ERGOMED

PRESS RELEASE

Unaudited Interim results for the six months ended 30 June 2017

Strong first half financial performance – net service revenues up 53% and gross profit up 42%

Haemostatix programmes significantly advanced, PeproStat™ Phase IIb study ahead of schedule

London, UK – 18 September 2017: Ergomed plc, ("Ergomed", the "Company", AIM: ERGO) a company dedicated to the provision of specialised services to the pharmaceutical industry and the development of new drugs, today announces its interim results for the six months ended 30 June 2017.

Commenting on the results, Dr Dan Weng, Chief Executive Officer of Ergomed plc, said:
"It has been a solid first half for Ergomed and we are pleased with both top-line growth and EBITDA for the period. We also had important data read-outs from our co-development partners in the half year and data from our own proprietary product PeproStat™ is expected in the next few weeks. I am confident that Ergomed is well positioned for further growth, both organic and through acquisition, and of the benefits this will bring to our customers, partners, employees and shareholders."

Financial highlights (unaudited)

- Net service revenues[1] up 53% to £19.5 million (H1 2016: £12.7 million)
- Total revenues up 31% to £22.9 million (H1 2016: £17.6 million)
- Gross profit up 42% to £7.5 million (H1 2016: £5.3 million)
- EBITDA £1.5 million (H1 2016: £1.2 million) (note 10)
- Adjusted EBITDA (including adjustments for share-based payment charge and acquisition costs) £1.8 million, the same as H1 2016 after an additional £1.0 million R&D spend in the half year (note 10)
- Operating profit £0.7 million (H1 2016: £0.8 million)
- Contribution in kind to co-development projects decreased to £1.7 million in H1 2017 (H1 2016: £2.1 million)

Operational highlights

- Service contracts with a value of £23 million (net of co-development discounts) signed through 31 July 2017
- Strong backlog of signed contracts of over £70 million at 31 July 2017 (31 July 2016: £60 million)
- Peter George, former CEO of Clinigen Group plc and non-executive director of Ergomed, appointed Chairman
- Positive data from the Phase II trial of lorediplon in insomnia of co-development partner, Ferrer
- Co-development partner Aeterna Zentaris announced negative results from the Phase III trial of Zoptrex in endometrial cancer

Post period-end highlights

- Dr Dan Weng appointed Chief Executive Officer, with Dr Miroslav Reljanovic, founder and former CEO, becoming Executive Vice Chairman
- FDA lifted clinical hold on co-development partner CEL-SCI's Phase III trial of Multikine® in head and neck cancer
- PeproStat™ Phase IIb trial patient recruitment completed in July, six months ahead of schedule. Data are expected around the end of October 2017

[1] To align with industry practice, Ergomed is disclosing reimbursement revenue and reimbursable expenses as part of total revenues and separately from cost of sales, respectively. Net service revenues exclude reimbursement revenues.

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About Ergomed

Ergomed provides specialist services to the pharmaceutical industry and develops drugs both wholly-owned and through partnerships. Ergomed's fast-growing, profitable service offering spans all phases of clinical development and post-approval pharmacovigilance and medical information. Drawing on more than 20 years of expertise in drug development, Ergomed is also building a growing portfolio of drug development partnerships and programmes, including wholly-owned proprietary products for the treatment of surgical bleeding. For further information, visit: http://ergomedplc.com

Forward Looking Statements

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

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

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Interim Management Report

Introduction

The Company's profitable services business includes the provision of pre-approval and post-approval services to the pharmaceutical and biotech industry. Services include all phases of clinical research as well as post-marketing drug safety surveillance and medical information through its subsidiaries PrimeVigilance and PharmInvent.

Ergomed is also building a portfolio of development products by providing in-kind clinical research services in return for minority carried interests in its partners' development products. Ergomed will receive a share of any future proceeds generated from the commercialisation of the partnered drug asset. The Company's product portfolio was enhanced with the acquisition of Haemostatix in May 2016 which included two lead proprietary products for the treatment of surgical bleeding.

Ergomed has continued to show progress in the first half of 2017 in both key components. The four acquisitions made in 2016 have been successfully integrated and the Company expects a major value inflexion point with the publication of data in the next few weeks from the Phase IIb proof of concept trial of PeproStat™ in the treatment of surgical bleeding. The Board remains confident about opportunities for further growth, both organic and through acquisition.

Services

Consolidated net service revenues for H1 2017 increased by 53% to £19.5 million (H1 2016: £12.7 million). Consolidated net service revenue includes £8.7 million from pre-approval clinical research services (H1 2016: £7.2 million) and £10.7 million from drug safety monitoring and medical information services (H1 2016: £5.5 million). Included in drug safety monitoring and medical information services is PharmInvent revenues of £2.2 million (H1 2016: £ nil). Organic growth of net service revenue in H1 2017 compared with H1 2016 was 36%.

Revenues from clinical research services were impacted in H1 2017 by lower reimbursement revenue due to the stage of the projects in progress.

A strong first half in drug safety monitoring and medical information has seen PharmInvent, acquired in November 2016, collaborating closely with PrimeVigilance and together, the two companies have already won new business. Now under the common leadership of Dr Jan Petracek, PrimeVigilance and PharmInvent are expected to be fully integrated under a single brand in 2018.

O+P and GASD, acquired together in June 2016, have been merged and co-located in Cologne, Germany. The merged company has been re-named Ergomed Centre for Data management and Statistics (Ergomed CDS) GmbH.

Overall demand for services remains robust with contracts with a value of £23 million (net of co-development discounts) signed through 31 July 2017. Backlog of signed contracts at 31 July 2017 was over £70 million.

With a track record of successful identification and integration of acquisitions, the Company continues to pursue opportunities to acquire services businesses which fulfil the criteria set out at IPO; namely to become the global leader in pharmacovigilance services, the leading CRO in orphan drug development and strengthen its CRO network by filling in geographies and / or service offerings.

Product development

Co-development

Ergomed shares in the upside potential of promising products by contributing to the cost of clinical trials through significantly reduced fees in return for a carried interest in any future revenues of the product, including any out-licensing milestones and product sales. The status of Ergomed's current partnerships is:

CEL-SCI (NYSE: CVM):
CEL-SCI's lead product Multikine® is an immunotherapeutic agent (a mixture of cytokines including interleukins, interferons, chemokines, and colony stimulating factors) being developed as a potential first-

line head and neck cancer therapy and has the potential to be a first in class immunotherapy. Following a number of discussions with the FDA, the clinical hold for Multikine® has been lifted and the study is continuing as initially planned. The study is now fully recruited and patients are being monitored in the follow-up phase to look for the effect of the treatment on overall patient survival.

Aeterna Zentaris Inc. (NASDAQ: AEZS; TSX: AEZ):
Zoptrex™ (zoptarelin doxorubicin) did not show a treatment benefit over doxorubicin and the project has been terminated.

Ferrer:
Lorediplon is a novel, longer-acting non-benzodiazepine hypnotic drug that modulates the GABAa receptor for the treatment of insomnia. In February 2017, the Company announced the successful outcome of the Phase II study which met the primary end-point and many of the secondary end-points. Ferrer is now seeking partnerships with other companies to continue the development of the product.

Modus Therapeutics:
Sevuparin is an innovative, proprietary polysaccharide drug which has potential to restore blood flow and prevent further microvascular obstruction in patients with sickle-cell disease. The study is recruiting well and has passed several data safety monitoring committee reviews.

Asarina Pharma:
The launch of the collaboration with Asarina Pharma to develop sepranolone, a therapy for pre-menstrual dysphoric disorder, is underway with all the preparatory activities started to get the Phase II study actively recruiting as soon as possible. It is expected that the first patient will be dosed at the beginning of next year.

Haemostatix

Haemostatix, acquired in May 2016, has seen both products for the treatment of uncontrolled surgical bleeding progress in H1 2017. The CMC development of PeproStat™ and ReadyFlow™ has significantly advanced, while the 169 patient Phase IIb proof of concept trial of PeproStat™ in surgical bleeding completed recruitment in July 2017, approximately six months ahead of schedule. Results are expected at the end of October 2017. If successful, this study could open up significant opportunities for Ergomed, with a Phase III-ready asset which could reach the market by 2020.

The second product, ReadyFlow™, has a preclinical development programme agreed with the authorities and is proceeding in line with expected plans. Dosing of the first patient is expected by mid-2018.

Management

Upon Rolf Stahel's retirement from the Board on 31 March 2017, Peter George was elected Chairman. As of 1 July 2017, Dr Dan Weng was appointed Chief Executive Officer (CEO) of the Company and joined the Board. Dr Miroslav Reljanovic, founder and former CEO, assumed the role of Executive Vice Chairman. Neil Clark, former CEO of PrimeVigilance, resigned from the Board in April 2017 but remains a consultant and non-executive director of PrimeVigilance.

Financial summary

Total revenues for H1 2017 increased by 31% to £22.9 million (H1 2016: £17.6 million). Total revenues include revenue from reimbursed costs. To align with industry practice, Ergomed is disclosing reimbursement revenue and reimbursable expenses as part of total revenues and separately from cost of sales, respectively. Consolidated net service revenues, which exclude reimbursement revenue, for H1 2017 increased by 53% to £19.5 million (H1 2016: £12.7 million). Organic growth in net service revenue in H1 2017 compared with H1 2016 was 36%.

Gross profit increased by 42% to £7.5 million from £5.3 million in H1 2016. Gross margin, measured as gross profit as a percentage of net service revenue, decreased to 39% from 42% in H1 2016, largely driven by a change in mix of contracts.

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Administrative expenses increased by 30% to £5.7 million from £4.4 million in H1 2016, driven by acquisitions in H2 2016, expanded operations and strengthened management and corporate infrastructure offset by lower M&A costs.

Research and development expenses were £1.1 million (H1 2016: £0.1 million) and related to chemistry, manufacturing and controls (CMC) costs for PeproStat™ and ReadyFlow™, external costs related to the Phase IIb clinical trial of PeproStat™ and the Haemostatix overhead. Haemostatix was acquired in May 2016.

EBITDA was £1.5 million (H1 2016: £1.2 million). Adjusted EBITDA, which is adjusted for £0.3 million share-based payment charge and non-recurring M&A costs was £1.8 million (H1 2016: £1.8 million). Both EBITDA and adjusted EBITDA are stated after research and development costs which increased by £1.0 million in H1 2017 compared with H1 2016.

Operating profit was £0.7 million (H1 2016: £0.8 million).

Cash in hand as of 30 June 2017 was £2.4 million (30 June 2016: £9.9 million). Net cash outflow from operations was £1.3 million (H1 2016: £0.9 million outflow). Net cash outflow included £2.5 million working capital outflows (H1 2016: £2.6 million outflow) including £2.0 million related to an increase in receivables, of which the receivable from CEL-SCI was the largest component. In August 2017, CEL-SCI issued 480,000 shares to Ergomed which may be sold with the net proceeds reducing the receivable. Investing activities included £0.3 million (H1 2016: £0.2 million) and £0.4 million (H1 2016: £0.2 million) investments in tangible assets and software respectively.

Current trading and outlook

Overall, the Company has performed in line with expectations. As experienced in H1 2017, clinical research services revenues for the full year 2017 are expected to be impacted mainly by lower reimbursement revenue due to the stage of projects in progress and deferment of two trials by sponsors. In contrast, drug safety monitoring and medical information services continues to exceed expectations and is on track to deliver another year of out-performance.

In line with strategy, the Company is actively evaluating potential service business acquisitions that would increase profitability and complement the current range of service offerings and/or expand Ergomed's geographical coverage. The Company also has a number of leads under discussion for additional co-development partnerships and looks forward to the results of the PeproStat™ trial in late October 2017.

In summary, the Board remains positive on the outlook for the Company.

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INDEPENDENT REVIEW REPORT TO ERGOMED PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1 the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with accounting policies the group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Statutory Auditor
Cambridge, UK
18 September 2017

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Condensed Consolidated Income Statement
For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June 2017 £000s	Unaudited Six months ended 30 June 2016 £000s	Audited Year ended 31 December 2016 £000s
Net service revenue		19,476	12,715	29,224
Reimbursement revenue		3,431	4,838	10,009
REVENUE	2	22,907	17,553	39,233
Cost of sales		(11,962)	(7,438)	(17,230)
Reimbursable expenses		(3,431)	(4,838)	(10,009)
GROSS PROFIT		7,514	5,277	11,994
Administrative expenses		(5,739)	(4,429)	(10,483)
Administrative expenses comprises:				
Other administrative expenses		(4,857)	(3,566)	(8,323)
Amortisation of acquired intangible assets		(552)	(307)	(771)
Share-based payment charge		(278)	(204)	(398)
Deferred consideration for acquisition		-	-	(690)
Write-back of deferred consideration		-	-	460
Acquisition costs	8	(52)	(352)	(584)
Exceptional items	9	-	-	(177)
Research and development		(1,065)	(102)	(1,040)
Other operating income		12	73	127
OPERATING PROFIT		722	819	598
Investment revenues		3	1	2
Finance costs		(247)	-	(274)
PROFIT BEFORE TAXATION		478	820	326
Taxation		(4)	(184)	153
PROFIT FOR THE PERIOD		474	636	479
EARNINGS PER SHARE				
Basic	3	1.2p	2.0p	1.3p
Diluted	3	1.1p	2.0p	1.3p

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

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Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 £000s	Unaudited Six months ended 30 June 2016 £000s	Audited Year ended 31 December 2016 £000s
Profit for the period	474	636	479
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	138	474	680
Other comprehensive income for the period net of tax	138	474	680
Total comprehensive income for the period	612	1,110	1,159

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Condensed Consolidated Statement of Financial Position
At 30 June 2017

	Note	Unaudited 30 June 2017 £000s	Unaudited 30 June 2016 £000s	Audited 31 December 2016 £000s
Non-current assets				
Goodwill	4	12,342	25,208	12,285
Other intangible assets		19,662	2,703	19,842
Property, plant and equipment		850	436	717
Investments		747	262	271
Deferred tax asset		1,725	375	1,448
		35,326	28,984	34,563
Current assets				
Trade and other receivables	5	16,758	12,322	14,958
Inventory	6	695	67	450
Cash and cash equivalents		2,436	9,876	4,424
		19,889	22,265	19,832
Total assets		55,215	51,249	54,395
Current liabilities				
Borrowings		(2)	(2)	(3)
Trade and other payables	7	(6,619)	(7,133)	(7,077)
Deferred revenue		(1,597)	(1,155)	(1,393)
Taxation		(51)	(148)	(119)
Total current liabilities		(8,269)	(8,438)	(8,592)
Net current assets		11,620	13,827	11,240
Non-current liabilities				
Borrowings		(5)	(8)	(5)
Deferred consideration on acquisitions		(7,993)	(9,069)	(7,772)
Deferred tax liability		(3,306)	(461)	(3,418)
Total liabilities		(19,573)	(17,976)	(19,787)
Net assets		35,642	33,273	34,608
Equity				
Share capital		406	399	406
Share premium account		17,957	17,957	17,957
Merger reserve		10,264	9,307	10,264
Share option reserve		1,326	854	1,048
Translation reserve		281	(63)	143
Retained earnings		5,408	4,819	4,790
Total equity		35,642	33,273	34,608

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Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017

	Share capital	Share premium account	Merger reserve	Share option reserve	Translation reserve	Retained earnings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 December 2015*	288	9,361	2,981	650	(537)	4,193	16,936
Profit for the six month period**	-	-	-	-	-	636	636
Other comprehensive income for the period**	-	-	-	-	474	-	474
Total comprehensive income for the period**	-	-	-	-	474	636	1,110
Share-issue during the period for cash (net of expenses)**	66	8,596	-	-	-	-	8,662
Share-issues during the period for non-cash consideration**	45	-	6,326	-	-	-	6,371
Share-based payment for the period**	-	-	-	204	-	-	204
Deferred tax charge taken directly to equity**	-	-	-	-	-	(10)	(10)
Balance at 30 June 2016**	399	17,957	9,307	854	(63)	4,819	33,273

* Audited
** Unaudited

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Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017

	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share option reserve £000s	Translation reserve £000s	Retained earnings £000s	Total £000s
Balance at 31 December 2015*	288	9,361	2,981	650	(537)	4,193	16,936
Profit for the year*	-	-	-	-	-	479	479
Other comprehensive income for the year*	-	-	-	-	680	-	680
Total comprehensive income for the year*	-	-	-	-	680	479	1,159
Share-issue during the period for cash (net of expenses)*	66	8,596	-	-	-	-	8,662
Share-issues during the period for non-cash consideration*	51	-	7,144	-	-	-	7,195
Contingent share-issues during the period for non-cash consideration*	1	-	139	-	-	-	140
Share-based payment for the year*	-	-	-	398	-	-	398
Deferred tax credit taken directly to equity*	-	-	-	-	-	118	118
Balance at 31 December 2016*	406	17,957	10,264	1,048	143	4,790	34,608
Profit for the six month period**	-	-	-	-	-	474	474
Other comprehensive income for the period**	-	-	-	-	138	-	138
Total comprehensive income for the period**	-	-	-	-	138	474	612
Share-based payment for the period**	-	-	-	278	-	-	278
Deferred tax credit taken directly to equity**	-	-	-	-	-	144	144
Balance at 30 June 2017**	406	17,957	10,264	1,326	281	5,408	35,642

* Audited
** Unaudited
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Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 £000s	Unaudited Six months ended 30 June 2016 £000s	Audited Year ended 31 December 2016 £000s
Cash flows from operating activities			
Profit before taxation	478	820	326
Adjustment for:			
Amortisation and depreciation	764	410	1,027
Loss on disposal of fixed assets	-	(4)	(2)
Share-based payment charge	278	204	398
Acquisition of shares for non-cash consideration	(463)	(54)	(54)
Exchange adjustments	70	339	419
Acquisition costs and deferred consideration	-	349	726
Write-back of deferred consideration	-	-	(415)
Investment revenues	(3)	(1)	(2)
Finance costs	247	-	274
Operating cash flow before changes in working capital and provisions	1,371	2,063	2,697
Increase in trade and other receivables	(1,970)	(2,659)	(3,667)
Increase in inventory	(245)	(67)	(405)
(Decrease)/increase in trade and other payables	(280)	132	(58)
Cash utilised in operations	(1,124)	(531)	(1,433)
Taxation paid	(186)	(399)	(941)
Net cash outflow from operating activities	(1,310)	(930)	(2,374)
Investing activities			
Investment revenues received	3	1	2
Acquisition of property, plant and equipment	(308)	(157)	(705)
Acquisition of intangible assets	(375)	(197)	(404)
Acquisition of subsidiaries including expenses of acquisition	-	(1,505)	(4,755)
Receipts from sale of property, plant and equipment	4	31	31
Net cash outflow from investing activities	(676)	(1,827)	(5,831)
Financing activities			
Issue of new shares	-	9,185	9,185
Expenses of fundraising	-	(523)	(523)
Finance costs paid	-	-	(2)
Repayment of borrowings	(2)	(3)	(5)
Net cash (outflow)/inflow from financing activities	(2)	8,659	8,655
Net (decrease)/increase in cash and cash equivalents	(1,988)	5,902	450
Cash and cash equivalents at start of the period	4,424	3,974	3,974
Cash and cash equivalents at end of period	2,436	9,876	4,424

Notes

1. GENERAL INFORMATION

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

Other than as described below under "Reimbursement revenue and reimbursable expenses", the condensed interim financial statements have been prepared using accounting policies and method of computation consistent with those used in the audited statutory financial statements for the year ended 31 December 2016 and International Reporting Standards (IFRSs) adopted for use in the European Union. While the financial information included in this interim statement has been compiled in accordance with the recognition and measurement principles of IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs and does not comply with IAS 34.

The information for the six month period ended 30 June 2017 is unaudited, but reflects all normal adjustments which are, in the opinion of the Board, necessary to provide a fair statement of results and the Group's financial position for and as at the period presented.

Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

At 30 June 2017 Ergomed had cash resources of £2.4 million (30 June 2016: £9.9 million; 31 December 2016: £4.4 million).

Reimbursement revenue and reimbursable expenses

Reimbursable expenses are reflected in the Company's Condensed Consolidated Income Statement as "Reimbursement revenue" in total revenue and as "Reimbursable expenses" separately from cost of sales as the Company is the primary obligor for these expenses despite being reimbursed by its clients. Reimbursable expenses are comprised primarily of payments to physicians (investigators) who oversee clinical trials and travel expenses for our clinical monitors and other employees. Costs for such activities are recorded based upon payment requests or invoices that have been received from third parties in the periods presented or accrued based on patient recruitment. Reimbursed expenses may fluctuate from period-to-period due, in part, to the lifecycle of contracts that are in progress at a particular point in time. Service revenues or revenues before reimbursements ("net service revenues") include any margin earned on reimbursed expenses. When such an expense is not reimbursed, they are classified as costs of sales on the Condensed Consolidated Income Statement.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the Company's AIM Admission Document from July 2014 which is located in the Company website (www.ergomedplc.com) in the Investors section. These risks include competition; dependence on a small number of customers; legislation and regulation of the pharmaceutical and biotechnology industries; licensees, approvals and compliance; and the potential for cancellation or delay of clinical studies by customers. It is anticipated that the risk profile will not significantly change for the remainder of the year. Risk is an inherent part of doing business and the profitability and strong cash position of the Group, along with the growth profile of the business, leads the Directors to believe that the Group is well placed to manage business risks successfully.

Going concern

The Directors have considered cashflow forecasts for the group, detailing cash inflows and outflows for the period ending 31 December 2018. Based on their review of these forecasts and consideration of the economic environment in which the group operates, the Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial information for the six months ended 30 June 2017.

Business Combinations

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

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

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

Adoption of new and revised standards

There are no new standards that have been issued but are not yet effective for the financial year that are expected to have a material impact on the Group.

2. REVENUE

	Clinical research services	Drug safety and medical information services	Total revenue
	£000s	£000s	£000s
Six months ended 30 June 2017			
Net service revenue**	8,747	10,729	19,476
Reimbursement revenue**	3,336	95	3,431
Revenue**	12,083	10,824	22,907
Six months ended 30 June 2016			
Net service revenue**	7,238	5,477	12,715
Reimbursement revenue**	4,770	68	4,838
Revenue**	12,008	5,545	17,553
Year ended 31 December 2016			
Net service revenue**	15,938	13,286	29,224
Reimbursement revenue**	9,839	170	10,009
Revenue*	25,777	13,456	39,233

* Audited
** Unaudited

3. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June 2017 £000s	Unaudited Six months ended 30 June 2016 £000s	Audited Year ended 31 December 2016 £000s
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	474	636	479
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purposes of diluted earnings per share	474	636	479
	No.	**No.**	**No.**
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	40,534,603	31,116,420	35,573,733
Effect of dilutive potential ordinary shares			
Share options	2,058,829	1,368,600	1,484,600
Weighted average number of ordinary shares for the purposes of diluted earnings per share	42,593,432	32,485,020	37,058,333

4. GOODWILL

	£000s
Cost	
At 1 January 2016*	7,488
Arising on acquisition of subsidiaries**	17,720
At 30 June 2016**	25,208

	£000s
Cost	
At 1 January 2016*	7,488
Arising on acquisition of subsidiary*	4,797
At 31 December 2016*	12,285
Adjustment arising during measurement period**	57
At 30 June 2017**	12,342
Accumulated impairment losses	
1 January 2016*, 30 June 2016**, 31 December 2016* and 30 June 2017**	-
Net book value	
At 30 June 2017**	12,342
At 30 June 2016**	25,208
At 31 December 2016*	12,285

* Audited

Goodwill in relation to the acquisition of Haemostatix was increased by £58,000 during the period, following a re-assessment of the deferred tax asset arising on the transaction.

Goodwill arising on acquisition of subsidiaries in the first half of 2016 was based on initial valuations. Goodwill was subsequently reduced upon identification of the associated intangible assets once purchase price allocation was complete.

5. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2017 £000s	Unaudited 30 June 2016 £000s	Audited 31 December 2016 £000s
Trade receivables	11,179	8,358	9,540
Other receivables	1,191	485	1,025
Prepayments	792	483	841
Accrued income	2,753	2,774	2,538
Corporation tax receivable	843	222	1,014
	16,758	12,322	14,958

6. INVENTORY

	Unaudited 30 June 2017 £000s	Unaudited 30 June 2016 £000s	Audited 31 December 2016 £000s
Clinical trial material	695	67	450

7. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2017 £000s	Unaudited 30 June 2016 £000s	Audited 31 December 2016 £000s
Trade creditors	3,027	3,148	3,037
Amounts payable to related parties	54	29	49
Social security and other taxes	876	389	632
Other payables	785	432	600
Accruals	1,877	3,135	2,759
	6,619	7,133	7,077

8. ACQUISITION COSTS

	Unaudited Six months ended 30 June 2017 £000s	Unaudited Six months ended 30 June 2016 £000s	Audited Year ended 31 December 2016 £000s
Acquisition of Sound Opinion	-	7	7
Acquisition of Haemostatix	-	269	370
Acquisition of O+P & GASD	-	73	85
Acquisition of PharmInvent	-	-	118
Other M&A activities	52	3	4
	52	352	584

9. EXCEPTIONAL ITEMS

	Unaudited Six months ended 30 June 2017 £000s	Unaudited Six months ended 30 June 2016 £000s	Audited Year ended 31 December 2016 £000s
Establishment of PrimeVigilance US office	-	-	177
	-	-	177

In line with the way the Board and chief operating decision makers review the business, large one-off exceptional costs are separately identified and shown as exceptional costs. In the full year of 2016, these were directly related to the establishment of the PrimeVigilance US office.

10. EBITDA and EBITDA (adjusted)

	Unaudited Six months ended 30 June 2017 £000s	Unaudited Six months ended 30 June 2016 £000s	Audited Year ended 31 December 2016 £000s
Operating profit	722	819	598
Adjust for:			
Depreciation and amortisation charges within			
Other administrative expenses	212	103	256
Amortisation of acquired intangible assets	552	307	771
EBITDA	1,486	1,229	1,625
Share-based payment charge	278	204	398
Deferred consideration for acquisition	-	-	690
Write-back of deferred consideration for acquisition	-	-	(460)
Acquisition costs (note 8)	52	352	584
Exceptional items (note 9)	-	-	177
Adjusted EBITDA	1,816	1,785	3,014