establishment of its Rare Disease Innovation Centre, a consortium of innovative industry leading partners and internal subject matter experts dedicated to developing tailored and innovative solutions for rare disease-focused companies and patients. Ergomed's Rare Disease Innovation Centre will seek to address the challenges faced by rare disease sponsors to help them reduce clinical trial timelines, optimise patient experience, and bring effective rare disease therapies to market more quickly. For 2023 and beyond, Ergomed seeks to further integrate patient perspectives to our initiatives and patient engagement.

DIVERSITY, EQUITY & INCLUSION

Age, colour, race, gender, disability, ethnic origin, national origin, marital status, sexual orientation, religious or political views must not be seen as barriers to employment and we are proud of the Group's diverse employment base.

Diversity, equity, inclusion and collaboration are fundamental to who we are, how we build the best teams and how we drive success. We recognise that a diverse workplace creates a vibrant culture where everyone is welcomed, respected, valued, and heard. Diversity, equity and inclusion are paramount to success, but our key ingredient is a great sense of belonging.

In 2021, the Board evaluation recommended improving Board diversity, particularly gender diversity, and this recommendation was acted upon in 2022. Women represent 78% of the overall workforce across our 24 culturally diverse offices. In 2022 we launched CALM for employees across the Group which is a mental health and wellness app. Cornerstone, our online global learning and development platform also launched in 2022 to support employees with personal and professional development. It provides access to tutorials on wellness, health and mindfulness as well as topics on project management, decision making and leadership.

In 2023 our strengthened Diversity, Equity and Inclusion agenda will be rolled out. As part of that initiative we will:

- Review our Diversity, Equity and Inclusion policies to ensure we commit to driving an inclusive and accessible workplace for all
- Ensure our recruitment and selection processes are inclusive and accessible for all
- Provide frequent reporting to the Executive Team on initiatives supporting a more inclusive workplace
- Deliver targeted training for our people managers to build a culture of inclusivity from the top down

POWER OF OUR PEOPLE

Ergomed recognises the power of our people in the local communities and the global reach we possess. In 2023 and going forward one of our core ESG strategies will be the roll out of our employee volunteerism agenda. We will seek to help employees to connect with local initiatives where they can support different programmes and projects.

GOVERNANCE

Ergomed is committed to maintaining high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code ('QCA Code'). The Board will continue to develop its governance arrangements particularly in respect of environmental and social issues, including any changes required as a result of the requirements of the Taskforce on Climate-Related Financial Disclosures ('TCFD').

EMPLOYEE AWARENESS AND TRAINING

During 2022 the Group has continued to invest in our people. We designed and delivered 20 key training programmmes, attended by 835 learners who completed over 3,000 hours of training. In 2023, Ergomed seeks to strengthen basic onboarding with key employee policies, introduce refresher training which would consist of bite size learning initiatives for all employees to refresh basic policies on a yearly basis and introduce additional policies as required including a Diversity, Equity & Inclusion Policy, Third-Party Anti Harassment Policy etc.

CORPORATE DISCLOSURE AND TRANSPARENCY

The 2023 Annual Report will include new disclosures on ESG as a result of the requirements of the TCFD. In order to understand best practice, we are learning from other companies and will engage a third-party business to help monitor and communicate our ESG efforts for the wider public interest.

SUPPLIERS AND VENDORS TRANSPARENCY & QUALITY

Ergomed operates within a highly regulated industry where the requirements for qualifying suppliers are well defined within legislation. Ergomed maintains a highly professional Quality Assurance team that manage our audit universe for Systems and Vendors and is committed to maintaining stringent compliance and quality standards in 2023 and in the future.

Section 172

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, directors are required to have regard to the matters set out in sections 172(1)(a) to (f) of the Companies Act 2006 (amongst other relevant matters).

In this section 172 statement we have set out how Ergomed's Directors considered these matters in their decision making during 2022. Please also refer to 'Our strategy benefiting our stakeholders' on page 35 for a summary of how Ergomed's strategy benefits its employees, suppliers, customers and community.

A. THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM

Ergomed's strategy is focused on achieving success for the Group and its stakeholders in the long term. In taking individual decisions which progress Ergomed's strategic aims, Ergomed's Directors consider the likely long-term impact of the decision, in the context of the principal risks facing the business.

Augmenting organic growth with strategic and selective acquisitions continued to be a key pillar of Ergomed's strategy during 2022. Ergomed's Board members have a wealth of collective experience in M&A, both strategically and from an execution and integration perspective. Board discussions on potential M&A opportunities focus not only on strategic fit, but also on the post-acquisition integration process, in order to enable the long-term success of the acquired entity within the Ergomed Group. During 2022 the Board received regular reports on the integration process relating to the ADAMAS business, and Board discussion focused not only on the status of the integration progress, but also on lessons learned that could be carried over into future acquisitions.

Ergomed is committed to attracting and retaining the best people worldwide and maintaining a robust technical platform from which to develop long-term growth as a provider of specialised pharmaceutical services. The Board considers and discusses management updates on both human resources and technology at every scheduled Board meeting. Michael Spiteri was appointed as Chief Transformation and Technology Officer bringing with him over 30 years of experience and knowledge in information technology and digital transformation.

B. THE INTERESTS OF THE COMPANY'S EMPLOYEES

During 2022, the Board supported the Executive Management Team in developing initiatives which enhance employee experience, learning and communication, including re-designed, employee-focused intranet, employee health seminars and the introduction of a new global learning and development platform to enable growth, agility and change through the development of new skills, capabilities, mindset and culture for every employee.

The Board is extremely proud of Ergomed's gender balance statistics, with 63% of senior management positions occupied by females across the Group.

C. THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Board receives regular reports on the status of key client relationships and any issues are discussed with executive management.

During 2022, the Board has continued to support the development of key client programmes and cross-selling initiatives between Ergomed's CRO and PV businesses. The acquisition of ADAMAS, which completed in February 2022, and its subsequent integration, is expected to advance this cross-selling potential even further.

D. THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT

The Board is proud to support Ergomed's mission of bringing expertise to deliver medicines our world can trust as part of the global healthcare community. In the 'Responsible business' section of our Strategic Report, we share the ways in which Environmental, Social and Governance matters are at the centre of Ergomed's strategy.

Ergomed's culture is centred around our patient community. Ergomed believes that the progress and wellbeing of patients and the local community go hand in hand with the growth of the Group. This is demonstrated through activities such as the Patient Organisation Advisory Board, podcast releases on 'The Voice of the Patient', graduate placements through local universities, voluntarily presenting and teaching at clinical research and PV conferences and symposia.

Having been founded by a physician, Ergomed has a long history of putting patients and their families at the centre of clinical research and improving medicine research and development by incorporating patient needs and priorities. Patient advocacy through engagement is a key priority and a pillar of the strategy of the business.

E. THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

It is the Board's belief that Ergomed can only fulfil its strategic goals by maintaining the very highest standards of business conduct. These high standards are already embedded within Ergomed's professional culture as a provider of specialist services to the pharmaceutical industry. Ergomed operates within a highly regulated environment and its professional services are carried out in accordance with standard operating procedures regulated by the Group's quality management professionals, with client audits taking place on an ongoing basis.

The Group's corporate governance and risk management processes, which are overseen by the Board, and reviewed on a regular basis, are set out in more detail in the Strategic Report on pages 49 to 55 and the Governance Report on pages 58 to 63. Ergomed's Anti-Bribery and Whistleblowing Policies were reviewed in 2022, in order to ensure Ergomed maintains the highest standards of business ethics globally and particularly in the strategically important US market.

F. THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY

The Board receives an investor relations report at each scheduled Board meeting, including details of investor meetings, press interviews and investor events. The ways in which Ergomed communicates with its members, to ensure that their views can be taken into account in Board decision-making, are set out on pages 36 to 37 (Stakeholder Engagement).

During 2022, Keith Byrne was appointed as Senior Vice President, Capital Markets and Strategy to enhance Ergomed's internal investor relations function.

Streamlined Energy and Carbon Reporting

Ergomed plc. has reported Scope 1 and 2 (and associated Scope 3) greenhouse gas ('GHG') emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting ('SECR'). This includes emissions for the second mandatory reporting year – the 12 months starting 1 January 2022 and ending 31 December 2022.

Emissions for the 2020/21 reporting year – from 1 January to 31 December – have been included to allow for a year-on-year comparison.

METHODOLOGY

Responsibilities of Ergomed plc and Green Element

Ergomed plc was responsible for the internal management controls, governing the data collection process and any estimations or extrapolations. Green Element was responsible for the data aggregation, GHG calculations and the emissions statements. Emissions were calculated according to the Greenhouse Gas Protocol Corporate Greenhouse Gas Accounting and Reporting Standard. Energy Tariff information was used as the most recent fuel mixes provided by the supplier.

SCOPE AND SUBJECT MATTER

The report includes sources of environmental impacts under the operational control of Ergomed plc. This includes three active subsidiary companies in 2022:

- PrimeVigilance Ltd.
- Ergomed Clinical Research Ltd.
- ADAMAS Consulting Group Ltd.

GHG SOURCES INCLUDED IN THE PROCESS:

- Scope 1: Natural gas, and diesel for electricity generation.
- Scope 2: Purchased electricity (location-based method and market-based method).
- Scope 3: Business travel in employee owned or hired vehicles.
- Types of GHG included, as applicable: CO_2, N_2O, CH_4, HFCs, PFCs, SF_6 and NF_3. The figures were calculated using DEFRA conversion factors, expressed as tonnes of carbon dioxide equivalent ('tCO_2e').

ENERGY EFFICIENCY ACTION

Taken (2022): In 2022, Ergomed plc. took the following energy efficiency actions within the Company, driven by the continuing impacts of COVID-19 for a considerable portion of the year:

- Reduced office footprint of entity acquired in the year.
- Reduced energy requirements in Ergomed plc. office spaces as a result of remote working.

Planned (2023): In 2023, Ergomed plc. is planning the following to enhance energy efficiency within the Company:

- Issue Company-wide Sustainable Office Guide driving energy efficiencies at a global level.
- Further reduce office footprint in the UK
- Continue to encourage employees to use the Company's technological capabilities instead of business travel where practical.

Company Streamlined Energy and Carbon Reporting ('SECR') 2022 mandatory reporting (in tCO_2e), as follows:

Streamlined Energy and Carbon Reporting ('SECR')	2022***	2021	% Year-on-Year Difference
Energy consumption: (kWh)			
– Electricity	**73,909**	119,866	-38%
– Gas	**3,974**	324	1127%
– Transport fuel	**—**	—	—
– Other energy sources	**80,479**	71,264	13%
Total energy consumption	**158,362**	**191,454**	-17%
Emissions (tCO_2e)			
Scope 1			
Emissions from combustion of gas in buildings	**0.73**	0.06	1108%
Emissions from combustion of fuel for transport purposes	**—**	—	—
Scope 2			
Emissions from purchased electricity (location-based method*)	**14.29**	25.45	-44%
Emissions from purchased electricity (market-based method**)	**18.88**	30.93	-39%
Scope 1 & 2			
Total Scope 1+2 emissions (location based method*)	**15.02**	**25.51**	-41%
Total Scope 1+2 emissions (market based method)	**19.61**	**30.99**	-37%
Scope 3			
Category 6 – Emissions from business travel in rental cars or employee vehicles where the Company is responsible for purchasing the fuel	**17.29**	17.53	-1%
Category 3 – Emissions from upstream transport and distribution losses and excavation and transport of fuels (location based method*)	**9.73**	14.09	-31%
Category 3 – Emissions from upstream transport and distribution losses and excavation and transport of fuels (market based method)	**9.25**	12.12	-24%
Total emissions for mandatory reporting (location based method)	**42.03**	**57.13**	-26%
Total emissions for mandatory reporting (market based method)	**46.15**	**60.64**	-24%
Intensity (tCO_2e / unit produced)			
Revenue £m	**109.51**	71.45	53%
Intensity ratio: tCO_2e / £m (location based method*)	**0.38**	0.80	-52%
Intensity ratio: tCO_2e / £m (market based method)	**0.42**	0.85	-50%
Methodology	GHG Protocol Corporate Accounting and Reporting Standard 2014		

* Location-based electricity reporting uses the average grid fuel mix in the country of purchase to calculate GHG emissions. This is mandatory for SECR.

** Market-based electricity reporting uses the supplier-specific fuel mix of the reporting Company's tariff.

*** Includes energy consumption from ADAMAS Consulting Group Ltd from date of acquisition, 9 February 2022.

Social

Colleagues

Our strength lies in our talented people. Our professional staff portfolio is exceptional, with over 40% of our workforce with PhD, MD, or advanced degrees.

We employ over 1,400 employees across 24 offices worldwide. We have significantly grown the number of people employed by the business over the past few years and this growth is a product of organic and inorganic activity.

In 2022, we grew organically, opening an office in France, Italy, Ireland, Romania, and Portugal. Through our global on-boarding programme, our internal team of Human Resources Business Partners continually work with the business to ensure all new staff are successfully onboarded and have access to support networks, tools and resources.

Gender diversity in senior management roles

Women	63%
Men	37%

Workforce with PhD, MD, or advanced degrees

40%

Through our mentoring programmes and internal project support mechanisms, we enable each new member of the team to meet their personal development and growth objectives, deliver in their respective roles and meet our business goals. The Talent Acquisition team maintain a healthy pipeline of recruitment allowing us to continue to quickly engage high-quality talent and meet our growth objectives.

We strive to make our workplace more diverse and inclusive to enable us to better serve our customers worldwide. We believe our values and strong multi-cultural teams support our culture, giving us a competitive advantage, which in turn leads to our organisational success. Everyone in the organisation has access to our multi-cultural training programmes to broaden their horizons. We are proud of our senior management level gender mix with 63% of these roles held by women, aligned with the wider all staff 78% female to 22% male gender mix.

Diversity, equity, inclusion and collaboration are fundamental to who we are, how we build the best teams and how we drive success. We recognise that a diverse workplace creates a vibrant culture where everyone is welcomed, respected, valued, and heard. Diversity, equity and inclusion are paramount to success, but our key ingredient is a great sense of belonging. Our staff know they are part of a fantastic group, working with extraordinary partners to improve the health and well-being of patients. We provide our employees with a culture that embraces and values innovation, accountability, respect, adaptability, resilience, and perseverance. We strive to ensure that our open, collaborative culture empowers staff to be their best selves and do their best work.

Ergomed's Human Resources organisation implemented Centres of Excellence to deliver best in class, cost-effective and efficient solutions to our staff.

Employees' expectations are evolving and they want an overall employee experience that fits more seamlessly into their lives. At Ergomed, we are continually looking at ways to listen to staff, to adapt and offer an employee experience where employees are reminded of moments that matter. Through our recognition programmes and stay interviews we open up channels for peer to peer recognition, obtain valuable feedback and suggestions from our staff to have a robust methodology to collect feedback and implement changes that are in the best interests of our people. We understand that a positive employee experience improves attraction, retention, engagement, and productivity. We engage with our staff; we listen, identify priority areas and collaborate with the teams to implement solutions and are proud to have high participation rates in our surveys.

A great employee experience is when employee needs and organisational strategy meet.

Social

Patients and communities

PATIENTS AND COMMUNITIES

There is an increasing need to draw on patient knowledge and experience to improve discovery, development, and evaluation of new effective medicines. Greater patient engagement offers many benefits for all parties, including the identification and understanding of unmet needs and research priorities, optimisation of clinical study design and outcome measures and end-point development.

Having been founded by a physician, Ergomed has a long history of putting patients and their families at the centre of clinical research and improving medicine research and development by incorporating patient needs and priorities. Patient advocacy through engagement is a key priority and a pillar of the strategy of the business and is led by a dedicated Patient Engagement Officer.

Ergomed believes that the progress and well-being of patients and the local community should go hand-in-hand with the growth of the Group. It supports this through activities such as the Patient Organisation Advisory Board, graduate placements through local universities, helping relevant local charities and social initiatives, voluntarily presenting and teaching at clinical research and PV conferences and symposia, engaging with relevant professional societies, and other forums. In addition to this, the Group is proud to support employee-led initiatives wherever possible.

WEBINARS & PATIENT ORGANISATION ADVISORY BOARD

Ergomed's Patient Organisation Advisory Board advise on the merits of differentiated trial processes and technologies on patients, engagement strategies, emerging treatment and patient population issues and trends.

In 2022, the Patient Organisation Advisory Board continued its podcast series 'The Voice of the Patient' and launched a new podcast series; 'Ergomed RareCast'. Episode 1 was titled 'Overcoming the Challenges of Living with a Rare Disease'.

Ergomed also provides webinars and educational lectures covering a range of significant subjects across the clinical research and PV sectors.

Our team of experts ran seven free webinars during 2022 with over 4,500 registrations. Topics covered in these webinars were as follows:

- Pharmacovigilance Audit and Inspections Navigation: From the Perspective of the Auditees and Inspected
- From the Perspective of the Inspector and Auditor
- Strategic Considerations and Innovations that Successfully Impact Rare Disease Development
- Safety Perspective of the New EU Clinical Trials Regulation
- Rare Cancers: Recommendations for Oncology Clinical Development
- How to Have a Robust and Strong Pharmacovigilance System
- Perspective on Patient-Focused Drug Development in Rare Disease

RARE DISEASE INNOVATION CENTRE

In 2022, Ergomed announced the establishment of its Rare Disease Innovation Centre. Rare diseases impact around 300 million people worldwide. For each disease, clinical trial sponsors face major challenges due to the rarity of patients, coupled with issues such as a limited pool of experienced investigators, heterogeneity of indications, lack of established endpoints, and poorly understood natural history.

The Rare Disease Innovation Centre is a consortium of innovative industry-leading partners and internal subject matter experts dedicated to developing tailored and innovative solutions for rare disease-focused companies and patients. Ergomed's Rare Disease Innovation Centre will seek to address the challenges faced by rare disease sponsors to help them reduce clinical trial timelines, optimise patient experience, and bring effective rare disease therapies to market more quickly.

Risk management

INTERNAL CONTROL AND RISK MANAGEMENT

The Group identifies principal risks within the business and documents the existing mitigations to those risks. Where the level of risk after existing mitigating actions is still deemed inappropriate, further actions will be designed and implemented to reduce the risks to an acceptable level. Internal controls are key procedures designed and implemented to mitigate and manage the overall level of risk.

Risk management framework

The Group's risk management framework provides the structure by which the principal risks are managed and reported to the Board. The Board believes this risk management framework currently provides adequate structure to ensure that the business can assess the impact of key risks, has appropriate procedures in place to identify emerging and new risks, and can effectively report these risks to the Board.

Given the nature and size of the Group's operations and its continued expansion through organic growth and acquisitions, the Board keeps the risk management framework under review.

INTERNAL CONTROL SYSTEMS

Control environment and procedures

The control environment and procedures are designed to reduce risks to a level where compliance procedures are not disproportionate to the impact, financial or otherwise, of the risk materialising.

Identification and evaluation of risks

Business unit leaders are responsible for collating and maintaining a risk register of their department's risks. Risks are quantified by likelihood and potential impact. Departmental risk registers are reviewed by Ergomed's Executive team on a quarterly basis and collated into a Group risk register. Material risks from the Group risk register are reviewed by the Audit and Risk Committee bi-annually and raised with the Board as appropriate.

Financial information

Financial reporting is overseen by the Chief Financial Officer ('CFO'). The CFO reports the financial results to the senior management team and Board on a regular basis. The financial information is subject to a high level of scrutiny both internally and externally.

Principal risks and uncertainties

The Board has identified the following principal risks and uncertainties that have the potential to impact the execution of Ergomed's strategy and short-term results, along with mitigating actions.

Trend direction: Increased risk | No change | Decreased risk | New risk

Risks	Movement	Responses to mitigate the risks
Cancellation or delay of clinical trials or projects by customers including as a result of a global pandemic Customers may cancel or delay proposed clinical trials or PV projects at short notice. This may be exacerbated by a global pandemic and the direct impact it may have had on access to patients and the operational and financial stability of many businesses within the sector. The cancellation or delay of a clinical trial or PV project may result in Ergomed having underutilised staff resources and reduced profitability.		The COVID-19 pandemic has affected all parts of society, and initially, impacted the CRO sector as clinical trials were delayed or cancelled. Rare disease and oncology trials were less impacted by the pandemic as continued treatment was critical to patient care. Ergomed's concentration in these sectors resulted in an initially lower impact on its operations. Since the start of COVID-19 and the initial reduction in activity in the CRO sector, Ergomed has observed the sector return to pre-pandemic levels of activity. Ergomed continues to carefully manage the primary risks of COVID-19 on its workforce and patient access through remote working and patient monitoring where necessary or practical. The terms of Ergomed's contracts seek to mitigate the impact of cancellation or delay by structuring standard study close-down procedures with the customer. PV contracts contain provisions for transition of services. Ergomed utilises resource management tools to ensure that it maximises the utilisation of its workforce.
Lower contracted order book realisation or conversion of sales pipeline to contract Changes to the scope of contracted activities, substandard customer service and poorly executed or overlooked contracted tasks could result in lower levels of order book to revenue realisation. High levels of customer competition from companies with larger market share or greater resources could reduce Ergomed's ability to convert pipeline business from new and existing customers into contracts or convert business at sub-optimal margin.		Ergomed has a simplified strategy to focus on CRO and PV service sectors and foster cross-development opportunities. The Executive team of Ergomed leads the combined CRO and PV marketing and business development teams. The marketing and business development teams are continually invested in and these teams are incentivised financially to deliver new business. Drive to provide high-quality services at competitive rates, drawing upon our differentiators in the marketplace. Combined and focused effort by project managers and business development teams on better customer service and maximising performance on contracted activities.

Risks	Movement	Responses to mitigate the risks
Significant regional or national event (pandemic, natural disaster, conflict or terrorism) The occurrence of a regional, national or worldwide event such as a pandemic, natural disaster, conflict or act of terrorism resulting in significant and prolonged disruption to operations, including staff welfare, operational site access, IT systems and infrastructure, commercial contract performance and senior leadership and Board ability to effectively communicate and direct the business. In 2022 there has been an escalation in political and territorial tensions between Ukraine and Russia. Ergomed currently has a small number of employees and business activities located in both countries. During 2021, the Group's staff and operations were impacted by the COVID-19 pandemic. During 2022, Ergomed has observed the impact of the disruption to staff and operations lessening in the regions in which it operates to the point where only minor disruption remains. In 2021 Ergomed's offices in Croatia were directly impacted by two earthquakes and the resulting aftershocks. Fortunately no staff were injured, and the offices only suffered minor damage. Operations were able to continue as normal using remote working.		The increasing political and territorial tensions between Ukraine and Russia are not significantly impacting Ergomed's business activities. However, the Group has taken steps to ensure that appropriate protections are in place to safeguard its employees in the region. The Group continues to support employees based in Ukraine with the provision of satellite internet and an office with back-up power supply which employees and their families can utilise. The following key mitigating actions were taken in 2021 in response to COVID-19. These actions taken by the Company have relaxed in line with the general global government regulation: • Continued protection of staff health through restricted office opening and to the use of remote working where possible or necessary. • Increased site hygiene vigilance. • Remote clinical trial monitoring and PV case processing where possible or necessary. • Lower levels of business travel in accordance with global government restrictions to reduce transmission risk. The Group's business continuity plans apply if access to office sites is restricted due to pandemic, natural disaster, conflict or terrorism. The Group has established a process for contacting colleagues during and after an event to check their, and immediate families' well-being.
Quality and third party oversight ('TPO') Failure to maintain adequate quality, governance and oversight of internal and third party operations, and failure of third parties to meet their contractual, regulatory, confidentiality or other obligations, could lead to contractual breaches and/or regulatory non-compliance resulting in the loss of clients. This could adversely affect the Group's growth and profitability strategy. More generally, Ergomed operates in an environment which is subject to detailed and complex regulation.		Ergomed maintains a highly professional Quality Assurance team that manage our audit universe for Systems and Vendors. A strategic audit policy is developed and runs on a three-yearly basis and outlines the tactical audit plan for each year. This audit programme checks on all aspects of compliance on a structured basis. Prior to engagement with third parties we ensure necessary documents are in place such as Confidentiality Agreement, Anti-Corruption/Bribery, Conflict of Interest/Competition, etc., and conduct a thorough prequalification audit. Our vendor assessment and qualification processes confirm experience, competency and capacity to deliver services to satisfactory levels. Furthermore, performance is evaluated on a continued basis to ensure complete oversight and compliance of contracted services. In addition, Ergomed's processes are regularly subject to both client and external compliance audits.

Trend direction: Increased risk | No change | Decreased risk | New risk

Risks	Movement	Responses to mitigate the risks
Cybersecurity The failure to effectively secure information technology systems from unauthorised use or access. Unauthorised information technology system use or access could result in consequences which damage the Group's ability to effectively discharge its statutory and contractual obligations. The consequences of unauthorised use or access to these system could include: the inability to access business critical systems, damaged or compromised data (including personal data), breach of customer contract, reputational damage, regulatory bans, financial penalties and liability for damages.		The technologies and techniques deployed by cyber criminals continue to advance and Ergomed continues to develop its robust internal policies and procedures to ensure the protection of personal data, and to ensure compliance with data privacy laws, and protection from unauthorised use and access. All employees undergo regular training and procedures are tested to ensure that the safeguards in place are appropriate and robust. The physical and virtual security of information includes controls over: access, availability, transfer and input as well as the separation of data processing for different purposes. The Group aims to apply industry best practices as part of our data privacy and information security policies, processes and technologies and invest in strategies that are commensurate with the changing nature of the security threat landscape. This includes appropriate levels of insurance, including cyber-risk.
Information technology transformation The Group is continuing its transformation of information technology to support new and secure ways of working, including increased pressure on information technology departments and technology systems to virtualise business capabilities and supporting services. Failure to address this demand and to create modern flexible technology solutions that allow the business to scale, geographically expand and deliver to the expectations of the new demands of the global workforce could inhibit its ability to attract the right staff and effectively deliver business growth.		Ergomed has developed a strategic roadmap of technology innovation to support its business strategy that targets the enhancement of both its client service delivery portfolio and its ability to work in a dynamic and changing global operating model. The plan looks to deliver both effectiveness, accessibility and flexibility to address the business and workforce requirements. The further development of internal information technology, technology skills and external partnerships, and a deliberate move to cloud services and personal based working in an access anywhere model, are core targets for the business in delivering a modern and flexible enablement platform to mitigate this risk.
Access to and cost of capital The Group's ability to pursue its acquisition and organic growth strategy and meet shareholder expectations is dependent upon its access to capital (through debt or equity) and shareholder sentiment and support. In 2022, the Group has seen central banks increase base interest rates significantly bringing an end to the historically low rates of interest. The higher interest rates mean the cost of capital for the Group will increase and acquisitions will become more expensive to fund.		During the year the Group generated cash of £12.1 million (excluding the cash investment in the ADAMAS acquisition of £24.2 million) and built up a cash and equivalents balance of £19.1 million at the year-end. The Group continued to hold undrawn debt facilities of £80.0 million. The Group's existing debt facilities do not expire until 2025.

Risks	Movement	Responses to mitigate the risks
Retention of senior and key employees The Group has observed an increase in staff resignations in early 2022 as a result of a general global trend for employees to seek alternative opportunities. Whilst the Group saw some easing in pressure towards the end of 2022, there continue to be sub-optimal rates of employee attrition. The Group's ability to effectively operate and deliver its strategy is dependent upon the retention of senior and key employees. Loss of these employees can significantly disrupt customer relationships, increase existing staff workload and lower staff morale.	^	With the support of senior management and Human Resources ('HR'), the Remuneration Committee continues to develop its strategy for identifying, retaining and motivating key and senior employees. This is done through a mix of short and longer-term financial and non-financial incentives to ensure that employees are motivated in line with shareholder interests, including the use of long term incentive plan ('LTIP') awards with three-year vesting periods designed to improve retention. The Group continually benchmarks salary rates with market rates to aim for an optimal mix of retention and cost control. The Group also saw inflationary pressures during 2022 on employee salaries. The benchmarking and inflationary review resulted in staff salaries being uplifted in line with local pay scales and helped mitigate the impact on staff of higher inflation and retain staff. Additional benefits including increased annual leave were offered to help balance the work-life interface and retain staff.
Dependence on a limited number of key clients A proportion of the Group's revenue is derived from a small number of clients. The percentage of the Group's total revenue generated by the top five clients in the year ended 31 December 2022 was 23% (2021: 24%). The loss of any client which represents a significant proportion of Ergomed's revenue could have a negative impact on operating results and cash flows.	<>	A significant part of the business development team's focus is the generation of leads and requests for proposals from new clients to diversify the Company's customer base. The Company's organic growth combined with acquisitions is diversifying the client base. There has been a combined and focused effort by project managers and business development teams to enhance customer service and maximise performance on contracted activities, especially for key customer accounts.

Trend direction: Increased risk | No change | Decreased risk | New risk

Risks	Movement	Responses to mitigate the risks
Data privacy The failure to collect, secure, use and destroy personal information in accordance with applicable data privacy laws, including as a result of unauthorised information disclosure, could result in consequences which damage the Group's ability to effectively provide its contracted services. Ergomed is a global business, and as data privacy legislation grows internationally, it may become more difficult for the Group's clients to transfer clinical trial and other personal data to the Group for processing in the UK, EU, US or other jurisdictions.		Ergomed has robust internal policies and procedures to ensure the protection of personal data and to ensure compliance with data privacy laws and protection from unauthorised access. All employees undergo regular training and procedures are tested to ensure that the safeguards in place are appropriate and robust. The physical and virtual security of information includes controls over: access, availability, transfer and input as well as the separation of data processing for different purposes. The Group aims to apply industry best practices as part of our data privacy policies, processes and technologies and invest in strategies that are commensurate with the changing nature of the landscape. This includes appropriate levels of insurance including cyber-risk. Well-established procedures are available under the General Data Protection Regulation ('GDPR') to permit the transfer of personal data outside the EU which, although requiring certain additional administrative steps, allows continued transfers of data to be made to the Group in the UK in compliance with GDPR requirements. Ergomed appointed an EU GDPR representative and all entities and affiliates have signed the Intercompany Personal Data Processing Agreement which safeguards the transfer of data between different Ergomed Group entities (worldwide).
Outsourcing trends in the pharmaceutical and biotechnology industries Ergomed is dependent upon the ability and willingness of the pharmaceutical and biotechnology companies to continue to spend on research and development and to outsource the services that we provide. Ergomed is therefore subject to risks, uncertainties and trends that affect companies in these industries that Ergomed do not control. Ergomed has benefited to date from the tendency of pharmaceutical and biotechnology companies to outsource clinical research projects. Any downturn in these industries or reduction in biotechnology companies' ability to raise funding could materially adversely affect Ergomed's business.		Ergomed continues to broaden its customer base to reduce the reliance on any one customer, location or therapeutic area. Ergomed is focused on delivering a high standard of work to its customers and retaining those customers for the long term. This enables a strong recurring pipeline of projects which is supplemented with attracting new customers. Ergomed is selective in the customers which it engages and performs customer diligence to ensure the engagement meets the standards of the Company. Ergomed operates across the globe and its significant footprint mitigates against downturns in any one geographic region.

Risks	Movement	Responses to mitigate the risks
Recoverability of the Group's long-term assets Ergomed continues to expand through strategic acquisitions and these capital transactions result in the recognition of large value assets on the Group's balance sheet. The nature of these assets requires management judgement to assess the recoverability of these assets. Poor performance by the underlying businesses associated with these assets could result in the full value of the assets not being recovered by Ergomed.	+	Ergomed performs extensive due diligence before the completion of any acquisition to ensure the assets being acquired are fundamentally strong. Ergomed engages with experienced and qualified external professionals to assist with this diligence and senior management ensure a robust process has been completed before completion of any significant capital transaction. Ergomed reviews acquired assets for impairment annually or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.
Environmental, social and governance Increasingly, in addition to the importance of their financial performance, companies are being judged by their performance on a variety of environmental, social and governance ('ESG') matters, which are considered to contribute to the long-term sustainability of companies' performance. Customers may have specific ESG related requirements or targets and if the Group fails to meet these targets we may lose business. In addition, investment in funds that specialise in companies that perform well in ESG assessments are increasingly popular, and major institutional investors have publicly emphasised the importance of such ESG measures to their investment decisions. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation and on our business, share price, financial condition, or results of operations, including the sustainability of our business over time.	+	Ergomed actively manages a broad range of ESG matters, taking into consideration their expected impact on the sustainability of our business over time, and the potential impact of our business on society and the environment. In 2022, the Group has created a Sustainability Committee which has representatives from across the Group. The Sustainability Committee has established goals for the Group to achieve in the short, medium and long term that have wide reaching ESG benefits. See additional details on the Group's ESG approach on pages 38 to 41.

Board of Directors

Dr Miroslav Reljanović (N)

Executive Chairman

Experience

Miroslav has held several senior physician appointments in clinical trials as a consultant neurologist and served as a consultant to major international pharmaceutical companies. He was also a physician in a large WHO Collaborating Centre in Zagreb.

In 1997 he founded Ergomed and in 2008 he cofounded PrimeVigilance. Miro led Ergomed through a successful IPO on the London Stock Exchange AIM in July 2014 and since then has led the Group through the subsequent completion of nine acquisitions and a secondary offering. He introduced Ergomed's novel Study Site Coordination model as an intrinsic part of the conduct of clinical studies.

Qualifications

Miroslav is a medical doctor and a board-certified neurologist.

Previous appointments

Miro has previously served as a Director of Asarina Pharma AB (listed on the Nasdaq First North Exchange) and Modus Therapeutics Holding AB.

Jonathan Curtain

Chief Financial Officer
(appointed February 2023)

Experience

Jonathan joined Ergomed in November 2022 as Deputy CFO and was appointed as CFO in February 2023. He has extensive life sciences industry experience, having spent 13 years with ICON plc, a leading global CRO business listed on Nasdaq. Most recently, he was ICON's Senior Vice President of Corporate and Commercial Finance, where he had a broad range of responsibilities including financial reporting, acquisitions and post-acquisition integration, debt and equity fundraising, treasury and overall financial management.

Qualifications

Jonathan is a Chartered Accountant Fellow.

Previous appointments

Jonathan was previously a Director at Icon Global Treasury Unlimited Company and Recherche Clinique Icon (Canada) Inc (also known as Icon Clinical Research (Canada) Inc).

Richard Barfield

Chief Financial Officer
(resigned February 2023)

Experience

Richard joined Ergomed in June 2019 and retired in February 2023. He has more than 25 years' experience at Chief Financial Officer level in the healthcare, technology and business services sectors in US multinational companies as well as in UK-listed and private equity-backed businesses. His expertise includes turnarounds, fundraisings, acquisitions and disposals, and he has extensive international experience.

Qualifications

Richard is a Chartered Accountant Fellow and holds a bachelor's degree in modern languages.

Previous appointments

Richard has proven experience within the clinical research services sector, having most recently been Chief Financial Officer at Chiltern International Ltd from July 2013 to March 2018, which was a leading global mid-tier private CRO. Richard has also held roles as Chief Executive Officer, Chairman, and Audit Committee Chairman at various UK-listed companies as well as serving as a Board member of an NHS Foundation Trust.

John Dawson (A) (N) (R)

Independent Non-Executive Director

Experience

John Dawson is a highly experienced and globally respected figure in the healthcare sector. Most recently, he was Chief Executive Officer of Oxford Biomedica where, during his 13-year tenure, the business grew into a global market leader in viral vector technologies for cell and gene therapy, delivered multiple high value partnerships and successfully manufactured the life-saving Oxford/AstraZeneca COVID-19 vaccine. Under John's leadership, Oxford Biomedica's success resulted in it entering the FTSE 250 index in 2020. John was subsequently awarded a CBE for services to UK life science, in recognition of the unprecedented speed and success with which Oxford Biomedica delivered the COVID-19 vaccine.

Qualifications

John holds a BSc in Mathematics from Swansea University and is a Chartered Accountant.

Previous appointments

Prior to Oxford Biomedica, John held various senior executive roles including at Cephalon Pharmaceuticals where for most of his tenure he was Managing Director for Europe. Prior to this, he served as the Financial Director for Serono before its acquisition by Merck.

Committee membership key

(A) Audit & Risk (N) Nomination (R) Remuneration (C) Chair of Committee

Mark Enyedy (N) (R)
Independent Non-Executive Director

Experience

Mark brings more than 25 years of senior leadership experience in the biopharmaceutical sector, including executive management, corporate development and legal roles, across multiple therapeutic areas, with a focus on rare diseases and oncology. He is currently President and Chief Executive Officer and a Director of ImmunoGen, Inc., a publicly-traded biotechnology company, where he oversees strategy and operations. He is also a Director of the Biotechnology Innovation Organization ('BIO'), The American Cancer Society and LogicBio Therapeutics, Inc. (Nasdaq: LOGC).

Qualifications

Mark holds a J.D. from Harvard Law School and a B.S. from Northeastern University.

Previous appointments

Mr Enyedy served in various executive capacities at Shire plc, including as Executive Vice President and Head of Corporate Development, a role in which he negotiated and integrated the multi-billion dollar acquisitions of NPS Pharmaceuticals and Dyax Corp. and oversaw the $32 billion combination with Baxalta, Inc. Mr Enyedy was also previously President of the Transplant, Oncology and Multiple Sclerosis division at Genzyme Corporation. He began his career as an attorney at Palmer & Dodge, a Boston-based law firm where his practice focused on representing bio-pharmaceutical, high technology, and energy companies in M&A, licensing, and financing transactions.

Dr Llew Keltner (A) (N)
Independent Non-Executive Director

Experience

Llew brings over 30 years of experience across the life sciences sector, holding various senior positions with a particular focus on oncology and rare diseases. He has extensive experience of public and private financings, M&A, the formation of strategic partnerships and numerous transactions in the CRO, biotech and pharma sectors. Llew holds the positions of Associate Professor at Case Western Reserve School of Medicine, and Director and Lecturer in Bioethics at Columbia School of Medicine. He is currently on the Scientific Advisory Boards of several life sciences companies across the United States.

Qualifications

Llew holds an MD and a PhD in Biomedical Informatics, both from Case Western Reserve University in Cleveland.

Previous appointments

Llew was Chairman of Raptor Pharmaceuticals Inc., a US rare disease company, where he led multiple financing rounds, product launches and the eventual sale of the Company to Horizon Pharmaceuticals in 2016. He was also a Director of Mannkind Corporation through its successful Nasdaq listing, and Immunovaccine Inc. through several successful fundraises.

Anne Whitaker (N)
Independent Non-Executive Director

Experience

Anne has extensive life sciences industry experience, having worked across the pharmaceutical, biotech and specialty pharma sectors for the last 30 years in the US and internationally. Anne previously held a number of senior executive roles at Sanofi, GlaxoSmithKline, Bausch Health Company and Synta Pharmaceuticals, and most recently, she held the position of Chief Executive Officer, and subsequently Chairperson, of Aerami Therapeutics, a private life science company. Anne is recognised as a biopharma industry influencer, adviser and leader, having received numerous awards from PharmaVoice, WomenInc and Fierce Pharma.

Qualifications

Anne holds a BSc in Chemistry and Business from the University of North Alabama.

Previous appointments

Anne was Chairperson of Aerami Therapeutics, a private life science company. She has served as a Non-Executive Director at a number of listed healthcare / pharmaceutical services companies including UDG Healthcare and Vectura Group and is currently on the board of a number of global biopharmaceutical companies.

Executive Chairman's governance statement

The Board is committed to maintaining the highest standards of corporate governance, striving at all times for effective and open communication, transparency and integrity. The Board continuously and diligently works to manage Ergomed in an efficient and entrepreneurial manner for the benefit of shareholders over the longer term.

Miroslav Reljanović
Executive Chairman

INTRODUCTION

As a public company with shares listed on the AIM market of the London Stock Exchange, Ergomed has adopted the Quoted Companies Alliance's Corporate Governance Code ('QCA Code'). In my capacity as Executive Chairman, I have assumed responsibility for, and I am committed to, ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied.

The corporate governance arrangements that the Board has adopted are designed to ensure not only that the Company delivers long-term value to its shareholders, but also that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Board recognises that its decisions regarding strategy and risk, and the way they are communicated, will affect the corporate culture of the Group as a whole, the engagement of employees and, inevitably, the performance of the Group. Each Director therefore places great importance on demonstrating ethical behaviours, both during the decision-making process, and in the implementation and communication of strategic decisions.

In this Corporate Governance Report we aim to explain how the Board discharges its governance responsibilities.

> At Ergomed we understand that good corporate governance benefits not only the Group and its shareholders, but also our colleagues, patients and communities.
>
> I am proud to support Ergomed's efforts to continually improve its standards of corporate governance.

THE BOARD OF DIRECTORS

The Board is responsible for taking all major strategic decisions and addressing any significant operational matters. In addition, the Board reviews the risk profile of the Group and ensures that an adequate system of internal controls is in place. A schedule of matters reserved for the Board has been adopted and is regularly reviewed.

MEETINGS

The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. Directors are expected to attend all meetings of the Board and the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. In the event that Directors are unable to attend a meeting, their comments on the matters to be considered at the meeting are discussed in advance with the Chairman so that their contribution can be included in the wider Board discussion.

Board meetings typically take half a day with one day of preparation time per meeting. Non-Executive Directors are required to spend a minimum of 12 days per year, and such additional time as is necessary, on Company business (including attendance at Board meetings), and Executive Directors are full-time employees. The table on page 60 shows the number of scheduled Board and Board Committee meetings held during the year to 31 December 2022 and the attendance of individual Directors at those meetings. There were further ad hoc meetings held when required.

The Presidents of the Group's CRO and PV businesses and other key management personnel are invited to attend Board and Committee meetings as appropriate.

Ergomed's Head of Legal and Company Secretary attends all Board meetings and assists Directors with any legal or administrative issues arising.

Scheduled Board meetings take place four times a year, and it is usual for all Directors to attend. The Board also meets for a strategy meeting at least once a year. In addition, the Board has telephone/video conferences or communicates via email on material matters that may arise throughout the year.

To enable the Board to discharge its duties, the Directors receive appropriate and timely information from the Executive Management Team. A formal agenda and briefing papers are distributed to the Directors in advance of each Board meeting. The Directors have access to the advice and services of the Head of Legal and Company Secretary (who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with) and the Chief Financial Officer. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board sets the direction for the Company through a formal schedule of matters reserved for its decision, which is regularly reviewed.

COMPOSITION AND INDEPENDENCE

The Board currently consists of two Executive Directors and four Non-Executive Directors. Biographical information for each Director and their contribution to the business is set out on pages 56 to 57. The Board is drawn from an international background, representing the international nature of the Group and its clients.

In 2022 we welcomed John Dawson and Anne Whitaker to the Board as Non-Executive Directors, in March 2022 and June 2022 respectively. John, formerly Chief Executive Officer of Oxford Biomedica plc, was appointed as Senior Independent Director in December 2022. Both John and Anne have extensive life sciences industry experience, including UK-listed healthcare and pharmaceutical services companies.

Jonathan Curtain was appointed as Chief Financial Officer in February 2023, having joined the Company as Deputy Chief Financial Officer in November 2022. Jonathan brings a wealth of life sciences industry and listed company experience, having previously spent 13 years with ICON plc, a leading global CRO business listed on Nasdaq.

Richard Barfield resigned as Chief Financial Officer in February 2023. Having reached the age of 65, Richard made the decision to retire and to spend more time with his family. On behalf of the entire team at Ergomed, I would like to express my sincere thanks to Richard for his service to the business since joining as CFO in 2019, and to wish him well for his retirement.

Michael Spiteri resigned as a Non-Executive Director in November 2022, and joined Ergomed's Executive Management Team in the role of Chief Transformation and Technology Officer.

The Board considers Mark Enyedy, Llew Keltner, John Dawson and Anne Whitaker to be independent.

Board and Committee meetings

Name	Notes	Number of meetings			
		Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings		4	4	3	1
Executive Directors					
Miroslav Reljanović		4/4	—	—	1/1
Richard Barfield	Resigned 03 February 2023	4/4	—	—	—
Non-Executive Directors					
Mark Enyedy		4/4	—	3/3	—
Llew Keltner		4/4	4/4	—	—
Michael Spiteri	Resigned 17 November 2022	3/3	3/3	2/3	1/1
John Dawson	Appointed 8 March 2022	4/4	3/4	1/1	—
Anne Whitaker	Appointed 10 June 2022	3/3	—	—	—

	Primary responsibilities
Executive Chairman	Lead and manage the Board and wider business, ensuring the Board's effectiveness and delivery of the Group's strategy through the senior management team.
Chief Financial Officer	Manage the Group's finance activities, support the Executive Chairman in delivering the Group's strategy and manage investor relations.
Senior Independent Director	In addition to usual Non-Executive Director duties, to support the Executive Chairman and act as an intermediary for other Directors when necessary.
Non-Executive Director	Oversee the development and delivery of the Group's strategy, performance of senior leadership and the adequacy of governance policies and processes.

Governance focus areas

Key areas of governance focus in the year, and since the year-end:

- Committed to the Group's disciplined M&A strategy and considering acquisition opportunities;
- Completing the acquisition of ADAMAS, and overseeing its integration;
- Ongoing review of Risk, Compliance and Corporate Governance processes;
- Overseeing key corporate policies, including revised anti-bribery and whistleblowing policies; and
- Formal, regular Board effectiveness evaluations.

APPOINTMENT, REMOVAL AND RE-ELECTION

Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') following their initial appointment, and at each AGM one-third of the Directors retire by rotation and put themselves forward for re-election. All Directors must retire by rotation and put themselves forward for re-election at least once every three years.

INDUCTION AND DEVELOPMENT

Individual Directors attend ad hoc training, seminars and conferences relevant to their specific skills and roles within the Board. Executive Directors regularly attend industry seminars and conferences in furtherance of their experience, skills and industry awareness, and in order to consolidate relations with our stakeholders. New Directors attend induction training to familiarise themselves with their duties and responsibilities as Directors of an AIM listed company.

COMMUNICATION WITH INVESTORS

The Board attaches great importance to communication with both institutional and private shareholders.

Regular communication is maintained with our shareholders primarily through:

- our Annual General Meeting;
- our investors' dedicated email address: ir@ergomedplc.com;
- our website – www.ergomedplc.com;
- meetings and conversations between the Executive Chairman, Chief Financial Officer and shareholders, both on an ad hoc basis, and following publication of the interim and final results;
- Company announcements via RNS; and
- investor conferences and webinars.

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders, especially considering the long-term nature of the business. Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and give feedback regularly throughout the year. With private shareholders this is not always practical and the Board uses the Company's Annual General Meeting as its main opportunity to meet with them. The Company also regularly attends and presents at retail investors conferences and communicates via webcasts, Q&A sessions and webinars. At the AGM, shareholders have the opportunity to ask questions of Directors on a formal and informal basis, and to discuss the development of the business. During 2022 the Group has further developed its internal Investor Relations function.

Our Group website (www.ergomedplc.com) sets out details of the Group and its activities, regulatory announcements and company press releases, Annual Reports, half-year reports, notices of general meetings and information required by the AIM Rules for Companies and the QCA Code. The Investor Portal section of our website includes a dedicated 'Corporate Governance' section, where our annual Corporate Governance Statements can be found.

The Group utilises social and corporate media platforms such as LinkedIn, Facebook and Twitter to communicate with our stakeholders, including clients and employees, on topics such as Company news, exhibitions we are attending, webinars we are presenting at, company and employee achievements and corporate social responsibility activities.

BOARD COMMITTEES

The Board delegates certain items of business to its Committees. At the year-end, these were the Audit and Risk, Nomination and Remuneration Committees. Each Committee operates under clear terms of reference.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on, reviewing reports from the Company's auditors relating to the Company's accounting and internal controls and monitoring the primary risks and uncertainties and the potential impact they have on the Group executing its strategy.

The Audit and Risk Committee is also responsible for ensuring that the Company is complying with the AIM Rules for Companies and for reviewing and monitoring the Company's risk, compliance and corporate governance practices.

The Audit and Risk Committee is composed of two Non-Executive Directors, both of whom are independent. John Dawson is the Chair of the Audit and Risk Committee. Llew Keltner is the other member of the Committee. Michael Spiteri served as a member of the Committee during 2022 until his resignation as a Director on 16 November 2022.

The Audit and Risk Committee's report for the 2022 financial year is set out on pages 64 to 66.

NOMINATION COMMITTEE

The Nomination Committee identifies and nominates for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Miroslav Reljanović is the Chair of the Nomination Committee. Anne Whitaker, John Dawson, Llew Keltner and Mark Enyedy are the other members of the Committee. Michael Spiteri served as a member of the Committee during 2022 until his resignation as a Director on 16 November 2022.

REMUNERATION COMMITTEE

The Remuneration Committee reviews the performance of the Executive Directors and determines their terms and conditions of service, including their remuneration and the grant of options, to ensure they are aligned to the execution of Group strategy, and effective risk management, for the medium to long term. The Committee does so within its formal terms of reference and having due regard to the interests of shareholders.

John Dawson is the Chair of the Remuneration Committee. Mark Enyedy is the other member of the Remuneration Committee. Michael Spiteri served as a Chairman of the Committee until his resignation as a Director on 16 November 2022.

The Remuneration Committee's report for the 2022 financial year is set out on pages 67 to 70.

AGM

The Board values each AGM as an opportunity to communicate with private and institutional investors and welcomes their participation. The 2022 AGM was held in person and the Board enjoyed having the opportunity to meet with and engage with our shareholders. Arrangements for the 2023 AGM will be announced via RNS and on the Company's website at www.ergomedplc.com in due course.

Miroslav Reljanović
Executive Chairman
21 March 2023

QCA Corporate Governance Code

The Company has adopted the Quoted Companies Alliance Corporate Governance Code (2018 edition) (the 'QCA Code'). The QCA Code sets out 10 main corporate governance principles and requires the Company to apply these principles and publish certain related disclosures, which are summarised in the table below.

	QCA Governance Principles	Explanation
1	**Establish a strategy and business model which promote long-term value for shareholders**	The Board is committed to delivering long-term value for Ergomed's shareholders. During 2022, Ergomed continued to implement its strategy to become a global leader in PV and specialist clinical trials. Please see 'Strategic Report' on pages 01 to 55 for further details.
2	**Seek to understand and meet shareholder needs and expectations**	Ergomed is committed to effective communication with all its shareholders, both institutional and private. Details of how we communicate with our investors are set out on pages 60 to 61 ('Communication with investors'). Please see 'Stakeholder engagement' (pages 36 to 37) to for details of how the Group identifies shareholder needs and engages with them.
3	**Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Please see 'Stakeholder engagement' (pages 36 to 37) for details of how the Group takes wider stakeholder needs into consideration. The Group has adopted policies to encourage an open and transparent corporate culture, including policies addressing anti-slavery, anti-bribery and whistleblowing, and a Supplier Code of Conduct. Please see 'Responsible business' (pages 35 to 45) for details of how the Group addresses key social responsibilities such as its impact on the environment and commitment to the well-being of patients and colleagues.
4	**Embed effective risk management, considering both opportunities and threats, throughout the organisation**	Please see 'Risk Management' (page 49) for details of the Group's risk management framework and processes. Please see 'Principal risks and uncertainties' (pages 50 to 55) for details of the main risks and uncertainties which the Board considers to be associated with the Group's activities.
5	**Maintain the Board as a well-functioning, balanced team led by the Chair**	The Board is chaired by Miroslav Reljanović as Executive Chairman. Dr Reljanović founded Ergomed in 1997 and cofounded PrimeVigilance in 2008. Dr Reljanovic has thorough knowledge and experience of the Group and the market in which it operates. The Board recognises that best practice in corporate governance is to ensure a clear division of responsibilities between the roles of Chair and CEO and continues to monitor investor feedback with regard to this on an ongoing basis. The Board is also composed of the CFO, Jonathan Curtain, a Senior Independent Director, John Dawson and three independent Non-Executive Directors, Mark Enyedy, Llew Keltner and Anne Whitaker, who bring significant Boardroom experience in both executive and non-executive roles. The Board will continue to appoint additional independent Non-Executive Directors where possible. The biographies of all current serving Directors can be found on pages 56 to 57.
6	**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	The Directors collectively bring a broad range of business experience and skills to the Board, resulting in a wide variety of perspectives being represented in Board discussions. Please see 'Board of Directors' (pages 56 to 57) for a summary of the experience, skills and capabilities of Ergomed's Directors.

	QCA Governance Principles	Explanation
7	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	The Board carries out a formal internal evaluation of its performance on an annual basis. The Board evaluation for 2021 recommended improving Board diversity, particularly gender diversity, and this recommendation was acted upon in 2022. The need for external evaluation will be kept under review. The Board also considers the tenure of Board members and considers succession planning on a regular basis.
8	**Promote a corporate culture that is based on ethical values and behaviours**	Each Director places great importance on demonstrating ethical behaviours, both during the decision-making process, and in the implementation and communication of strategic decisions. Senior managers are also encouraged to lead by example in the promotion of ethical values and behaviours. Please see 'Responsible Business' (pages 35 to 45) for details of our corporate culture. Our corporate policies, including our Anti-Bribery Policy and Employee Code of Conduct, promote ethical values and behaviours within our corporate culture. Our corporate culture is also based around our need to adhere to quality standards on our clients' behalf, and this focus on quality standards underlies our business processes. As a Group, we are subject to numerous external client and regulatory audits as well as internal audits of our operations and vendors.
9	**Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	Further details on our governance structure and the role of our Board Committees are set out on pages 56 to 57 ('Board of Directors') and ('Board Committees') and in the 'Investor Portal' section of our website at www.ergomedplc.com. The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. A scheduled meeting calendar is arranged as far in advance as possible, and ad hoc meetings are held in person or by telephone when it is necessary for the Board to discuss specific matters outside of scheduled meetings.
10	**Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	Ergomed engages with its shareholders and other relevant stakeholders in a variety of ways, to ensure they understand how the business is governed and how it is performing. Please see 'Stakeholder engagement' (36 to 37) and 'Communication with Investors' 60 to 61) for details of how we engage with our shareholders.

Audit and Risk Committee report

The Audit and Risk Committee's role is to assist the Board in its oversight of the financial stewardship of the Group.

John Dawson
Chair of the Audit and Risk Committee

Attendees

Committee Member		Meetings
John Dawson – Chair	(appointed 08 March 2022)	3/4
Llew Keltner		4/4
Michael Spiteri	(resigned 16 November 2022)	3/3

The Executive Chairman and Chief Financial Officer attend meetings at the invitation of the Chair.

Audit and Risk Committee meetings in the year

4

At the date of this report, the Committee's membership consisted of Llew Keltner and myself as the Chair.

All members of the Committee are Non-Executive Directors and are considered by the Board to be independent. Further details of the background, experience and qualifications of the Committee members are set out on pages 56 to 57.

The Committee has four scheduled meetings each year and may meet at other times during the year, as required. Four scheduled meetings were held during the 2022 financial year. Meetings are conducted in accordance with an annual agenda schedule, which sets out the agenda items to be covered at each scheduled meeting, and which takes into account the recommendations of the QCA Audit Committee Guide.

It is customary for the external auditor, the Chief Financial Officer, the Group Financial Controller and the Director of Group Reporting to attend Committee meetings. At the invitation of the Committee, the Executive Chairman and other senior management may attend meetings as appropriate.

Details of the attendance of Committee members at Committee meetings are set out above.

Activities during the year

- **Reviewed the annual and half-year financial reports and related statements**
- **Discussed the key findings of the external auditors on the interim and annual financial statements**
- **Considered critical accounting policies, estimates and judgments, in particular:**
  - **Revenue from contracts with customers**
  - **Carrying value of goodwill and intangible assets**
- **Continued review and monitoring of risk and internal controls**
- **Continued review and monitoring of compliance and corporate governance processes including Anti-Bribery and Whistleblowing Policies**
- **Reviewed and approved revisions to the Treasury Policy**
- **Review and support of the going concern assumption**
- **Reviewed the Group cyber security procedures and development**
- **Approved the scope of the external audit plan and audit fees**
- **Reviewed the objectivity and independence of the external auditor, KPMG, if and when providing non-audit services**
- **Continued review of all policies adopted by the Committee**

The Audit and Risk Committee provides oversight of the risk management and financial performance of the Group.

John Dawson
Chair of the Audit and Risk Committee

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for safeguarding shareholders' investments and the Group's assets. In applying this principle, the Board recognises that it has overall responsibility for ensuring that the Group maintains a system of internal control that provides it with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The system of internal control is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Committee, reviews the effectiveness of the systems of internal control and management continues to invest significant time in further developing the Group's internal control environment. The key features of the internal control system are described below:

- **Control procedures and environment –** the Group has an organisational structure with clearly-drawn lines of accountability and authority. Employees are required to follow well-defined internal procedures and policies appropriate to the business and their position within the business and management promotes the highest levels of professionalism and ethical standards;
- **Identification and evaluation of risks –** the Group employs Executive Directors and senior management with the appropriate knowledge and experience required to provide professional services to the pharmaceutical industry. Identification and evaluation of risk is a continuous process, running in parallel with the significant organic and inorganic growth of the Group. As a Group, we assess risk on an ongoing basis, and specifically, when assessing new contracts, projects or acquisitions;
- **Financial information –** the Group prepares detailed budgets and working capital forecasts annually. These are based upon the strategy of the Group and are approved by the Board. Detailed management accounts and working capital reforecasts are reviewed at least quarterly for each Board meeting, with any variances from budget investigated thoroughly and a summary provided to the Board. Annual Reports and any financial information transmitted to shareholders are reviewed by the Audit and Risk Committee prior to approval by the Board; and

- **Monitoring –** the Board monitors the activities of the Group through the provision of reports from various areas of the business and contained in the Board papers, and those prepared for its committees. The Board has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Group's operations or undertakings. In addition, the Directors have direct access to the advice and services of the Head of Legal and Company Secretary.

The risk management reporting framework has been designed to ensure that all levels of management within the business, including those of senior management, Audit and Risk Committee and Board, are able to review and assess the principal risks faced by the business and actively contribute to the mitigations put in place.

The Board believes this risk management framework currently provides adequate structure to ensure that the business can assess the impact of key risks, has appropriate procedures in place to identify emerging and new risks, and can effectively report these risks to the Board.

See page 49 for further details of the risk management framework.

The Committee continues to review the Group's risk, internal controls and corporate governance processes on an ongoing basis.

John Dawson
Chair of the Audit and Risk Committee
21 March 2023

The Audit and Risk Committee's main responsibilities include:

- To satisfy itself as to the integrity of the financial statements and other formal announcements relating to the Group's financial performance, ensuring compliance with applicable accounting standards, regulations and rules;
- To review and approve any changes to accounting policies and significant reporting matters, estimates and judgements they contain;
- To monitor and review the effectiveness of the Group's internal financial controls and risk management policies and systems and to monitor and review the going concern status of the Group. A summary of the principle risks and mitigations are set out on pages 49 to 55;
- To regularly consider the need for the requirement for an internal audit function;
- To consider the Group's anti-bribery and whistleblowing procedures to ensure that employees can raise concerns, in confidence, about possible wrongdoing or malpractice;
- To satisfy itself of the independence and effectiveness of the external auditor, and to make recommendations to the Board in relation to the appointment and remuneration of the external auditor, and policy relating to their non-audit services;
- To ensure that the audit services contract is put out to tender at least once every 10 years. The Company's current auditor, KPMG, were first appointed at the Company's AGM held on 12 June 2018; and
- To ensure that audit partner rotatation is completed every 5 years. The KPMG current lead partner has served since appointment in 2018 and the company will therefore have a new lead audit partner for 2023.

Remuneration Committee report

The Remuneration Committee's role is to ensure remuneration arrangements for the Group's Executive Directors and employees are aligned to the execution of Group strategy and effective risk management, for the medium to long term.

John Dawson
Chair of the Remuneration Committee

Attendees

Committee Member		Meetings
Michael Spiteri – Chair	(resigned 16 November 2022)	2/3
Mark Enyedy		3/3
John Dawson	(appointed 15 July 2022)	1/1

The Executive Chairman and Chief Financial Officer attend meetings at the invitation of the Chair.

Remuneration Committee meetings in the year

3

I was appointed the Chair of the Remuneration Committee on 9 March 2023. The Chair of Committee during the 2022 financial year was Michael Spiteri, until his resignation as a Director on 16 November 2022. On behalf of the entire Board, I would like to thank Michael for his service to the Committee. Mark Enyedy is the other member of the Committee. The CFO, Executive Chairman and Head of Legal may be invited to attend Committee meetings as appropriate.

Further details of the background, experience and qualifications of the Committee members are set out on pages 56 to 57.

Details of the attendance of Committee members at Committee meetings are set out as above.

The Remuneration Committee meets at least twice a year, and may meet at other times during the year, as required. During the 2022 financial year there were three meetings of the Remuneration Committee. No Director is involved in any decisions relating to their own remuneration.

The Remuneration Committee Report has been split into the following three sections:

- a summary of the work completed in the year;
- the remuneration policy overview which sets out the Group's approach to Directors' remuneration; and
- the annual report on remuneration.

REMUNERATION POLICY OVERVIEW

The Remuneration Committee has established a policy which enables the Group to retain and motivate Executive Directors and senior management appropriately while still maintaining a strong 'pay-for-performance' culture within the Group. The remuneration policy is reviewed by the Remuneration Committee regularly to ensure that it is in line with the Group's objectives and shareholders' interests.

The aim of the remuneration policy is to encourage, retain and reward superior performance by the Executive Directors and senior management, with performance being measured by reference to the achievement of corporate goals, strong financial performance and the delivery of value to shareholders.

The policy is designed to offer rewards that:

- enable the Group to attract and retain the management talent it needs to ensure its success;
- incentivise the achievement of the Group's strategy and the delivery of sustainable long-term performance of the Group by the executives; and
- have flexibility to accommodate the changing needs of the Group as it grows, and as its strategy evolves.

Remuneration levels are benchmarked against a subset of companies in the life sciences and biotechnology sectors with the aim of achieving the following:

- base salary between average and upper quartile;
- performance-based bonus between average and upper quartile;
- share incentives at industry average; and
- total compensation between average and upper quartile.

BASE SALARY

Base salaries are generally reviewed annually and are effective from the beginning of March or April, depending on the region in which the Group company operates. The Remuneration Committee seeks to assess the market competitiveness of pay primarily in terms of total remuneration, with less emphasis on base salary, based on a number of factors, including market rates and benchmarking to peers, as well as the individual Director's experience, responsibilities and performance.

The Remuneration Committee's primary responsibilities are:

- Reviewing the ongoing appropriateness and effectiveness of the remuneration policy
- Determining and recommending, to the Board, the remuneration package of Executive Directors including the Executive Chairman
- Recommending to the Board and monitoring the level and structure of remuneration for senior management
- Approving the design of, and determining targets for, any performance-related pay schemes and approving the total annual payments made under such schemes
- Reviewing the design of all share incentive plans and determining each year whether awards will be made
- Reviewing payments made on termination.

During the year the Committee approved a Group-wide inflationary pay increase of 4% as well as local above-inflation salary increases as a result of industry salary benchmarking exercises performed in each region. The inflationary pay increases were implemented in April 2022 with the above-inflation salary benchmarking increases implemented throughout the year as and when the exercises were completed.

PERFORMANCE-RELATED ANNUAL BONUS

Annual bonuses are awarded against achieving both corporate and individual performance targets. Typically, the majority of the bonus will be based on a balanced scorecard reflecting delivery against key commercial, technical, operational and financial deliverables. The Committee will therefore vary the specific measures and targets each year where required to ensure that they reflect the key financial and strategic priorities for the Group in a given year.

The maximum recommended bonus potential of the Executive Chairman is 125% of base salary and of the Chief Financial Officer is 75% of base salary.

The Committee reviewed individual and Company achievements against targets for the year and determined that the bonuses to be awarded are 75% (2021: 125%) of base salary for the Executive Chairman and 36% (2021: 75%) of base salary for the Chief Financial Officer.

PENSION AND OTHER BENEFITS

The Group pays an employer pension contribution of 10% of base salary to personal pension schemes established by the Executive Directors. Its pension provision for employees varies in accordance with local law and practice. It does not operate any defined benefit pension schemes.

Each jurisdiction gives access to benefits which are appropriate to secure and retain the best talent available in the market. Typically, these could include life assurance and private medical insurance.

PAYMENT FOR LOSS OF OFFICE

Award payments for loss of office of an Executive Director are made if the terms of the applicable service contract were upheld and the payment takes into account specific circumstances surrounding the termination, including but not limited to performance, service and health.

SHARE OPTIONS

The Company issues share options to Executive Directors and senior employees to reward performance, to encourage retention and to align medium and long-term objectives with those of shareholders.

The Group has one active share option arrangement, the Ergomed plc LTIP. There are historic share option arrangements with outstanding share options which are no longer used. These are the Unapproved Executive Share Option Scheme 2007 and the Stahel Option Agreement. In addition, certain Executive Directors and employees hold options over shares held by Miroslav Reljanović.

The maximum recommended annual LTIP grant potential of the Executive Chairman is 150% and for the Chief Financial Officer is 100%. No LTIP awards were made to the Executive Chairman or Chief Financial Officer during 2022.

Options issued under the LTIP vest based on performance (total shareholder return) or time-based conditions after three years. During the year the Committee approved the awards of LTIP share options to eligible employees which are further detailed in note 28 of the financial statements. LTIP share options granted to Directors are in the 'Directors' interest in share options' table of this report.

EXECUTIVE DIRECTOR SERVICE AGREEMENTS

All Executive Directors have service agreements that terminate on six months' notice.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are each paid fees of £50,000 annually and fees are designed to attract and retain individuals who have the expertise, responsibility and the time commitment to be able to contribute to an effective Board and deliver long-term sustainable shareholder value. The Chair of the Remuneration Committee, Audit and Risk Committee and the Senior Independent Director receive additional fees of £10,000 each annually in recognition of their additional responsibility and time commitment. The Group reimburses Non-Executive Directors for reasonable expenses incurred such as travel and hotel accommodation.

The Non-Executive Directors do not participate in the Group's pension, bonus or option schemes.

All Non-Executive Directors have letters of engagement that terminate on three months' notice.

John Dawson
Chair of the Remuneration Committee
21 March 2023

ANNUAL REPORT ON REMUNERATION – AUDITED

The Directors received the following remuneration during the year:

£	Salary/fee	Benefits	Annual bonus	Pension	**Total 2022**	Total 2021
Executive	**2022**	**Total**				
Miroslav Reljanović	**424,128**	9,569	530,599	—	**964,296**	641,097
Richard Barfield	**275,000**	2,810	206,250	21,550	**505,610**	438,783
Non-Executive						
Michael Spiteri (resigned 16 November 2022)	**52,769**	—	—	—	**52,769**	60,000
Llew Keltner	**52,722**	—	—	—	**52,272**	31,560
Mark Enyedy	**52,722**	—	—	—	**52,272**	28,497
John Dawson (appointed 9 March 2022)	**49,154**	—	—	—	**49,154**	—
Anne Whitaker (appointed 10 June 2022)	**27,885**	—	—	—	**27,885**	—

Where relevant, amounts are prorated based on the respective Director appointment and termination dates.

See note 31 for all related party transactions with Directors of the Company.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. These are disclosed in note 28 of the financial statements.

Amounts payable to the highest paid Director:

	2022 £000s	2021 £000s
Aggregate emoluments	**955**	632
Benefits	**9**	9
	964	641

DIRECTORS' INTEREST IN SHARE OPTIONS – AUDITED

In 2022, the Directors exercised the following share options:

	At 1 January 2022 Number	Granted Number	Exercised Number	Lapsed/ Surrendered Number	**At 31 December 2022 Number**	Exercise price £	Exercise period
Richard Barfield							
Ergomed plc LTIP	**600,000**	—	125,000	—	**475,000**	£0.01	Jun-22 - Jun-29
Non-dilutive share options	**400,000**	—	—	—	**400,000**	£0.01	Jun-22 - Jun-29
	1,000,000	—	—	—	**875,000**		

DIRECTORS' INTEREST IN SHARES

At 31 December 2021, the Directors had the following beneficial interests in the Company's shares:

Directors' interests	Number of shares	Percentage of total issued
Miroslav Reljanović	9,529,297	18.9%
Richard Barfield	25,000	0.05%

The Directors present their report and financial statements for the Company and Group for the year ended 31 December 2022.

Directors' report

PRINCIPAL ACTIVITIES

Ergomed provides specialist services to the pharmaceutical and biotechnology industries spanning all phases of clinical development, post-approval pharmacovigilance and medical information.

BUSINESS REVIEW, KEY PERFORMANCE INDICATORS AND FUTURE DEVELOPMENTS

The Group's results are set out in the consolidated income statement on page 80 and are explained in the Financial Review on pages 32 to 34. A detailed review of the business, its results and future direction is included in the Operational Review on pages 26 to 29.

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

The Directors have reported their energy and greenhouse gas emissions in line with the UK Government mandate SECR within the Strategic Report, since this is of strategic importance to the Group, and is fully explored within that report on pages 44 to 45.

RESEARCH AND DEVELOPMENT

The expenditure on Research and Development included in the income statement in the year has reduced from £130,000 in 2021 to £121,000 in 2022. This is primarily driven by the continued reduction in co-development activities undertaken by the Group, in particular, the wind down of co-development costs in relation to Haemostatix.

FINANCIAL INSTRUMENTS

At the year-end the Group did not have any complex financial instruments. The financial instruments it does have primarily comprise cash and liquid resources, forward foreign exchange contracts and other various short-term assets and liabilities, such as trade receivables and trade payables which are used to manage the Group's operations. Details of the Group's financial instruments can be found in note 29.

RESULTS AND DIVIDENDS

The consolidated results of the Group for the year are set out in the consolidated income statement on page 80.

The Directors do not recommend the payment of a dividend (2021: £nil).

DIRECTORS

The Directors of the Company who served during the year and to the date of this report, unless stated, are as follows:

- Miroslav Reljanović (Executive Chairman)
- Richard Barfield (Chief Financial Officer) – resigned 03 February 2023
- Jonathan Curtain (Chief Financial Officer) – appointed 03 February 2023
- Mark Enyedy (Non-Executive Director)
- Llew Keltner (Non-Executive Director)
- Michael Spiteri (Non-Executive Director) – resigned 16 November 2022
- John Dawson (Non-Executive Director) – appointed 9 March 2022
- Anne Whitaker (Non-Executive Director) – appointed 10 June 2022

The Company maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. Biographical details of the Directors are set out on pages 56 to 57. The interests of Directors in the shares and share options of the Company are set out in the Remuneration Committee Report on page 70.

SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following holdings of 3% or more of the 50,400,805 issued ordinary shares of £0.01 each of the Company as at 28 February 2023:

Investor	Number of £0.01 shares	Percentage
Miroslav Reljanović	9,529,297	18.91%
Aberdeen Standard Investments	5,123,168	10.16%
BlackRock	5,002,482	9.93%
Octopus Investments	4,642,210	9.21%
J.P. Morgan Asset Management	3,109,771	6.17%
Slater Investments	1,752,000	3.48%
Rathbones	1,581,456	3.14%
Amati Global Investors	1,580,494	3.14%
Liontrust Asset Management	1,576,767	3.13%

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance. The principles of how we have applied the updated 2018 Quoted Companies Alliance Corporate Governance Code (the '2018 QCA Code') and other corporate governance guidelines are set out in the Corporate Governance section of this report, and on the Company's website (www.ergomedplc.com).

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group made charitable donations in the year of £11,000 (2021: £6,000). The Group made no political donations and incurred no political expenditure during the year (2021: £nil).

By order of the Board

Jonathan Curtain
Chief Financial Officer
21 March 2023

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and applicable law, and have elected to prepare the Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Jonathan Curtain
Chief Financial Officer
21 March 2023

Independent auditor's report to the members of Ergomed plc

OPINION

We have audited the financial statements of Ergomed plc ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in the preparation of the Group financial statements is UK Law, UK adopted international accounting standards and, as regards the Company financial statements, UK Law and FRS 101 Reduced Disclosure Framework, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the Group and Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council ('FRC')'s Ethical Standard as applied to a listed entity, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting, we considered the inherent risks to the Group and the Company's business model, including the impact of COVID-19, and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period.

We assessed the assumptions used against our knowledge of the entity and the sector in which it operates as well as historic trends. We also compared past budgets to actual results to assess the Directors' track record of budgeting accurately.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities. We also assessed the completeness of the going concern disclosure.

Key observations arising with respect to our evaluation included that assumptions used by management were within the reasonable range and revenue growth rates used in management's evaluation were reasonable and supportable.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditor's Report is not a guarantee that the Group or the Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the Directors. In addition, our risk assessment procedures included:

- Inquiring with the Directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of Directors, the Audit and Risk Committee, other management and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of Directors and the Audit and Risk Committee regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Inspecting the Group's regulatory and legal correspondence.
- Reading Board, Audit and Risk Committee and Remuneration Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team. This included communication from the Group to the Czech component audit team of relevant laws and regulations and any fraud risks identified at the Group level and request to the Czech component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, environmental law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We identified a fraud risk in relation to the Group's Clinical research organisation contracts, specifically where contracts have not been appropriately recognised in line with the percentage completed, as required by IFRS 15 Revenue from contracts with customers.

Further detail in respect of clinical research organisation contracts is set out in the key audit matter disclosures in this report.

In response to the fraud risks, we also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation.
- Evaluating the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias.
- Assessing the disclosures in the financial statements.

Our assessment of risks involved obtaining an understanding of the legal and regulatory framework that the Group operates and gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matter, was as follows (unchanged from 2021):

Revenue recognition: Clinical research organisation ('CRO'): £71.4 million (2021 – £58.1million)

Refer to Note 1 on page 89 (accounting policy) and Note 2 Revenue on pages 91 to 93 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
There is a risk that revenue from clinical research organisation contracts has not been appropriately recognised in line with the percentage completed, as required by IFRS 15 Revenue from contracts with customers. Clinical research contracts represents one performance obligation and revenue is recognised over time based on the percentage of actual costs incurred divided by the total costs to complete the contract. Revenue recognition requires considerable management estimation and judgement in determining the total costs to complete.	Our audit procedures included, amongst others, testing the design and implementation of management's key controls over revenue recognition including those controls over the estimation of the remaining costs to complete the study. For selected contracts, we performed tests of detail over the revenue amount recognised. We recalculated the revenue amounts, agreed the transaction price to the signed contracts, validated the reasonableness of significant assumptions used by reference to the terms of the applicable contracts and change orders, reconciled the actual costs incurred to the general ledger and agreed the estimated costs to completion to the underlying data such as the contracts and the Company's standard rates. We inquired of project managers, independent of the revenue team, on the status of the project, any on-going concerns, and the expected remaining duration of the project. We found that the revenue recognition policies are in accordance with UK adopted international accounting standards and were appropriately applied.

Company key audit matters

The revenue recognition: Clinical research organisation group key audit matter described above also applies to the audit of the Company financial statements.

Our application of materiality and an overview of the scope of our audit

Materiality – Group financial statements

The materiality for the Group financial statements as a whole was set at £0.9 million (2021: £0.7 million). This was calculated using a benchmark of Group profit before tax as at 30 September 2022 extrapolated for the full financial year (of which it represents 5%) (2021: 5% of Group profit before tax). We consider profit before tax to be the most appropriate benchmark as it continues to grow year on year, the acquisitive nature of the entity and it is a key consideration for the users of the financial statements.

In applying our judgement in determining the most appropriate benchmark, the factors which had the most significant impact were:

- the elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses)
- the items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue and net assets/equity)
- the nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates, and
- the entity's ownership structure and the way it is financed.

In applying our judgement in determining the percentage to be applied to the benchmark, the following qualitative factors, which had the most significant impact, increasing our assessment of materiality were:

- the Group is listed,
- there is an undrawn down debt facility available, with no drawn down debt arrangements at year-end, and
- the entity operates in a stable business environment and has a viable sustainable business.

We applied Group materiality to assist us determine the overall audit strategy.

We set Group performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of group materiality (2021: 75%).

In applying our judgement in determining performance materiality, the following factors were considered to have the most significant impact, increasing our assessment of performance materiality:

- the low number and value of misstatements detected in the prior year financial statement audit; and
- the stability in the senior management and key financial reporting personnel over the last three years.

We applied Group performance materiality to assist us in determining what risks were significant risks for the Group and determine the audit procedures to be performed.

Materiality – Company financial statements

For the Company financial statements, materiality was set at £0.48 million (2021: £0.43 million). This was calculated using a benchmark of Company revenue (of which it represents 1%) (2021: 1% of Company revenue) however, the Company materiality was limited to component materiality being 55% of Group materiality. We consider revenue to be the most appropriate benchmark as the Company is in a loss making position.

In applying our judgement in determining the most appropriate benchmark, the factors, which had the most significant impact were:

- the elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses)
- the items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue and net assets/equity)
- the nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates, and
- the entity's ownership structure and the way it is financed.

In applying our judgement in determining the percentage to be applied to the benchmark, the same qualitative factors were considered as outlined above for the Group.

We applied Company materiality to assist us in determining the overall audit strategy.

We set the Company performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. The Company performance materiality was set at 75% of Company materiality (2021: 75%).

In applying our judgement when determining performance materiality, the same factors were considered as outlined above for the Group.

We used Company performance materiality to assist us in determining what risks were significant risks for the Company and determine the audit procedures to be performed.

We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.044 million (2021: £0.034 million), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our audit scope on the UK, USA, Croatian, and Czech trading entities. Three components, Ergomed plc, PrimeVigilance Limited, and PrimeVigilance USA Inc were subject to a full scope audit and an additional thirteen components were subject to audit procedures on specified material account balances in order to provide sufficient coverage over the Group's key financial statement lines. These components were selected for being the next most significant to the Group, in terms of financial performance, risk and geographical location.

We have engaged KPMG Czech Republic as component auditors for the year ended 31 December 2022 to report on PrimeVigilance s.r.o. We, as Group auditor, instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the materiality for components which ranged from £0.031 million to £0.36 million, having regard to the mix of size and risk profile of the Group across the components.

The locations subject to total audit procedures represent the principal business units and account for 99% of the Group's revenue for the year ended 31 December 2022 (2021: 99%). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Executive Chairman's Statement, Strategic Report, QCA Corporate Governance Statement, Audit and Risk Committee Report, Remuneration Committee Report, and Directors' Report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the Directors' Report or the Strategic Report;
- in our opinion, the information given in the Directors' Report and the strategic report is consistent with the financial statements;
- in our opinion, the Directors' Report and the Strategic Report have been prepared in accordance with the Companies Act 2006.

We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 73, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Corrigan (Senior Statutory Auditor)
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place,
St. Stephen's Green,
Dublin 2,
Ireland.

Consolidated income statement

For the year ended 31 December 2022

	Notes	2022 £000s	2021 £000s
Revenue	2, 3	**145,262**	118,581
Cost of sales		**(64,712)**	(52,191)
Reimbursable expenses		**(21,405)**	(18,028)
Gross profit	3	**59,145**	48,362
Selling, general and administration expenses		**(41,506)**	(35,201)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses		**(36,072)**	(28,060)
Amortisation of acquired fair valued intangible assets		**(2,763)**	(1,599)
Share-based payment charge	28	**(1,002)**	(817)
Contingent consideration for acquisitions	6	**—**	(2,949)
Acquisition costs	7	**(1,669)**	(1,776)
Research and development expenses		**(121)**	(130)
Other operating income	8	**1,355**	1,593
Operating profit	4	**18,873**	14,624
Finance income	9	**—**	1
Finance costs	10	**(920)**	(361)
Profit before taxation		**17,953**	14,264
Income tax expense	13	**(2,971)**	(1,590)
Profit for the year		**14,982**	12,674

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

The notes on pages 87 to 131 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 £000s	2021 £000s
Profit for the year		**14,982**	12,674
Items that may be classified subsequently to profit or loss:			
Foreign exchange gain/(loss) on translation of foreign operations		**2,979**	(682)
Other comprehensive income/(expense) for the year net of tax		**2,979**	(682)
Total comprehensive income for the year		**17,961**	11,992

		2022 pence	2021 pence
Earnings Per Share ('EPS')	14		
Basic		**30.1**	26.1
Diluted		**29.2**	25.1

Unaudited

		2022 £000s	2021 £000s
ADJUSTED EBITDA (Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation)	15	**28,356**	25,423

		2022 pence	2021 pence
Adjusted Earnings Per Share ('Adjusted EPS')	14		
Basic		**42.6**	41.1
Diluted		**41.4**	39.4

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company.

The notes on pages 87 to 131 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2022

	Notes	2022 £000s	2021 £000s
Non-current assets			
Goodwill	16	**41,404**	23,903
Other intangible assets	17	**15,844**	7,653
Property, plant and equipment	18	**2,466**	1,966
Right-of-use assets	19	**2,864**	2,691
Deferred tax asset	13	**8,530**	9,433
		71,108	45,646
Current assets			
Trade and other receivables	22	**34,450**	25,143
Contract assets	2	**4,611**	3,958
Cash and cash equivalents	23	**19,096**	31,243
Derivative assets		**84**	—
		58,241	60,344
Total assets		**129,349**	105,990
Current liabilities			
Lease liabilities	19	**(1,236)**	(1,249)
Trade and other payables	25	**(17,640)**	(14,899)
Derivative liability		**(134)**	(261)
Contract liabilities	2	**(18,749)**	(17,799)
Current tax liability		**(1,134)**	(1,172)
		(38,893)	(35,380)
Net current assets		**19,348**	24,964
Non-current liabilities			
Lease liabilities	19	**(1,672)**	(1,432)
Provisions	24	**(144)**	(19)
Deferred tax liability	13	**(3,891)**	(1,920)
		(5,707)	(3,371)
Total liabilities		**(44,600)**	(38,751)
Net assets		**84,749**	67,239
Equity			
Share capital	26	**503**	493
Share premium account	27	**1,007**	545
Merger reserve	27	**1,349**	1,349
Share-based payment reserve		**6,861**	5,859
Translation reserve	27	**2,912**	(67)
Retained earnings		**72,117**	59,060
Total equity		**84,749**	67,239

The notes on pages 87 to 131 form an integral part of these financial statements.

The financial statements on pages 80 to 131 were approved by the Board of Directors and authorised for issue on 21 March 2023.

Jonathan Curtain
Chief Financial Officer
Company Registration No. 04081094

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Notes	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2021		489	3	1,349	5,042	615	45,368	52,866
Profit for the year		—	—	—	—	—	12,674	12,674
Other comprehensive income/(expense) for the year		—	—	—	—	(682)	—	(682)
Total comprehensive income		—	—	—	—	**(682)**	**12,674**	**11,992**
Transactions with shareholders								
Shares issued during the year for cash	26	4	542	—	—	—	—	546
Share-based payment charge for the year	28	—	—	—	817	—	—	817
Deferred tax credit taken directly to equity	13	—	—	—	—	—	1,018	1,018
Total transactions with shareholders		**4**	**542**	**—**	**817**	**—**	**1,018**	**2,381**
Balance at 31 December 2021		**493**	**545**	**1,349**	**5,859**	**(67)**	**59,060**	**67,239**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**14,982**	**14,982**
Other comprehensive income for the year		**—**	**—**	**—**	**—**	**2,979**	**—**	**2,979**
Total comprehensive income		**—**	**—**	**—**	**—**	**2,979**	**14,982**	**17,961**
Transactions with shareholders								
Shares issued during the year for cash	26	**10**	**462**	**—**	**—**	**—**	**—**	**472**
Share-based payment charge for the year	28	**—**	**—**	**—**	**1,002**	**—**	**—**	**1,002**
Deferred tax debit taken directly to equity	13	**—**	**—**	**—**	**—**	**—**	**(1,925)**	**(1,925)**
Total transactions with shareholders		**10**	**462**	**—**	**1,002**	**—**	**(1,925)**	**(451)**
Balance at 31 December 2022		**503**	**1,007**	**1,349**	**6,861**	**2,912**	**72,117**	**84,749**

The notes on pages 87 to 131 form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2022

	Notes	2022 £000s	2021 £000s
Cash flows from operating activities			
Profit for the year		**14,982**	12,674
Adjustment for:			
Amortisation and depreciation	4	**5,838**	5,046
Profit on disposal of non-current assets	4	**(109)**	(413)
Share-based payment charge	28	**1,002**	817
RDEC income	8	**(698)**	(956)
Finance costs		**920**	361
Other non-cash movements		**(1,275)**	(25)
Exceptional Items (Earn-out on acquisitions)	6	**—**	2,949
Taxation Expense		**2,971**	1,590
Operating cash inflow before changes in working capital and provisions		**23,631**	22,043
(Increase)/decrease in trade, other receivables and contract assets		**(6,605)**	367
Increase in trade, other payables and contract liabilities		**1,378**	217
Increase/(decrease) in provisions	24	**125**	(298)
Cash generated from operating activities		**18,529**	22,329
Taxation (paid)/received		**(3,680)**	(3,646)
Net cash inflow from operating activities		**14,849**	18,683
Investing activities			
Finance income received	9	**—**	1
Acquisition of intangible assets	17	**(634)**	(30)
Acquisition of property, plant and equipment	18	**(1,282)**	(953)
Proceeds from the sale of property, plant and equipment		**32**	103
Proceeds on the disposal of equity investments		**23**	—
Acquisition of subsidiaries, net of cash acquired	30	**(24,243)**	—
Acquisition related earn-out paid		**—**	(3,267)
Net cash outflow from investing activities		**(26,104)**	(4,146)
Financing activities			
Proceeds from the issue of new ordinary shares	26	**472**	546
Finance costs paid		**(761)**	(169)
Proceeds from borrowings		**15,000**	—
Repayment of borrowings		**(15,000)**	—
Payment of lease liabilities		**(2,084)**	(2,490)
Net cash outflow from financing activities		**(2,373)**	(2,113)
Net change in cash and cash equivalents		**(13,628)**	12,424
Effect of foreign currency on cash balances		**1,481**	(175)
Cash and cash equivalents at start of year		**31,243**	18,994
Cash and cash equivalents at end of year	23	**19,096**	31,243

The notes on pages 87 to 131 form an integral part of these financial statements.

Company balance sheet

As at 31 December 2022

	Note	2022 £000s	2021 £000s
Non-current assets			
Intangible assets	17	**280**	274
Property, plant and equipment	18	**314**	163
Right-of-use assets	19	**27**	28
Investments in subsidiaries	21	**58,906**	33,958
Deferred tax asset	13	**3,342**	5,194
		62,869	39,617
Current assets			
Trade and other receivables	22	**14,795**	19,086
Contract assets		**1,709**	1,340
Cash and cash equivalents	23	**3,623**	15,245
Derivative assets		**84**	—
		20,211	35,671
Total assets		**83,080**	75,288
Current liabilities			
Lease liabilities	19	**(27)**	(25)
Trade and other payables	25	**(37,211)**	(27,128)
Contract liabilities		**(6,574)**	(5,050)
Derivative liabilities		**(134)**	(261)
		(43,946)	(32,464)
Net (liabilities)/current assets		**(23,735)**	3,207
Non-current liabilities			
Lease liabilities	19	**—**	(2)
Total liabilities		**(43,946)**	(32,466)
Net assets		**39,134**	42,822
Equity			
Share capital	26	**503**	493
Share premium account	27	**1,007**	545
Merger reserve	27	**1,349**	1,349
Share-based payment reserve	28	**6,861**	5,859
Translation reserve	27	**4,260**	4,260
Retained earnings		**25,154**	30,316
Total equity		**39,134**	42,822

The notes on pages 87 to 131 form an integral part of these financial statements.

The financial statements on pages 80 to 131 were approved by the Board of Directors and authorised for issue on 21 March 2023.

Jonathan Curtain
Chief Financial Officer
Company Registration No. 04081094

Company statement of changes in equity

For the year ended 31 December 2022

	Notes	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2021		489	3	1,349	5,042	4,270	32,852	44,005
Loss for the year		—	—	—	—	—	(3,554)	(3,554)
Other comprehensive expense for the year		—	—	—	—	(10)		(10)
Total comprehensive loss		—	—	—	—	(10)	(3,554)	(3,564)
Transactions with shareholders								
Shares issued during the year for cash	26	4	542	—	—	—	—	546
Share-based payment charge for the year	28	—	—	—	817	—	—	817
Deferred tax credit taken directly to equity	13	—	—	—	—	—	1,018	1,018
Total transactions with shareholders		4	542	—	817	—	1,018	2,381
Balance at 31 December 2021		**493**	**545**	**1,349**	**5,859**	**4,260**	**30,316**	**42,822**
Loss for the year		**—**	**—**	**—**	**—**	**—**	**(3,237)**	**(3,237)**
Other comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive loss		**—**	**—**	**—**	**—**	**—**	**(3,237)**	**(3,237)**
Transactions with shareholders								
Shares issued during the year for cash	26	**10**	**462**	**—**	**—**	**—**	**—**	**472**
Share-based payment charge for the year	28	**—**	**—**	**—**	**1,002**	**—**	**—**	**1,002**
Deferred tax debit taken directly to equity	13	**—**	**—**	**—**	**—**	**—**	**(1,925)**	**(1,925)**
Total transactions with shareholders		**10**	**462**	**—**	**1,002**	**—**	**(1,925)**	**(451)**
Balance at 31 December 2022		**503**	**1,007**	**1,349**	**6,861**	**4,260**	**25,154**	**39,134**

The notes on pages 87 to 131 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies used in the preparation of the financial statements

Ergomed plc (the 'Company') is incorporated and domiciled in the United Kingdom and is listed on the London Stock Exchange Alternative Investment Market ('AIM') (LSE: ERGO). The Company's shares are also traded through the Xetra exchange in Germany (WKN: A117XM). Its registered address is 1 Occam Court, Surrey Research Park, Guildford, Surrey, GU2 7HJ, UK.

Ergomed plc and its wholly owned subsidiaries (together the 'Group') provide a full range of clinical trial planning, management and monitoring, as well as drug safety and medical information services across the globe.

The accounting policies applied in the preparation of these financial statements are set out below and at the start of the respective notes to these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Group financial statements

The consolidated financial statements of the Group have been prepared on the going concern basis in accordance with UK-adopted international accounting standards ('UK-adopted IFRS').

The consolidated financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: certain financial assets and financial liabilities measured at fair value.

Company financial statements

The separate financial statements of the Company have been prepared on the going concern basis in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-Based Payments in respect of Group settled share-based payments;
- IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- IFRS 7 Financial Instrument Disclosures.

The Company's financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: certain financial assets and financial liabilities measured at fair value.

1. Accounting policies used in the preparation of the financial statements *continued*

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and subsidiary entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Foreign currency translation

The Company and Group consolidated financial statements are presented in Pounds Sterling. The functional currency of the Company is the Pound Sterling.

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated on a monthly basis at average exchange rates where these rates approximate to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group and Company will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing of the financial statements. The Directors have reviewed a cash flow forecast for the period to 31 December 2025, which is derived from the 2023 Board approved budget and a medium-term cash flow forecast through to 31 December 2025, which is an extrapolation of the approved budget under multiple scenarios and growth rates. The 2023 budget and medium-term forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues. The 2023 budget and medium-term forecast demonstrate that the Directors have a reasonable expectation that the Group and Company will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

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

Changes in significant accounting policies

There have been no changes in significant accounting policies during the current or prior year.

1. Accounting policies used in the preparation of the financial statements *continued*

Amendments to IFRS that are not yet effective

The following IFRSs have been issued, have an effective date for annual periods beginning after 31 December 2022 and have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 – Insurance Contracts
- IAS 1 – Classification of Liabilities as Current or Non-Current
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- IAS 8 – Definition of Accounting Estimates

Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies in these financial statements, the Directors are required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Source of estimation uncertainty	Description	Notes
Revenue from customer contracts *(Group and Company)*	There is significant management estimation involved in the recognition of revenue for Clinical Research Services ('CRO') contracts. Revenue for CRO services is recognised based on the costs incurred on a project as a proportion of total expected costs, to determine a percentage of completion which is applied to the estimate of the transaction price. The percentage of completion for the CRO contracts is measured based on an input measure being total project costs at each reporting period. Assessment of the percentage of completion requires an evaluation of labour and third-party costs incurred on the project at the reporting date, which requires an estimate of third-party costs incurred but not billed, and an up-to-date evaluation of the forecast costs to complete these projects. Given the long-term nature of the clinical trials, and the complex nature of those trials, the forecast costs to complete is judgemental. The costs to complete are prepared by project managers on a recurring basis during the year and are subject to internal reviews, including comparison to previous forecasts and past experience. Material differences in the amount of revenue in any given period may result if these judgements or estimates prove to be incorrect or if management's estimates change on the basis of development of the business or market conditions.	2

1. Accounting policies used in the preparation of the financial statements *continued*

Source of estimation uncertainty	Description	Notes
Impairment of goodwill *(Group)*	Goodwill is reviewed for impairment at least annually at each reporting date. Goodwill is impaired if the carrying value of the cash-generating unit ('CGU') including the goodwill is in excess of the recoverable amount, which is the higher of the value-in-use and the fair value less costs to sell for that cash-generating unit. 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. The recoverable amounts of the CGUs for the CRO and PV operating segments are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding cash flows, discount rates and growth rates. The key inputs for estimating the future cash flows of operating businesses are revenue growth over the next five years, terminal revenue growth, working capital changes and discount rate. The Group prepares cash flow forecasts for the next three years for the CGUs, derived from the most recent financial budgets approved by the Board, and forecasts revenue for the following two years based on the estimated growth of the Group. A standard margin based on historical experience is then applied to the revenue. The long-term revenue growth rate used in the calculation was 2.5%, which is significantly lower than the average long-term growth rate for the relevant market and management's estimate of growth for the PV and CRO business. This did not result in an impairment to goodwill. A discount rate of 8.6% (2021: 8.0%) has been used in the assessment, which reflects market assessments of the time-value of money and the risks specific to the CGUs. The discount rate used in the assessment has increased in the year as a result of a reassessment of the Group's Weighted Average Cost of Capital ('WACC').	16

2. Revenue

Revenue and direct costs

Revenue comprises the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, other sales taxes and after eliminating sales within the Group.

The Group primarily earns revenue from Clinical Research Services ('CRO') and Pharmacovigilance ('PV') services. Revenue in relation to these services is recognised over time or at a point in time as performance obligations are satisfied and these are detailed further below.

Clinical Research Services ('CRO')

CRO comprise clinical trial management from Phase I to IV on behalf of customers. The contract with the customer defines the nature, quantity and price of the various services to be provided, which includes patient recruitment, data management, regulatory affairs and adverse event case processing. Services provided (including those provided by a third party and reimbursed by the customer) under each contract are a single performance obligation satisfied over time. The Group is the contract principal in respect of both direct services and in the use of third parties (principally investigator services) that support the clinical research project. The transaction price is determined by reference to the consideration specified in the contract and agreed change orders, including any pass-through or reimbursable expenses, adjusted to reflect the amount the Group expects to be entitled to in exchange for transferring promised goods or services to a customer. Revenue is recognised over-time as the single performance obligation is satisfied. The progress towards completion for CRO service contracts is measured based on an input measure being project costs incurred to date as a proportion of total project costs (including third party costs) at each reporting period.

The service fees for CRO services are invoiced based on predetermined activities or milestones. Third party costs are invoiced to customers as they are incurred. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset or a contract liability is recognised.

The Group recognises a contract asset when the value of satisfied or part satisfied performance obligations is in excess of the payment due to the Group, and a contract liability when the amount of unconditional consideration is in excess of the value of satisfied or part satisfied performance obligations. Once a right to receive consideration is unconditional, that amount is presented as a trade receivable.

Changes in contract balances typically arise due to:

- adjustments arising from a change in the estimate of the cost to complete the project, which results in a cumulative catch-up adjustment to revenue that affects the corresponding contract asset or liability;
- a change in the estimate of the transaction price due to changes in the assessment of whether variable consideration is considered highly probable not to reverse; and
- the reclassification of amounts to receivables when a right to consideration becomes unconditional.

Contract fulfilment costs in respect of CRO service contracts are expensed as incurred.

Pharmacovigilance ('PV') services

Pharmacovigilance services comprise contract support services to pharmaceutical, biotechnology and generic companies in managing the global safety of their products from early clinical trial development to full post-marketing activities. The typical length of a contract is 36 months, and the services include the collection, aggregation and reporting of safety issues related to drugs on the market. PV services are typically invoiced when an activity occurs in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. Invoicing is based on prices specified in the service agreement with the client. The Group has applied the practical expedient which results in the recognition of revenue on a right to invoice basis as the right to consideration from a customer corresponds directly with the value of the Group's performance completed to date in relation to that customer. The performance completed is primarily driven by the hours performed by contract staff and the value of services provided to date.

Contract assets or liabilities may arise if a contract contains upfront or milestone payments.

Contract fulfilment costs in respect of PV service contracts are expensed as incurred.

2. Revenue *continued*

Cost to obtain a contract

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

Geographical market and major service lines

2022

	Major service lines		
	CRO £000s	**PV £000s**	**Total £000s**
Geographical market by client location			
UK	**11,593**	**8,642**	**20,235**
Rest of Europe, Middle East and Africa	**14,537**	**14,726**	**29,263**
North America	**42,238**	**48,323**	**90,561**
Rest of World	**2,995**	**2,208**	**5,203**
	71,363	**73,899**	**145,262**

2021

	Major service lines		
	CRO £000s	PV £000s	Total £000s
Geographical market by client location			
UK	5,415	8,785	14,200
Rest of Europe, Middle East and Africa	9,585	12,981	22,566
North America	38,388	36,028	74,416
Rest of World	4,689	2,710	7,399
	58,077	60,504	118,581

The following table provides information about receivables, contract assets and liabilities from contracts with customers:

	Note	**2022 £000s**	2021 £000s
Trade receivables	22	**28,006**	20,234
Contract assets		**4,611**	3,958
		32,617	24,192
Contract liabilities		**(18,749)**	(17,799)
		(18,749)	(17,799)

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

There were no significant amounts of revenue recognised in the current or prior year arising from performance obligations satisfied in previous periods.

Contract liabilities primarily relates to the advance consideration received from customers. There are no significant financing components associated with contract liabilities.

Revenue recognised that was included in the contract liabilities balance at the beginning of the period was £17,171,000 (2021: £13,274,000).

The carrying value of trade receivables and contract assets approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses is included in note 29.

2. Revenue *continued*

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

2022

	Contract Asset £000s	**Contract Liability £000s**
Opening as at 1 January 2022:	**3,958**	**(17,799)**
Revenue recognised that was included in the contract liability balance at the beginning of the period	**—**	**17,171**
Increases due to cash received, excluding amounts recognised as revenue during the period	**—**	**(18,107)**
Fair value adjustment arising on business combinations	**233**	**(14)**
Transfers from contract assets recognised at the beginning of the period to receivables	**(3,958)**	**—**
Increases as a result of changes in the measure of progress	**4,378**	**—**
Closing as at 31 December 2022:	**4,611**	**(18,749)**

2021

	Contract Asset £000s	Contract Liability £000s
Opening as at 1 January 2021:	5,553	(13,829)
Revenue recognised that was included in the contract liability balance at the beginning of the period	—	13,274
Increases due to cash received, excluding amounts recognised as revenue during the period	—	(13,989)
Fair value adjustment arising on business combinations	—	(3,208)
Transfers from contract assets recognised at the beginning of the period to receivables	(5,465)	—
Increases as a result of changes in the measure of progress	3,870	—
Closing as at 31 December 2021:	3,958	(17,752)

Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations represents the contracted revenue to be earned by the Group for distinct goods and services which the Group has promised to deliver to its customers. These include promises which are partially satisfied at the year-end or those which are unsatisfied but which the Group has committed to providing. The aggregate amount of the transaction price allocated to the remaining performance obligations as at the year-end are as follows:

	2023 £000s	2024 £000s	2025+ £000s	Total £000s
Transaction price allocated to the remaining performance obligations	**125,740**	91,804	54,677	272,221

3. Operating segments

Products and services from which reportable segments derive their revenues

Information reported to the Company's Board, which is the chief operating decision maker ('CODM'), for the purpose of resource allocation and assessment of segment performance, is focused on the Group operating as two business segments, being Clinical Research Services ('CRO') and Pharmacovigilance ('PV'). All revenues arise from direct sales to customers. The segment information reported below all relates to continuing operations. Both CRO and PV segments include the associated revenues of ADAMAS Consulting Group Limited ('ADAMAS') following its acquisition by the Group in the year.

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

2022

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	**71,363**	**73,899**	**145,262**
Cost of sales	**(28,629)**	**(36,083)**	**(64,712)**
Reimbursable expenses	**(20,647)**	**(758)**	**(21,405)**
Segment gross profit	**22,087**	**37,058**	**59,145**
Selling, general and administration expenses			**(41,506)**
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			**(36,072)**
Amortisation of acquired fair valued intangible assets			**(2,763)**
Share-based payment charge			**(1,002)**
Contingent consideration for acquisitions			**—**
Acquisition costs			**(1,669)**
Research and development expenses			**(121)**
Other operating income			**1,355**
Operating profit			**18,873**
Finance income			**—**
Finance costs			**(920)**
Profit before tax			**17,953**

3. Operating segments *continued*

2021

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	58,077	60,504	118,581
Cost of sales	(22,906)	(29,285)	(52,191)
Reimbursable expenses	(17,621)	(407)	(18,028)
Segment gross profit	17,550	30,812	48,362
Selling, general and administration expenses			(35,201)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			(28,060)
Amortisation of acquired fair valued intangible assets			(1,599)
Share-based payment charge			(817)
Contingent consideration for acquisitions			(2,949)
Acquisition costs			(1,776)
Research and development expenses			(130)
Other operating income			1,593
Operating profit			14,624
Finance income			1
Finance costs			(361)
Profit before tax			14,264

Segment net assets

	2022 £000s	2021 £000s
CRO	**36,318**	28,531
PV	**48,431**	38,708
Consolidated total net assets	**84,749**	67,239

For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the net assets attributable to each segment. All assets are allocated to reportable segments. Goodwill has been allocated to reportable segments as described in note 16.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2022 £000s	2021 £000s	**2022 £000s**	2021 £000s
CRO	**3,928**	2,238	**1,701**	863
PV	**1,910**	2,808	**840**	747
	5,838	5,046	**2,541**	1,610

Information about major customers

The Group had no customers (2021: none) that contributed 10% or more to the Group's revenue. The largest CRO segment customer represents 9.6% of the Group's total revenue while the largest PV segment customer represents 3.2% of the Group's total revenue.

4. Operating Profit

Group

	2022 £000s	2021 £000s
Profit for the year is stated after charging:		
Depreciation of property, plant and equipment (note 18)	**797**	629
Depreciation of right-of-use assets (note 19)	**1,887**	2,242
Amortisation of intangible assets (note 17)	**391**	576
Amortisation of acquired intangible assets (note 17)	**2,763**	1,599
Depreciation and amortisation charges within selling, general and administration expenses	**5,838**	5,046
Expenses relating to the lease of short-term assets	**147**	87
Expenses relating to the lease of low-value assets (excluding short-term leases included above)	**18**	13
Net foreign exchange loss	**433**	510
Change in fair value of derivatives	**210**	261
Gain on disposals of non-current assets	**(109)**	(413)
Increase in expected credit loss (note 29)	**15**	309
Impairment of receivables	**—**	15

Company

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Parent Company is not presented as part of these financial statements. The Parent Company's loss after tax for the financial year was £3,237,000 (2021: loss of £3,554,000).

5. Auditor remuneration

Services provided by the Group's auditor:

	2022 £000s	2021 £000s
Fees payable to the Company's auditor for the audit of Group, Company and subsidiary financial statements	**307**	258
Fees payable to the Company's auditor for other services:		
– audit related assurance services – interim financial information	**39**	37
	346	295

6. Contingent consideration for acquisitions

Where contingent consideration is deemed to be employment related the cost is recognised in the income statement as an employment related cost over the period which it is earned. Contingent consideration not classified on the remuneration basis is reported as acquisition consideration.

Contingent consideration recognised at the point of acquisition is included as a financial liability and subsequently measured at fair value through the profit and loss.

Contingent consideration charged to profit and loss

	2022 £000s	2021 £000s
Contingent Consideration for acquisitions – MedSource	**—**	2,949

Contingent consideration in relation to MS Clinical Services LLC, was valued at £nil at the date of acquisition and as at 31 December 2020. To facilitate the full integration of MS Clinical Services, LLC, the management of the Company and MedSource agreed a revised earn-out and settlement agreement on 23 July 2021. In 2021, the revised earn-out and settlement agreement gave rise to a charge to the profit and loss of £2,949,000.

7. Acquisition costs

	2022 £000s	2021 £000s
Acquisition of MedSource	**79**	406
Acquisition of ADAMAS (note 30)	**816**	240
Aborted and other acquisition costs	**774**	1,130
	1,669	1,776

In line with Company strategy, Ergomed has considered a number of potential acquisitions in 2022. During 2022, costs of £79,000 were incurred in relation to the acquisition of MedSource (2021: £406,000) and £816,000 were incurred in relation to the acquisition of ADAMAS (2021: £240,000). Additionally, Ergomed incurred costs of £774,000 in relation to aborted acquisitions (2021: £1,130,000).

8. Other operating income

Research and Development Expenditure Credit ('RDEC')

The Parent Company and UK subsidiaries is eligible to claim tax credits against certain R&D expenditure under the Research and Development Expenditure Credit ('RDEC') scheme. During the year the Group has recorded RDEC income in respect of the 2021 and 2022 financial years and recognised the related profit and loss charge within other operating income in the current financial year.

	2022 £000s	2021 £000s
Foreign grant income	**203**	629
RDEC income	**698**	956
Other income	**454**	8
	1,355	1,593

9. Finance income

Interest income

Interest income is recognised in the income statement in the period in which it is earned.

	2022 £000s	2021 £000s
Interest income	**—**	1

10. Finance costs

	2022 £000s	2021 £000s
Loan and other interest payable	**455**	170
Interest on lease liabilities	**158**	191
Other finance costs	**307**	—
	920	361

11. Employees

Number of employees

The average monthly number of persons employed by the Group (including Executive Directors and excluding Non-Executive Directors) during the year was:

	2022 Number	2021 Number
Administration	**171**	146
Project staff	**1,264**	1,107
Directors	**2**	2
	1,437	1,255

Employment costs

The cost of persons employed by the Group (including Executive Directors and excluding Non-Executive Directors) charged to the income statement during the year were:

	2022 £000s	2021 £000s
Wages and salaries	**61,237**	47,511
Social security costs	**11,261**	8,618
Other pension costs (note 12)	**1,534**	988
Acquisition-related contingent compensation (note 6)	**—**	2,949
Employee Costs included in exceptional items	**927**	537
Share-based payments (note 28)	**1,002**	817
	75,961	61,420

Additional information on the emoluments of the Directors, together with information regarding the share interests and share options of the Directors, is included in the Remuneration Report on page 70, which forms part of these audited financial statements.

Employment costs have been charged to the income statement as follows:

	Cost of Sales		Selling, general and administration expenses	
	2022 £000s	2021 £000s	**2022 £000s**	2021 £000s
Wages and salaries	**44,178**	34,509	**17,059**	13,003
Social security costs	**7,785**	5,970	**3,476**	2,648
Other pension costs	**972**	659	**562**	328
	52,935	41,138	**21,097**	15,979

12. Pension costs

Pensions

The Group operates defined contribution pension plans for employees. The plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The pension cost represents contributions payable by the Group to the plans and amounted to £1,534,000 (2021: £988,000). Contributions payable to the plans at 31 December 2022 were £123,000 (2021: £132,000).

One Director (2021: one Director) has retirement benefits accruing under defined contribution pension schemes.

13. Taxation and deferred taxation

Taxation

The tax expense or credit for the year comprises the sum of current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is provided based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are enacted or substantively enacted at the reporting date.

Research and Development Expenditure Credit ('RDEC')

The Parent and UK subsidiaries are eligible to claim tax credits against certain R&D expenditure under the RDEC scheme. During the year, the Group submitted claims in respect of the 2021 financial year and accrued for the 2022 financial year therefore, recognising the associated asset and related profit and loss charge in the 2022 year.

To the extent that the RDEC is payable in cash, the Group recognise the value in current assets. The value claimed in excess of the amount payable in cash can be used to offset future tax liabilities and is recognised as a R&D tax credit receivable. The credit to the profit and loss is recognised in other income.

	2022 £000s	2021 £000s
Current tax		
Current year	**3,961**	2,832
Adjustment in respect of prior years	**365**	262
Current tax charge for the year	**4,326**	3,094
Deferred tax		
Origination and reversal of temporary differences	**277**	(293)
Adjustment in respect of prior years	**(1,391)**	(1,084)
Effect of changes in tax rates	**(241)**	(127)
Total deferred tax (credit)/charge	**(1,355)**	(1,504)
Total tax charge for the year	**2,971**	1,590

Under IAS 12 Income Taxes, the amount of tax benefit that can be recognised in the income statement is limited by reference to the IFRS 2 share-based payment charge. The excess amount of tax benefit in respect of share options gives rise to a credit which has been recognised directly in equity, in addition to the amounts charged to the income statement and other comprehensive income, as follows:

	2022 £000s	2021 £000s
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**1,925**	(1,018)
Total income tax debit/(credit) recognised directly in equity	**1,925**	(1,018)

13. Taxation and deferred taxation *continued*

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2021: 19%). The actual tax charges for the years differ from the standard rate for the reasons set out in the following reconciliation:

	2022 £000s	2021 £000s
Profit before taxation	**17,953**	14,264
Tax on profit before tax at standard UK rate of 19% (2021: 19%)	**3,411**	2,710
Non-deductible expenses	**1,984**	997
Additional allowable expenses	**(2,622)**	(1,106)
Adjustments to previous periods	**(651)**	(1,003)
Effect of tax rates in foreign jurisdictions	**388**	135
Overseas and local taxes	**186**	—
Change in future corporate tax rate	**(241)**	(127)
Increase in unrecognised tax losses	**559**	10
Translation effect	**(43)**	(26)
Total tax charge/(credit) for the year	**2,971**	1,590

Deferred taxation

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

The Government announced an increase in the UK corporation tax rate from 19 to 25% with effect from 1 April 2023. Rates of between 19 and 25% have been applied in the deferred tax valuations based on the expected timing of when such assets and liabilities will be realised.

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

13. Taxation and deferred taxation *continued*

Deferred tax assets

	Group				Company		
	Intangible asset £000s	Tax losses £000s	Other temporary differences* £000s	Total £000s	Tax losses £000s	Other temporary differences £000s	Total £000s
At 1 January 2021	—	956	3,942	4,898	956	3,890	4,846
Transfer to corporation tax receivable	—	(780)	—	(780)	(780)	—	(780)
Adjustments relating to prior years	1,033	(8)	—	1,025	(8)	—	(8)
Acquired in business combinations	3,393	—	—	3,393	—	—	—
Recognised in profit and loss	(298)	(47)	220	(125)	(109)	228	119
Recognised in equity	—	—	1,017	1,017	—	1,017	1,017
Translation	6	—	(1)	5	—	—	—
At 31 December 2021	**4,134**	**121**	**5,178**	**9,433**	**59**	**5,135**	**5,194**
Adjustments relating to prior years	**1**	**—**	**1,510**	**1,511**	**—**	**—**	**—**
Acquired in business combinations	**—**	**—**	**3**	**3**	**—**	**—**	**—**
Recognised in profit and loss	**(332)**	**(121)**	**(503)**	**(956)**	**(59)**	**85**	**26**
Recognised in equity	**—**	**—**	**(1,925)**	**(1,925)**	**—**	**(1,925)**	**(1,925)**
Translation	**112**	**—**	**75**	**187**	**—**	**—**	**—**
Change in future corporate tax rate	**234**	**—**	**43**	**277**	**—**	**47**	**47**
At 31 December 2022	**4,149**	**—**	**4,381**	**8,530**	**—**	**3,342**	**3,342**

*Other temporary differences principally relate to long term incentive schemes.

Deferred tax liabilities

	Group			Company
	Annual capital allowances £000s	Other temporary differences** £000s	Total £000s	Annual capital allowances £000s
1 January 2021	(315)	(2,111)	(2,426)	(100)
Adjustments relating to prior years	61	(3)	58	61
Change in future corporate tax rates	—	127	127	—
Acquired in business combinations	—	(77)	(77)	—
Recognised in profit and loss	11	389	400	39
Translation	(3)	1	(2)	—
At 31 December 2021	**(246)**	**(1,674)**	**(1,920)**	**—**
Adjustments relating to prior years	**—**	**(120)**	**(120)**	**—**
Change in future corporate tax rates	**(35)**	**—**	**(35)**	**—**
Acquired in business combinations	**—**	**(2,412)**	**(2,412)**	**—**
Recognised in profit and loss	**23**	**655**	**678**	**—**
Translation	**(13)**	**(69)**	**(82)**	**—**
At 31 December 2022	**(271)**	**(3,620)**	**(3,891)**	**—**

**Other temporary differences principally relate to acquired intangible assets.

Of the Group's deferred tax movements in the year, £1,205,000 was credited to the profit and loss (2021: credit £1,487,000), £1,925,000 in relation to share-based payments was credited to equity (2021: £1,018,000), £2,409,000 was recognised as a net deferred tax liability in relation to business combinations (2021: net deferred tax asset £3,316,000) and £nil was transferred from deferred tax assets to corporation tax receivable (2021: £780,000).

13. Taxation and deferred taxation *continued*

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

	Group		Company	
	2022 £000s	2021 £000s	**2022 £000s**	2021 £000s
Deferred tax assets	**8,530**	9,433	**3,342**	5,194
Deferred tax liabilities	**(3,891)**	(1,920)	**—**	—
Net deferred tax assets/(liabilities)	**4,639**	7,513	**3,342**	5,194

At 31 December 2022, the Group had unused trading tax losses of £6,335,000 (2021: £6,300,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses.

14. Earnings per share

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

Earnings

	2022 £000s	2021 £000s
Profit for the purposes of earnings per share – net profit attributable to owners of the Company	**14,982**	12,674
Adjust for:		
Amortisation of acquired fair valued intangible assets	**2,763**	1,605
Share-based payment charge	**1,049**	817
Acquisition-related contingent consideration	**—**	2,949
Acquisition costs	**1,669**	1,776
Pay in lieu and non-compete compensation	**927**	211
Tax effect of adjusting items	**(176)**	(102)
Adjusted earnings for the purposes of adjusted earnings per share (unaudited)	**21,214**	19,930

Number of shares

	2022 Number	2021 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**49,775,107**	48,466,740
Incremental shares in respect of employee share schemes	**1,515,528**	2,102,588
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**51,290,635**	50,569,328

Earnings per share ('EPS')

	2022 pence	2021 pence
Basic	**30.1**	26.1
Diluted	**29.2**	25.1

Adjusted earnings per share ('Adjusted EPS')

Unaudited	**2022 pence**	2021 pence
Basic	**42.6**	41.1
Diluted	**41.4**	39.4

15. EBITDA and Adjusted EBITDA

Unaudited	2022 £000s	2021 £000s
Operating profit	**18,873**	14,624
Adjusted for:		
Depreciation and amortisation charges within selling, general & administration expenses (note 4)	**3,075**	3,447
Amortisation of acquired fair valued intangible assets (note 4)	**2,763**	1,599
EBITDA	**24,711**	19,670
Adjusted for:		
Share-based payment charge[1] (note 28)	**1,049**	817
Acquisition related contingent compensation (note 6)	**—**	2,949
Acquisition costs (note 7)	**1,669**	1,776
Pay in lieu and non-compete compensation	**927**	211
Adjusted EBITDA	**28,356**	25,423

1. Includes £47,000 of employment tax expense incurred by the Group in relation to share options exercised in the year.

16. Goodwill

Business combinations

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

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

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

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

Goodwill

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

16. Goodwill *continued*

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Group

	Goodwill £000s
Cost	
At 1 January 2021	26,748
Fair value adjustment arising on business combinations	(477)
Translation movement	(225)
At 31 December 2021	26,046
Arising on business combinations	**15,821**
Translation movement	**1,680**
At 31 December 2022	**43,547**
Impairment losses	
At 1 January 2021 and 2022	2,143
At 31 December 2021 and 2022	**2,143**
Net book value	
At 31 December 2022	**41,404**
At 31 December 2021	23,903

The Goodwill arising on business combinations during the year ended 31 December 2022 relates to the acquisition of ADAMAS Consulting Group Limited and its subsidiaries ("ADAMAS").

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

Cash-generating unit	**2022 £000s**	2021 £000s
CRO	**23,157**	10,190
PV	**18,247**	13,713
	41,404	23,903

The goodwill associated with the PV segment has arisen from the acquisitions of Ashfield, PrimeVigilance, Sound Opinion, PharmInvent, Harefield Pharmacovigilance, Pharmacovigilance Services and a portion of ADAMAS. The goodwill associated with the CRO segment has arisen from the acquisitions of MedSource, Ergomed Virtuoso, Haemostatix, Ergomed CDS, PSR and a portion of ADAMAS.

The goodwill arising on these acquisitions has been allocated to the PV and CRO operating segment because the synergies and other benefits associated with the acquisitions will benefit the operating segment as a whole and the businesses trade as a single cash-generating unit.

16. Goodwill *continued*

Impairment testing for CGUs

PV and CRO

The recoverable amounts of the CGUs for the PV and CRO operating segments are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. The key inputs for estimating the future cash flows of operating businesses are revenue growth over the next five years, terminal revenue growth, working capital changes and discount rate.

The Group prepares cash flow forecasts for the next three years for the cash-generating units, derived from the most recent financial budgets approved by the Board, and forecasts revenue for the following two years based on the estimated growth of the Group. A standard margin based on historical experience is then applied to the revenue. The long-term revenue growth rate used in the calculation was 2.5%, which is significantly lower than the average long-term growth rate for the relevant market and management's estimate of growth for the PV and CRO business. This did not result in an impairment to goodwill.

The discount rate, which reflects market assessments of the time-value of money and the risks specific to the CGUs is 8.6% representing the Group's Weighted Average Cost of Capital ('WACC').

The key assumptions underlying the impairment testing of CGUs are:

	2022	2021
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond forecast period – PV and CRO	**2.5%**	3.0%
Discount rate	**8.6%**	8.0%

17. Other intangible assets

Intangible assets acquired separately

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

Software	10–33.3% straight line

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Costs associated with the development of computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditure, including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

The asset will subsequently be carried at cost less accumulated amortisation and accumulated impairment losses. These costs will be amortised to profit or loss using the straight-line method over their estimated useful lives of five years, once the asset is in use.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately, as follows:

Customer contracts	20–100% straight line
Customer relationships	6.25–50% straight line
Brand	12–20% straight line
In-process R&D	Not amortised
Technology	40% straight line

17. Other intangible assets *continued*

Impairment

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

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

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

Group

	Software £000s	Customer contracts £000s	Customer relationships £000s	Brands £000s	In-process R&D £000s	Technology £000s	Total £000s
Cost							
At 1 January 2021	4,140	2,974	9,321	1,722	15,200	419	33,776
IFRS 3 revaluation	—	90	240	38	—	—	368
Additions	30	—	—	—	—	—	30
Disposals	(211)	—	—	—	—	—	(211)
Translation movement	(7)	6	2	(21)	—	—	(20)
At 31 December 2021	**3,952**	**3,070**	**9,563**	**1,739**	**15,200**	**419**	**33,943**
Acquisitions	**10**	**723**	**8,541**	**738**	**—**	**—**	**10,012**
Additions	**634**	**—**	**—**	**—**	**—**	**—**	**634**
Translation movement	**15**	**151**	**705**	**114**	**—**	**—**	**985**
At 31 December 2022	**4,611**	**3,944**	**18,809**	**2,591**	**15,200**	**419**	**45,574**
Amortisation							
At 1 January 2021	2,651	1,811	3,534	543	15,200	419	24,158
Charge for the year	577	425	906	267	—	—	2,175
Translation movement	(6)	(5)	(20)	(12)	—	—	(43)
At 31 December 2021	**3,222**	**2,231**	**4,420**	**798**	**15,200**	**419**	**26,290**
Charge for the year	391	1,089	1,195	442	—	—	3,117
Translation movement	7	94	182	40	—	—	323
At 31 December 2022	**3,620**	**3,414**	**5,797**	**1,280**	**15,200**	**419**	**29,730**
Net book value							
At 31 December 2022	**991**	**530**	**13,012**	**1,311**	**—**	**—**	**15,844**
At 31 December 2021	730	839	5,143	941	—	—	7,653

17. Other intangible assets *continued*

Included within Software is software under development with an asset value of £155,000 (2021: £195,000). The software is currently still under construction and so no amortisation has been recognised in the current year.

Customer contracts, Customer relationships and Brands are intangible assets which are acquired through business combinations. The amortisation of acquired fair valued intangible assets is £2,726,000 (2021: £1,598,000).

The IFRS 3 revaluation in 2021 represents the fair value adjustment of MedSource intangibles within the measurement period. The final valuation of MedSource intangibles is as follows; customer relationships of £4,317,000, brand of £954,000 and contracted order book of £1,276,000.

Company

	Software £000s
Cost	
At 1 January 2021	1,566
Additions	—
At 31 December 2021	**1,566**
Additions	228
At 31 December 2022	**1,794**
Amortisation	
At 1 January 2021	927
Charge for the year	365
At 31 December 2021	**1,292**
Charge for the year	**222**
At 31 December 2022	**1,514**
Net book value	
At 31 December 2022	**280**
At 31 December 2021	**274**

18. Property, plant and equipment

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on assets at rates calculated to write off the cost, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	2.5% straight line or over the remaining lease term, whichever is shorter
Motor vehicles	10–33.3% straight line
Computer equipment	11–50% straight line
Fixtures and fittings	10–33.3% straight line
Laboratory equipment	10–33.3% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

18. Property, plant and equipment *continued*

Group

	Leasehold improvements £000s	Fixtures and fittings £000s	Motor vehicles £000s	Computer equipment £000s	Laboratory equipment £000s	Total £000s
Cost						
At 1 January 2021	302	506	147	3,059	12	4,026
Additions	52	23	64	814	—	953
Disposals	(1)	(5)	(91)	(216)	—	(313)
Translation movement	(6)	(28)	(10)	(111)	—	(155)
At 31 December 2021	**347**	**496**	**110**	**3,546**	**12**	**4,511**
Acquisitions	**—**	**1**	**—**	**18**	**—**	**19**
Additions	**134**	**19**	**10**	**1,119**	**—**	**1,282**
Disposals	**(17)**	**(14)**	**(69)**	**(497)**	**—**	**(597)**
Translation movement	**11**	**27**	**8**	**249**	**—**	**295**
At 31 December 2022	**475**	**529**	**59**	**4,435**	**12**	**5,510**
Depreciation						
At 1 January 2021	90	289	76	1,817	12	2,284
Charge for the year	37	58	31	503	—	629
Disposals	—	(3)	(70)	(194)	—	(267)
Translation movement	(3)	(17)	(4)	(77)	—	(101)
At 31 December 2021	**124**	**327**	**33**	**2,049**	**12**	**2,545**
Charge for the year	**71**	**64**	**45**	**615**	**—**	**795**
Disposals	**(4)**	**(5)**	**(52)**	**(392)**	**—**	**(453)**
Translation movement	**7**	**18**	**6**	**126**	**—**	**157**
At 31 December 2022	**198**	**404**	**32**	**2,398**	**12**	**3,044**
Net book value						
At 31 December 2022	**277**	**125**	**27**	**2,037**	**—**	**2,466**
At 31 December 2021	223	169	77	1,497	—	1,966

18. Property, plant and equipment *continued*

Company

	Fixtures and fittings £000s	Computer equipment £000s	Total £000s
Cost			
1 January 2021	32	251	283
Additions	—	90	90
At 31 December 2021	**32**	**341**	**373**
Additions	**132**	**110**	**242**
At 31 December 2022	**164**	**451**	**615**
Depreciation			
1 January 2021	29	141	170
Charge for the year	2	38	40
At 31 December 2021	**31**	**179**	**210**
Charge for the year	**34**	**57**	**91**
At 31 December 2022	**65**	**236**	**301**
Net book value			
At 31 December 2022	**99**	**215**	**314**
At 31 December 2021	1	162	163

19. Right-of-use assets and lease liabilities

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 reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease modifications are accounted for as a separate lease only when the modification increases the scope of the lease and the consideration for the lease increases by an amount commensurate with the stand-alone price for the scope increase. Where a lease modification is not a separate lease the Group remeasures the lease liability by discounting the revised lease payments and makes a corresponding adjustment to the right-of-use asset.

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.

19. Right-of-use assets and lease liabilities *continued*

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

The Group has elected not to recognise right-of-use assets and lease liabilities for all short-term leases (excluding premises leases) that have a term of 12 months or less and leases of low-value assets (less than £10k). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Information about the Group's lease liability exposure to foreign exchange and liquidity risks are included in note 29.

Right-of-use assets

	Group £000s	Company £000s
Cost		
1 January 2021	8,350	147
Additions	657	43
Disposals	(1,230)	(140)
Modification	(901)	—
Translation movement	(289)	—
At 31 December 2021	6,587	51
Additions	**1,230**	**—**
Disposals	**(848)**	**—**
Modification	**912**	**95**
Translation movement	**238**	**—**
At 31 December 2022	**8,119**	**146**
Depreciation		
1 January 2021	3,635	121
Charge for the year	2,242	48
Disposals	(603)	(140)
Modifications	(1,212)	—
Translation movement	(166)	(6)
At 31 December 2021	**3,896**	**23**
Charge for the year	**1,887**	**96**
Disposals	**(848)**	**—**
Translation movement	**320**	**—**
At 31 December 2022	**5,255**	**119**
Net book value		
At December 2022	**2,864**	**27**
At 31 December 2021	2,691	28

19. Right-of-use assets and lease liabilities *continued*

Lease liabilities

2022

	Group £000s	Company £000s
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**1,272**	27
One to five years	**1,746**	—
Total undiscounted lease liabilities at 31 December	**3,018**	27
Lease liabilities included in the balance sheet at 31 December	**2,908**	27
Current	**1,236**	27
Non-current	**1,672**	—

2021

	Group £000s	Company £000s
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,345	22
One to five years	1,558	3
Total undiscounted lease liabilities at 31 December	2,903	25
Lease liabilities included in the balance sheet at 31 December	2,681	27
Current	1,249	25
Non-current	1,432	2

20. Subsidiaries

The Ergomed Group consists of a Parent Company, Ergomed plc, incorporated in the United Kingdom, and multiple wholly owned subsidiaries held directly and indirectly by Ergomed plc which operate and are incorporated around the world. Unless otherwise stated the holdings disclosed concern ordinary shares and are wholly owned.

Information about the composition of the Group at the end of the reporting period is as follows:

Direct holdings of the Parent Company:

Name of Company	Country of incorporation and principal operations	Principal activities	Registered address
ERGOMED d.o.o. Sarajevo	Bosnia Herzegovina	CRO Services	Zmaja od Bosne 7-7a, Sarajevo, Importanne Business Center, Bosnia and Herzegovina
Ergomed Bulgaria EOOD	Bulgaria	CRO Services	Bulgaria, Sofia 1303, Vazrazhdane District, 28, Todor Aleksandrov Blvd., ground floor
Ergomed istraživanja Zagreb d.o.o.	Croatia	CRO Services	Oreškovićeva 20a, 10 020 Zagreb, Croatia
PrimeVigilance s.r.o.	Czech Republic	PV Services	Prague 3 – Vinohrady, Slezska 856/74, 13000, Czech Republic
Ergomed CDS GmbH	Germany	CRO Services	Im Mediapark 2 D-50670 Köln, Germany
Ergomed GmbH	Germany	CRO Services	Herriotstraße 1, 60528 Frankfurt am Main, Germany
Ergomed Clinical Research Private Limited	India	PV Services	Wing A, Level 4, Dynasty Business Park, Andheri-Kurla Road, Maharashtra, India
Ergomed B.V.[1]	Netherlands	CRO Services	Antareslaan 41, 2132 JE Hoofddorp, The Netherlands
Ergomed Sp. z o.o.[2]	Poland	CRO Services	Ul. Armii Krajowej 18, 30 – 150 Kraków, Poland
Ergomed Clinical Research LLC	Russia	CRO Services	125040, Moscow, 17 Skakovaya Street, Building 2, Office 2714, The Russian Federation
Ergomed d.o.o. Beograd	Serbia	CRO Services	Belgrade Office Park, Djordja Stanojevica 12, Belgrade, 11070 Serbia
Ergomed Clinical Research Spain, S.L.	Spain	CRO Services	Belgrade Office Park, Djordja Stanojevica 12,
ERGOMED Virtuoso Sarl	Switzerland	CRO Services	Calle Príncipe de Vergara 112, 4ª, 28002, Madrid, Spain
ADAMAS Consulting Group Limited[3]	United Kingdom	CRO & PV Services	18, Avenue Lois-Casai, 1209 Geneva, Switzerland
Ergomed Clinical Research Limited	United Kingdom	CRO Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
Haemostatix Limited	United Kingdom	Research & Development	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
PrimeVigilance Limited	United Kingdom	PV Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
Sound Opinion Limited	United Kingdom	PV Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
Ergomed Clinical Research, Inc.[4]	United States	CRO Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom

1 Ergomed B.V formally PSR Group BV

2 99% share holding

3 ADAMAS Consulting Group Limited, ADAMAS Consulting Limited, ADAMAS Consulting LLC and ADAMAS Clinical Quality Consulting Private Limited was acquired on 9 February 2022

4 Class of shares held are not specified

20. Subsidiaries *continued*

Indirect holdings of the Parent Company:

Name of Company	Country of incorporation and principal operations	Principal activities	Registered address
Ergomed Pharmaceutical Services Inc.[5]	Canada	CRO Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
PrimeVigilance Zagreb d.o.o.	Croatia	PV Services	8045 Arco Corporate Drive, Suite 310, Raleigh, NC 27617
Pharminvent regulatory s.r.o.	Czech Republic	PV Services	Prague 3 – Vinohrady, Slezska 856/74, 13000, Czech Republic
Ergomed France SAS[6]	France	CRO & PV Services	203 rue de Bercy, 75012 Paris
PrimeVigilance GmbH	Germany	PV Services	Herriotstraße 1, 60528 Frankfurt am Main, Germany
ADAMAS Clinical Quality Consulting Private Limited[2]	India	CRO & PV Services	Mezzanine Floor – B, White Hall Premises Co-Op. Soc.143, August Kranti Marg, Mumbai, Maharashtra – 400036
Ergomed Limited[7]	Ireland	CRO & PV Services	5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, DO2 DH60
Ergomed S.r.l[8]	Italy	CRO & PV Services	Corso Magenta 82, Cap 20123, Milan, Italy
PrimeVigilance Japan K.K.	Japan	PV Services	3-1-6 Motoazabu, Minato-ku, Tokyo, Japan
Servicos Farmaceuticos PrimeVigilance, Unipessoal Lda.[9]	Portugal	CRO & PV Services	Avenida Duque d'Ávila, nº46, 3C, 1050-083, Lisboa, Portugal
Servicii Farmaceutice Ergomed S.r.l.[10]	Romania	CRO & PV Services	Dimitrie Pompeiu bld no 9-9A, Building 14, Res. Cowork 18, District 2, Bucharest, Romania
PrimeVigilance d.o.o. Beograd-Novi Beograd	Serbia	PV Services	Đorđa Stanojevića 14, 11070 Beograd – Novi Beograd, Serbia
ADAMAS Consulting Limited[3]	United Kingdom	CRO & PV Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
Harefield Pharmacovigilance Limited	United Kingdom	PV Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
Medsource UK Limited	United Kingdom	CRO Services	1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL, UK
Pharmacovigilance Services Limited	United Kingdom	PV Services	1 Occam Court, Surrey Research Park, Guildford, GU2 7HJ, United Kingdom
ADAMAS Consulting LLC[3]	United States	CRO & PV Services	3434 Edwards Mill Road, Suite 112-275, Raleigh, NC 27612
MS Clinical Services, LLC	United States	CRO Services	8045 Arco Corporate Drive, Suite 310, Raleigh, NC 27617
PrimeVigilance Inc.	United States	PV Services	8045 Arco Corporate Drive, Suite 310, Raleigh, NC 27617
PrimeVigilance USA Inc.	United States	PV Services	8045 Arco Corporate Drive, Suite 310, Raleigh, NC 27617

5 Ergomed Pharmaceutical Services Inc. formally MS Clinical Services (Canada) Inc
6 Ergomed France SAS was incorporated on 2 March 2022
7 Ergomed Ireland Limited was incorporated on 3 August 2022
8 Ergomed S.r.l. was incorporated on 21 July 2022
9 Servicos Farmaceuticos PrimeVigilance, Unipessoal Lda was incorporated on 30 August 2022
10 Servicii Farmaceu-tice Ergomed S.r.l was incorporated on 12 August 2022

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities. The accounting year-end for all Group subsidiaries is coterminous.

21. Investments in subsidiaries

Company

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

	Shares in subsidiary undertakings £000s
Cost	
At 1 January 2021	23,728
Investment in Ergomed Clinical Research Inc	10,194
Capital contribution to subsidiary undertakings	204
Impairment of investment in Sound Opinion	(168)
At 31 December 2021	33,958
Acquisition of ADAMAS Consulting Group Limited	**25,654**
Capital contribution to subsidiary undertakings	**657**
Impairment of investment in Ergomed Virtuoso SARL	**(1,363)**
At 31 December 2022	**58,906**

During the year, the Company acquired all the issued share capital in ADAMAS Consulting Group Limited and its subsidiaries ('ADAMAS') and partially impaired its investment in Ergomed Virtuoso SARL to the recoverable amount.

During the prior year, the Company capitalised historic loans to Ergomed Clinical Research Inc, a 100% subsidiary of the company, equal to the outstanding loan balance of £10,194,000.

22. Trade and other receivables

	Group		Company	
	2022 £000s	2021 £000s	**2022 £000s**	2021 £000s
Trade receivables	**28,006**	20,234	**6,770**	3,309
Amounts receivable from Group companies	**—**	—	**4,819**	13,478
Other receivables	**970**	869	**28**	52
Prepayments	**2,971**	1,818	**1,819**	966
Corporation tax receivable	**2,503**	2,222	**1,359**	1,281
	34,450	25,143	**14,795**	19,086

The carrying value of trade receivables approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses for trade and receivables is included in note 29.

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

All amounts owed from subsidiary undertakings bear no interest and are payable on demand. The Company has assessed expected credit losses as immaterial on amounts owed from subsidiary undertakings.

23. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

	Group		Company	
	2022 £000s	2021 £000s	**2022 £000s**	2021 £000s
Cash at bank	**19,096**	31,243	**3,623**	15,245

The carrying amount of cash and cash equivalents approximates to their fair value at the reporting date and are denominated in the following currencies:

	Group		Company	
	2022 £000s	2021 £000s	**2022 £000s**	2021 £000s
GBP	**5,834**	15,083	**1,589**	13,009
Euro	**2,437**	3,118	**635**	738
USD	**8,483**	11,757	**1,392**	1,492
Other	**2,342**	1,285	**7**	6
	19,096	31,243	**3,623**	15,245

Information about the Group's exposure to foreign exchange and interest rate risks are included in note 29.

24. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Group

	2022			2021		
	Onerous contract £000s	**Other £000s**	**Total £000s**	Onerous contract £000s	Other £000s	Total £000s
At 1 January	**19**	**—**	**19**	19	298	317
Increase in provision	**—**	**125**	**125**	—	—	—
Utilised	**—**	**—**	**—**	—	(298)	(298)
At 31 December	**19**	**125**	**144**	19	—	19

25. Trade and other payables

	Group		Company	
	2022 £000s	2021 £000s	**2022 £000s**	2021 £000s
Trade payables	**6,507**	3,102	**2,082**	1,466
Amounts payable to related parties	**—**	3	**—**	—
Amounts payable to Group companies	**—**	—	**27,593**	19,115
Social security and other taxes	**2,122**	1,302	**3,793**	1,017
Other payables	**1,564**	1,541	**96**	48
Accruals	**7,447**	8,951	**3,647**	5,482
	17,640	14,899	**37,211**	27,128

Information about the Group's exposure to foreign exchange and liquidity risks are included in note 29.

26. Ordinary share capital

Group and Company

	2022		2021	
	Number	**£000s**	Number	£000s
Ordinary shares of £0.01 each				
At 1 January	**49,293,629**	**493**	48,719,526	487
Exercise of share options	**1,007,176**	**10**	418,545	4
Shares to be issued for non-cash consideration	**—**	**—**	155,558	2
At 31 December	**50,300,805**	**503**	49,293,629	493

During 2022, 1,007,176 (2021: 418,545) share options were exercised for proceeds of £462,413 (2021: £541,146).

Shares to be issued for non-cash consideration

Ordinary shares to be issued as consideration for acquisitions (non-cash consideration) are included within share capital once the conditions for issuance have been met. Included within the ordinary share capital at 31 December 2020 are 155,558 ordinary shares that will be issued as part consideration for the acquisition of MS Clinical Services, LLC. and its subsidiaries and is subject to the satisfaction of certain representations and warranties. The shares have been issued during the 2021 financial year.

27. Reserves

Merger reserve

When the Company issues shares in consideration for the shares in an acquired entity, and on completion of the transaction the Company has secured at least a 90% equity holding in the other entity, the excess of the fair value of the shares over the nominal value is credited to the merger reserve ('Merger Relief').

On 11 December 2020, 155,558 Ordinary Shares were offered as part consideration for MS Clinical Services LLC, MedSource UK Ltd and MS Clinical Services (Canada) Inc. ('MedSource') at an agreed market price of £8.76 per share. The excess of the fair value over the nominal value of £1,349,000 was credited to the merger reserve. The shares are subject to the satisfaction of certain representations and warranties and were issued during the 2021 financial year.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

28. Share-based payments

Share-based payments

The Group operates an equity-settled share-based option scheme under which the Group receives services from employees in consideration for equity instruments ('options') over shares in the Company. The grant-date fair value of the options is recognised as an expense, with the corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants options over its own shares to the employees of the Group, a charge arises. Where such charge is not reimbursed by the entity, they are treated as equity-settled in the consolidated accounts of the Group.

The Group has acquired entities under terms which include equity-settled deferred contingent consideration payable to vendors. Where settlement of such deferred contingent consideration is dependent on the continued employment by the Group of that vendor, a share-based payment charge arises. The total amount to be expensed is determined by reference to the fair value of the consideration at the date of the acquisition. The total amount expensed is recognised over the period from the date of the acquisition to the date the conditions are met for settlement of the contingent consideration.

The Company operates two share option schemes:

- the Ergomed plc Long Term Incentive Plan; and
- an Unapproved Executive Share Option Agreement made with Rolf Stahel.

In addition, certain employees and former employees hold options over shares held by Miroslav Reljanović, a Director and shareholder, under agreements between those parties (the non-dilutive options). The grant and vesting of such options was dependent on their continued employment by the Company. Although these options are non-dilutive and the Company is not party to the arrangements, a share-based payment charge arises.

Share-based payment charges for the year arose as follows:

	2022 £000s	2021 £000s
Ergomed plc Long Term Incentive Plan	**934**	655
Non-dilutive share options	**68**	162
	1,002	817

The above amounts exclude any associated employment tax charges paid by the Group.

Included in the above share-based payment charge is £203,000 (2021: £457,000) which relates to share option awards made to Directors who served during the year.

28. Share-based payments *continued*

Ergomed plc Long Term Incentive Plan ('LTIP')

The Ergomed plc LTIP is an HMRC unapproved plan which allows for the grant of options to executives and Group employees, which may or may not be subject to performance criteria. Selected Directors and employees of the Group may be granted options under the LTIP at the discretion of the Company's Board of Directors or a duly authorised committee thereof.

Generally, the options granted under this plan vest after three years or monthly over a period of up to three years. Certain options vest based on market and non-market based performance conditions assessed over a three-year period.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2022		2021	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**1,897,699**	**£0.44**	2,181,010	£0.55
Granted	**505,979**	**£0.01**	31,401	£0.01
Exercised	**(856,176)**	**£0.27**	(257,545)	£1.12
Lapsed	**(53,293)**	**£0.01**	(57,167)	£1.32
Outstanding at 31 December	**1,494,209**	**£0.40**	1,897,699	£0.44
Exercisable at 31 December	**937,872**	**£0.63**	782,936	£0.61

	2022	2021
Weighted average fair value of options granted during the year	**£9.26**	£7.11
Weighted average share price at the date of exercise of options exercised during the year	**£11.21**	£12.04
Weighted average remaining contractual life of options	**6.8 years**	6.7 years

The range of exercise prices for options outstanding at the end of the year is as follows:

		2022		2021	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2015	2025	**205,000**	**£1.63**	205,000	£1.63
2016	2026	**—**	**—**	120,000	£1.39
2018	2028	**247,872**	**£1.04**	439,050	£0.64
2019	2029	**485,000**	**£0.01**	1,029,998	£0.01
2020	2030	**67,750**	**£0.01**	79,750	£0.01
2021	2031	**17,901**	**£0.01**	23,901	£0.01
2022	2031	**470,686**	**£0.01**	—	—

28. Share-based payments *continued*

Unapproved Executive Share Option Agreement made with Rolf Stahel

On 18 April 2014, an award of unapproved share options was made to Rolf Stahel, the Chairman at the time, under a separate option agreement. The award comprised options over 1,260,000 Ordinary Shares. The exercise of the options is linked to the timing of the Admission of the Group to trading on AIM at an exercise price of £1.60 per share. The option becomes exercisable in respect of 1/36th of the options one month from the date of the share option agreement and on the same date in each subsequent calendar month over 1/36th of the options.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2022		2021	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**234,000**	**£1.60**	395,000	£1.60
Exercised	**(150,000)**	**£1.60**	(161,000)	£1.60
Outstanding at 31 December	**84,000**	**£1.60**	234,000	£1.60
Exercisable at 31 December	**84,000**	**£1.60**	234,000	£1.60

	2022	2021
Weighted average share price at the date of exercise of options exercised during the year	**£12.54**	£14.01
Weighted average remaining contractual life of options	**1.3 years**	2.3 years

The range of exercise prices for options outstanding at the end of the year is as follows:

		2022		2021	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2014	2024	**84,000**	**£1.60**	234,000	£1.60

Non-dilutive share options

Agreements are in place whereby certain employees and former employees hold options over shares held by Miroslav Reljanović, Director and shareholder. The grant of such options was related to their employment by the Company.

Movements in the total number of share options outstanding and their relative weighted average exercise price are as follows:

	2022		2021	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 January	**550,000**	**£0.01**	550,000	£0.01
Awarded	**—**	**—**	—	—
Exercised	**(150,000)**	**£0.01**	—	—
Outstanding at 31 December	**400,000**	**£0.01**	550,000	£0.01
Exercisable at 31 December	**400,000**	**£0.01**	150,000	£0.01

	2022	2021
Weighted average fair value of options granted during the year	**n/a**	n/a
Weighted average share price at the date of exercise of options exercised during the year	**11.90**	n/a
Weighted average remaining contractual life of options	**5.3 years**	6.7 years

28. Share-based payments *continued*

The range of exercise prices for options outstanding at the end of the year is as follows:

		2022		2021	
Year of grant	Year of expiry	**Number**	**Weighted average exercise price per share**	Number	Weighted average exercise price per share
2016	2026	**—**	**—**	150,000	£0.01
2019	2029	**400,000**	**£0.01**	400,000	£0.01

Assumptions

Options with non-market-based performance conditions were valued using a Black-Scholes option pricing model, using the following range of inputs:

Award date	2022	2021
Share price	**£9.58 – £13.42**	£11.00 – £13.75
Exercise price	**£0.01**	£0.01
Volatility	**36.9% – 38.0%**	34.3% – 36.1%
Expected life	**5 years**	5 years
Expected dividends	**0%**	0%
Risk free rate	**0.5% – 3.0%**	0.10%

Options with market-based performance conditions were valued using a Monte-Carlo pricing model, using the following range of inputs:

Award date	2022	2021
Share price	**£9.58 – £13.42**	£11.00 – £13.75
Exercise price	**£0.01**	£0.01
Volatility	**36.9% – 38.0%**	34.3% – 36.1%
Expected life	**3 years**	3 years
Expected dividends	**0%**	0%
Risk free rate	**0.5% – 3.0%**	0.10%

Volatility was based upon the historical volatility for a basket of comparable listed companies measured over a period commensurate with the expected life of the grant.

29. Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset or liability at its fair value plus, in the case of an item not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at FVPL are expensed in profit or loss. Trade receivables are initially measured at the transaction price.

Classification

Financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('FVOCI') or through profit or loss ('FVPL')); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Trade and other receivables, contract assets and cash and cash equivalents are measured at amortised cost.

The Group measures all equity investments at fair value and the Group has elected to present fair value gains and losses on equity investments in the profit and loss. Changes in the fair value of financial assets are recognised as FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Trade and other payables and lease liabilities are measured at amortised cost.

Contingent consideration is measured at fair value through profit or loss.

Subsequent measurement

Financial assets

Fair value through profit or loss: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Amortised cost: These liabilities are initially measured at fair value, net of transaction costs. Subsequently they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value through profit or loss: The contingent consideration liability is measured at fair value at each reporting date using a discounted cash flow approach, utilising management's forecasts to estimate the likely payout and discounting these using a risk-adjusted weighted average cost of capital. Net gains and losses, including any interest expense, are recognised in profit or loss.

29. Financial instruments *continued*

Impairment

The Company recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost and contract assets.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on historical credit losses as a percentage of revenues adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive) at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Fair value measurements

Fair value measurements are categorised as level 1, 2 or 3 within the fair value hierarchy. The fair value hierarchy categorises inputs to valuation techniques into the following levels, based on their observability:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

29. Financial instruments *continued*

Categories of financial instruments

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

	Carrying amount				Fair value	
31 December 2022	**Financial assets at fair value through profit and loss £000s**	**Financial assets at amortised cost £000s**	**Financial liabilities at amortised cost £000s**	**Financial liabilities at fair value through profit and loss £000s**	**Total £000s**	**Total £000s**
Financial assets						
Trade receivables	**—**	**28,006**	**—**	**—**	**28,006**	**28,006**
Other receivables	**—**	**745**	**—**	**—**	**745**	**745**
Cash and cash equivalents	**—**	**19,096**	**—**	**—**	**19,096**	**19,096**
Derivative assets	**84**	**—**	**—**	**—**	**84**	**84**
	84	**47,847**	**—**	**—**	**47,931**	**47,931**
Financial liabilities						
Lease liabilities	**—**	**—**	**2,908**	**—**	**2,908**	**2,908**
Trade payables	**—**	**—**	**6,507**	**—**	**6,507**	**6,507**
Amounts payable to related parties	**—**	**—**	**—**	**—**	**—**	**—**
Other payables	**—**	**—**	**1,561**	**—**	**1,561**	**1,561**
Derivative liabilities	**—**	**—**	**—**	**134**	**134**	**134**
Accruals	**—**	**—**	**7,447**	**—**	**7,447**	**7,447**
	—	**—**	**18,423**	**134**	**18,557**	**18,557**

	Carrying amount				Fair value	
31 December 2021	Financial assets at fair value through profit and loss £000s	Financial assets at amortised cost £000s	Financial liabilities at amortised cost £000s	Financial liabilities at fair value through profit and loss £000s	Total £000s	Total £000s
Financial assets						
Equity investments	—	—	—	—	—	45
Trade receivables	—	20,234	—	—	20,234	20,234
Contract asset	—	3,958	—	—	3,958	3,958
Other receivables	—	692	—	—	692	692
Cash and cash equivalents	—	31,243	—	—	31,243	31,243
	—	56,127	—	—	56,127	56,172
Financial liabilities						
Lease liabilities	—	—	2,681	—	2,681	2,681
Trade payables	—	—	3,102	—	3,102	3,102
Amounts payable to related parties	—	—	3	—	3	3
Other payables	—	—	1,587	—	1,587	1,587
Derivative liabilities	—	—	—	261	261	261
Accruals	—	—	8,951	—	8,951	8,951
	—	—	16,324	261	16,585	16,585

29. Financial instruments *continued*

Financial instruments measured at fair value

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

	31 December 2022 £000s	31 December 2021 £000s
Financial assets		
Equity investments – Level 1	**—**	45
Foreign currency forward contracts used for hedging – Level 2	**84**	—
Financial assets measured at fair value	**84**	45
Financial liabilities		
Foreign currency forward contracts used for hedging – Level 2	**134**	261
Financial liabilities measured at fair value	**134**	261

Foreign currency forward contracts (Level 2)

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

Equity investments (Level 1)

Equity investments which are publicly quoted are measured based on the quoted market price.

The level 1 investment held in Modus Therapeutics Holding AB was disposed of during the year for proceeds (net of sale costs) of £11,000.

Financial risk management objectives

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

i) Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Where appropriate, the Group uses derivatives to manage market risks within the parameters set out by the Audit and Risk Committee within the Group Treasury Policy.

Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the value of income and expenses denominated in foreign currencies. The functional currencies of the Group Companies are primarily pounds Sterling, Euros and US Dollars. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further activity is undertaken. Where the amounts to be paid and received in a specific currency result in a net surplus or exposure, the net surplus or exposure is hedged by selling or buying the foreign currency and holding in currency accounts or through the use of foreign currency forward contracts.

The Group's risk management policy is to hedge 50 to 100% of its estimated USD exposure in respect of forecast sales over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge currency risk, all with a maturity of less than one year from the reporting date.

The Group actively monitors the EUR and Other exposures and have not deemed any hedging necessary to manage those currency risks at this time.

29. Financial instruments *continued*

The carrying amounts of the Group's financial assets and financial liabilities by currency at the reporting date are as follows:

	2022					2021				
	GBP £000s	**EUR £000s**	**USD £000s**	**Other £000s**	**Total £000s**	GBP £000s	EUR £000s	USD £000s	Other £000s	Total £000s
Financial assets										
Trade receivables	**5,653**	**3,269**	**16,808**	**2,276**	**28,006**	2,720	2,238	12,707	2,569	20,234
Other receivables	**140**	**150**	**13**	**442**	**745**	148	119	38	387	692
Derivative assets	**84**	**—**	**—**	**—**	**84**	—	—	—	—	—
Cash and cash equivalents	**4,977**	**2,574**	**9,964**	**1,581**	**19,096**	15,083	3,118	11,757	1,285	31,243
Financial liabilities										
Lease liabilities	**690**	**1,654**	**564**	**—**	**2,908**	814	1,555	187	125	2,681
Trade payables	**1,273**	**1,770**	**3,048**	**416**	**6,507**	747	1,443	588	324	3,102
Amounts payable to related parties	**—**	**—**	**—**	**—**	**—**	—	—	—	3	3
Other payables	**229**	**96**	**4**	**1,232**	**1,561**	230	31	56	1,221	1,538
Accruals	**4,070**	**728**	**1,429**	**1,220**	**7,447**	6,695	354	831	1,071	8,951
Derivative liabilities	**134**	**—**	**—**	**—**	**134**	261	—	—	—	261
Net financial assets/(liabilities)	**4,458**	**1,745**	**21,740**	**1,431**	**29,374**	9,204	2,092	22,840	1,497	35,633

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported the management of the Group is as follows:

	2022			2021		
	GBP £000s	**EUR £000s**	**USD £000s**	GBP £000s	EUR £000s	USD £000s
Financial assets						
Trade receivables	**—**	**3,245**	**8,509**	2,720	2,238	12,707
Other receivables	**47**	**21**	**43**	148	119	38
Cash and cash equivalents	**93**	**2,230**	**4,809**	15,083	3,118	11,757
Financial liabilities						
Lease liabilities	**—**	**1,404**	**—**	814	1,555	187
Trade payables	**13**	**1,586**	**690**	747	1,443	588
Other payables	**—**	**25**	**—**	230	31	56
Accruals	**—**	**374**	**189**	6,695	354	831
Net financial asset	**127**	**2,107**	**12,482**	9,465	2,092	22,840
Foreign currency forward contracts	**4,506**	**—**	**(4,644)**	8,901	—	(9,191)
Net exposure to currency	**4,633**	**2,107**	**7,838**	18,366	2,092	13,649

The following significant exchange rates have been applied:

	Average rate		**Year-end spot rate**	
	2022	2021	**2022**	2021
Euro	**1.17**	1.16	**1.13**	1.19
USD	**1.23**	1.38	**1.21**	1.35

29. Financial instruments *continued*

Sensitivity analysis

The following table demonstrates the Group's sensitivity to a 10% strengthening or weakening in Sterling, being the reporting currency of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	Profit or (loss) 2022		Profit or (loss) 2021	
	Strengthen +10% £000s	**Weaken –10% £000s**	Strengthen +10% £000s	Weaken –10% £000s
Euro	**(175)**	**175**	(267)	267
USD	**(2,174)**	**2,174**	(2,476)	2,476
Other	**(143)**	**143**	(215)	215

Interest rate risk

The Group is primarily exposed to the interest rate risks associated with its holdings of cash and cash equivalents and borrowings. Interest rate risk associated with financial liabilities is minimal and the Group does not have any borrowing facilities at the year-end (2021: £nil).

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Nominal amount	
	2022 £000s	2021 £000s
Variable-rate instruments		
Cash and cash equivalents	**19,096**	31,243

Cash flow sensitivity analysis

The following table demonstrates the Group's cash flow sensitivity to a change of 100 basis points (1%) on the profit or loss during the reporting period would result in an increase or decrease in interest-bearing financial instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for comparative period.

	Profit or (loss) 2022		Profit or (loss) 2021	
Variable-rate instruments	**Strengthen +1% £000s**	**Weaken –1% £000s**	Strengthen +1% £000s	Weaken –1% £000s
Cash and cash equivalents	**176**	**(176)**	245	(245)
Cash flow sensitivity (net)	**176**	**(176)**	245	(245)

The effective interest rate at the balance sheet date on cash and cash equivalents was 0.01% (2021: 0.01%).

29. Financial instruments *continued*

Other market risk

The primary goal of the Group's equity investments is to hold the investments for the long term for strategic purposes. Equity investments have been designated as FVPL because their performance is actively monitored and they are managed on a fair value basis.

Equity investments which are publicly quoted are measured based on the quoted market price. Unlisted equity investments are measured based on the market price of recent share issuances.

ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and contracts with customers.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on cash and cash equivalents is limited because the counterparties are banks or sovereign governments with high credit ratings assigned by international credit rating agencies.

The credit risk on other receivables is limited as it primarily consists of rental deposits and recoverable sale tax.

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

The Group and the Company assess the creditworthiness of customers in advance of entering into any contract. During the life of a contract, the customer's financial status is monitored as well as payment history. From time to time certain customers can have large balances receivable to the Group, due to the timing of milestone billing arrangements. These are however, large profitable pharmaceutical companies with good credit ratings or smaller biotech companies with supportive shareholders with a history of successful fundraising, and this is not considered indicative of an increased credit risk. Credit information is supplied by independent rating agencies where appropriate and if available. Alternatively, the Group uses other publicly available financial information and its own trading records to assess its major customers.

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

The concentration of credit risk for trade receivables and contract assets at the balance sheet date by geographic region and service line was:

	Carrying amount 2022			Carrying amount 2021		
	CRO £000s	**PV £000s**	**Total £000s**	CRO £000s	PV £000s	Total £000s
UK	**2,133**	**1,651**	**3,784**	1,266	1,675	2,941
Rest of Europe, Middle East and Africa	**3,943**	**3,276**	**7,219**	1,773	2,766	4,539
North America	**9,056**	**10,909**	**19,965**	6,778	8,858	15,636
Rest of World	**1,046**	**415**	**1,461**	556	520	1,076
	16,178	**16,251**	**32,429**	10,373	13,819	24,192

Amounts due from Group companies primarily relate to trading balances with no significant financing element. The simplified approach for assessing credit losses was used for these balances and is immaterial as the probability of default is insignificant.

29. Financial instruments *continued*

Included in trade receivables and contract assets are the following amounts after deducting allowance for losses that are past due at the reporting date by the following periods:

	2022 £000s	2021 £000s
Less than 30 days overdue	**5,995**	2,894
31 to 60 days overdue	**2,314**	1,122
61 to 90 days overdue	**1,570**	429
More than 90 days overdue	**963**	132
	10,842	4,577

The allowance for credit losses as a result of the exposure to credit risk at the reporting date was determined as follows for trade receivables:

	2022			2021		
	Expected credit losses	**Balance before allowance for losses £000s**	**Allowance for losses* £000s**	Expected credit losses	Balance before allowance for losses £000s	Allowance for losses* £000s
Current	**0.0%**	**17,164**	**—**	0.0%	19,994	(379)
Less than 30 days overdue	**0.0%**	**5,995**	**—**	0.0%	3,018	(124)
31 to 60 days overdue	**0.5%**	**2,316**	**(2)**	0.5%	1,198	(76)
61 to 90 days overdue	**0.5%**	**1,714**	**(144)**	0.5%	431	(2)
90 to 120 days overdue	**1.0%**	**513**	**(93)**	1.0%	133	(1)
More than 120 days overdue	**42.8%**	**950**	**(407)**	100.0%	45	(45)
		28,652	**(646)**		24,819	(627)

*The allowance for losses includes losses as a result of expected and identified credit losses.

Movements in the allowance for losses in trade receivables during the year were as follows:

	2022 £000s	2021 £000s
At 1 January	**627**	298
Impairment losses recognised	**—**	(3)
Translation	**2**	1
Change in expected credit loss provision during the year	**17**	331
At 31 December	**646**	627

29. Financial instruments *continued*

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group also has an undrawn £80m committed multi-currency revolving credit facility ('RCF'). Comprising a £50m facility with an additional £30m accordion. The purpose of the RCF is to provide liquidity as required to support the strategic growth of the business.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements at the reporting date:

	2022 Contractual cash outflow					2021 Contractual cash outflow				
Non-derivative financial liabilities	**Carrying amount £000s**	**Less than one year £000s**	**Between one and five years £000s**	**More than five years £000s**	**Total £000s**	Carrying amount £000s	Less than one year £000s	Between one and five years £000s	More than five years £000s	Total £000s
Trade payables	**6,507**	**6,507**	**—**	**—**	**6,507**	3,102	3,102	—	—	3,102
Amounts payable to related parties	**—**	**—**	**—**	**—**	**—**	3	3	—	—	3
Other payables	**1,561**	**1,561**	**—**	**—**	**1,561**	1,585	1,585	—	—	1,585
Accruals	**7,447**	**7,447**	**—**	**—**	**7,447**	8,951	8,951	—	—	8,951
Lease liabilities	**2,908**	**1,236**	**1,672**	**—**	**2,908**	2,681	1,249	1,432	—	2,681
	18,423	**16,751**	**1,672**	**—**	**18,423**	16,322	14,890	1,432	—	16,322

	2022 Contractual cash outflow					2021 Contractual cash outflow				
Derivative financial liabilities	**Carrying amount £000s**	**Less than one year £000s**	**Between one and five years £000s**	**More than five years £000s**	**Total £000s**	Carrying amount £000s	Less than one year £000s	Between one and five years £000s	More than five years £000s	Total £000s
Forward exchange contracts used for hedging:										
– Outflow	**134**	**(4,644)**	**—**	**—**	**(4,510)**	261	(9,192)	—	—	(8,931)
– Inflow	**—**	**4,506**	**—**	**—**	**4,506**	—	8,901	—	—	8,901
	134	**(138)**	**—**	**—**	**(4)**	261	(291)	—	—	(30)

The inflows/(outflows) disclosed for forward exchange contracts represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. The disclosure shows the net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Capital risk management

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

30. Acquisition of subsidiary – ADAMAS

On 9 February 2022, the Group acquired all the issued share capital in ADAMAS Consulting Group Limited and its subsidiaries ('ADAMAS'). The acquisition was completed for a cash consideration of £25.6 million, representing an enterprise value of £24.2 million and cash acquired of £1.4 million. Ergomed plc drew down on its £15.0 million multi-currency revolving credit facility ('RCF) on 1 February 2022 and utilised the funds and existing Group cash reserves to fund the acquisition.

ADAMAS is an international specialist consultancy offering a full range of independent quality assurance services and specialising in the audit of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems.

In the period from 9 February 2022 to 31 December 2022, ADAMAS contributed revenue of £10.2 million and profit of £1.0 million to the Group's results. If the acquisition had occurred on 1 January 2022, management estimates that consolidated revenue would have been £10.8 million, and profit for the period would have been £1.0 million. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

Identifiable assets acquired and liabilities assumed	Fair Value £000s
Intangible assets	10,013
Property, plant and equipment	19
Deferred tax assets	3
Trade and other receivables	1,864
Contract assets	233
Cash and equivalents	1,411
Trade and other payables	(1,252)
Contract liabilities	(14)
Taxation payable	(32)
Deferred tax liability	(2,412)
Total identifiable net assets	**9,833**
Goodwill	15,821
Total consideration	**25,654**
Satisfied by	
Cash consideration	25,654
Total consideration	**25,654**
Net cash outflow arising on acquisition	
Cash consideration	25,654
Less: cash and cash equivalent balances acquired	(1,411)
Transaction expenses	1,056
	25,299

30. Acquisition of subsidiary – ADAMAS *continued*

Included within intangible assets are customer relationships of £8,541,000, brand of £738,000 and contracted order book of £723,000 which were recognised on acquisition. The Group incurred acquisition related costs of £240,000 related to due diligence and legal activities in the year ended 31 December 2021 and £816,000 in the year ended 31 December 2022. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement.

On 30 June 2022, the purchase price allocation ('PPA') was prepared on a provisional basis in accordance with IFRS 3. During the measurement period the Group finalised the independent valuation of the intangible assets (customer relationships, brand and contracted order book) recognised on acquisition, the measurement of deferred tax liabilities and the audit of the acquired balance sheet. Adjustments were made to the provisional PPA, which was disclosed in the Group's condensed consolidated financial statements for the six months ended 30 June 2022 resulting in a decrease in the fair value of intangible assets recognised on acquisition of £93,000, an increase in Goodwill of £1,000, a decrease in the deferred tax liability of £22,000 and an increase in the acquired net assets of £70,000.

31. Related party transactions

Transactions between the Company and its wholly owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Transactions:

Ergomed d.o.o., a company registered in Croatia, is under the control of Miroslav Reljanović, who is a Director and shareholder. During the year, the Group was charged £28,000 (2021: £25,000) by Ergomed d.o.o. in respect of administration costs. At the year-end, a balance of £nil was owed by the Group to Ergomed d.o.o. in respect of these costs (2021: £3,000).

During the year, the Group continued to employ two close family members of Miroslav Reljanović (Gordana Tonkovic, President of CRO and Martin Reljanović, Senior Data Manager) and paid total compensation of £240,000 (2021: £274,000) for their services to the Group. At the year-end, a balance of £nil (2021: £nil) was owed by the Group to the close family members.

Remuneration of key management personnel

The Directors of Ergomed plc had no material transactions with the Group during the year other than service contracts and Directors' liability insurance. The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2022 £000s	2021 £000s
Short-term employee benefits	**1,724**	1,281
Share-based payments	**67**	457

32. Events after the reporting date

As at 21 March 2023, there were no material post balance sheet events arising after the reporting date.

Company information

Directors

Miroslav Reljanović
Jonathan Curtain (Appointed 3 February 2023)
Richard Barfield (Resigned 3 February 2023)
Michael Spiteri (Resigned 17 November 2022)
Anne Whitaker (Appointed 10 June 2022)
Llew Keltner
Mark Enyedy
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Joanne Bletcher

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