CLINIGEN
GROUP PLC

THE GLOBAL LIFECYCLE PARTNER

CLINIGEN GROUP PLC
Annual Report
and Accounts 2018

WHO WE ARE

CLINIGEN GROUP PLC IS A TRUSTED GLOBAL LEADER IN THE PHARMACEUTICAL AND SERVICES INDUSTRY, WITH A UNIQUE COMBINATION OF BUSINESSES FOCUSED ON PROVIDING ACCESS TO MEDICINES

Our mission is to deliver the right medicine to the right patient at the right time. Operating in three areas of global medicine access: clinical trial services, unlicensed medicines and commercial medicines

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For more information visit our website www.clinigengroup.com

GLOBAL REACH

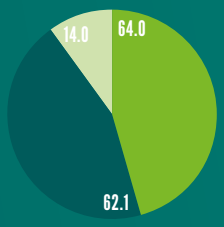
THE GROUP HAS A COMPLEMENTARY PORTFOLIO OF BUSINESSES OPERATING GLOBALLY, ENHANCING OUR ABILITY TO PROVIDE ACCESS TO MEDICINES WORLDWIDE

OPERATIONS	3
LOCATIONS	13
COUNTRIES SUPPLIED	108

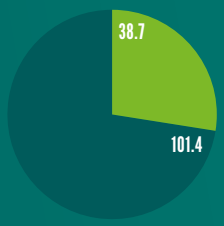
CLINICAL TRIAL SERVICES UNITS SHIPPED	0.3m
UNLICENSED MEDICINES UNITS SHIPPED	1.9m
COMMERCIAL MEDICINES UNITS SHIPPED	2.1m

HEADCOUNT **849**

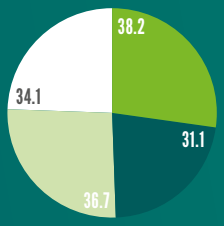
ADJUSTED GROSS PROFIT BY OPERATION (£M)



ADJUSTED GROSS PROFIT BY CLIENT/ CUSTOMER (£M)



ADJUSTED GROSS PROFIT BY REGION (£M)



INTRODUCTION FROM OUR CEO

THIS YEAR HAS BEEN AN IMPORTANT 12 MONTHS FOR THE GROUP

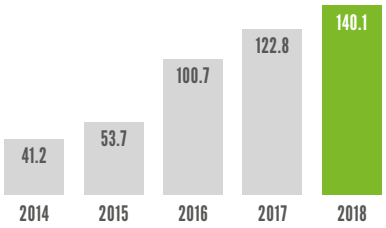
I am pleased to report another successful year in which we have delivered a strong financial performance across our key financial metrics and have continued to make excellent progress against the Group's strategic objectives following the acquisition of Quantum Pharma plc ('Quantum') and International Medical Management Corporation ('IMMC').

Read more on pages 14 to 17

FINANCIAL HIGHLIGHTS

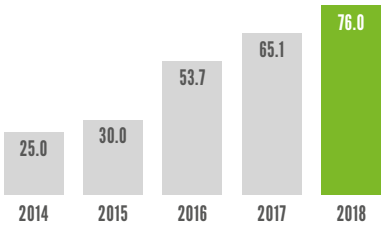
ADJUSTED GROSS PROFIT (£M)

140.1 ▲ 14%



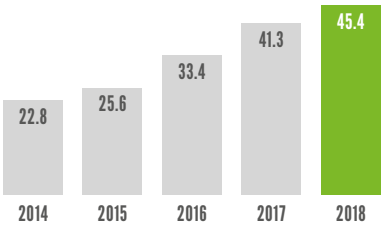
ADJUSTED EBITDA (£M)

76.0 ▲ 17%



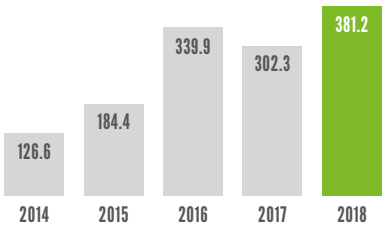
ADJUSTED BASIC EARNINGS PER SHARE (PENCE)

45.4 ▲ 10%



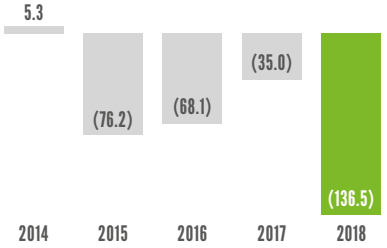
REVENUE (£M)

381.2 ▲ 26%



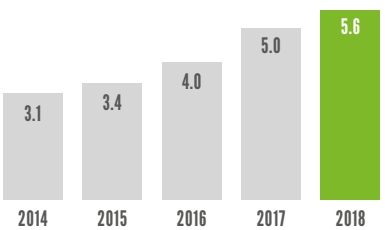
NET CASH (DEBT) (£M)

(136.5)



DIVIDEND PER SHARE (PENCE)

5.6 ▲ 12%



HIGHLIGHTS

- Adjusted gross profit up 14% driven by an excellent performance by Commercial Medicines and eight months' contribution from Quantum
- Good growth and contract wins in Africa and Asia Pacific region
- Strong performance from Quantum with integration progressing to plan; £1.1m in cost synergies already realised
- Adjusted EPS up 10% to 45.4p (2017: 41.3p)
- Good cash flow performance with cash generated from operations up 17% to £64.1m (2017: £54.7m)
- Full year dividend increased 12% to 5.6p (2017: 5.0p)
- Profit before income tax of £35.9m (2017: £14.1m)

Group results on an adjusted basis exclude amortisation of acquired intangibles and products, and other non-underlying items relating to acquisitions (see notes 4 and 7 of the consolidated financial statements). Adjusted EBITDA includes the Group's share of EBITDA from its joint venture. Adjusted results now include amortisation on software and developed IP, and the prior year has been restated accordingly.

COMPANY OVERVIEW

OUR DIVERSIFIED PORTFOLIO

"THIS YEAR HAS DEMONSTRATED THE STRENGTH AND DIVERSITY OF THE GROUP'S PORTFOLIO."

SHAUN CHILTON
Group CEO

The performance of the business is reported as three synergistic business operations; Clinical Trial Services ('CTS'), Unlicensed Medicines, and Commercial Medicines. This structure reflects how the Group operates in practice and allows the Group to obtain synergies across its complementary portfolio of businesses worldwide, enhancing our ability in providing access to medicines and to capitalise on our market-leading positions and expanded geographical footprint.

OF ADJUSTED GROUP GROSS PROFIT

10%

CLINICAL TRIAL SERVICES

CTS is the global market leader in the specialist supply and management of quality-assured comparator medicines and services to clinical trials and Investigator Initiated Trials ('IITs').

Read more on pages 36 to 37

OF ADJUSTED GROUP GROSS PROFIT

46%

COMMERCIAL MEDICINES

The Group acquires global rights to niche hospital-only and critical care products, revitalising these assets around the world and returning them back to sustained growth. The Group also provides access to licensed and branded generic medicines in the Africa and Asia Pacific region.

The Group also has an 'unlicensed to licensed' ('UL2L') strategy, where it looks to take unlicensed medicines with commercial potential and licences them, helping to address unmet medical need and allowing the Group to capitalise on its market-leading positions.

Read more on pages 30 to 33

OF ADJUSTED GROUP GROSS PROFIT

44%

UNLICENSED MEDICINES

Clinigen is the global market leader in ethically sourcing and supplying unlicensed medicines to hospital pharmacists and physicians for patients with a high unmet medical need. The Group manages early access programs to innovative new medicines and provides 'on-demand' access globally to medicines which remain unlicensed at the point of care.

Read more on pages 34 to 35

INVESTMENT CASE

In becoming the trusted global leader in access to medicines, the Group has consistently delivered healthy financial performances and returns. Below are the reasons to invest in Clinigen.

UNIQUE COMBINATION OF BUSINESSES

By utilising Clinigen's balanced portfolio, across the services and products businesses, we offer access to medicines at the key stages of the pharmaceutical product lifecycle.

Operations:	3
Commercial Medicines:	46%
Unlicensed Medicines:	44%
CTS:	10%

GLOBAL CAPABILITY

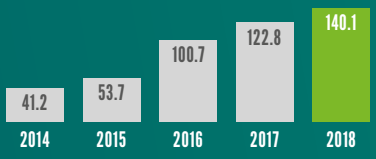
We have built a global supply chain and distribution network, organically, through acquisitions and partnerships, providing local market knowledge supported by global expertise.

Locations	13
Countries supplied:	108

EXPERIENCED MANAGEMENT TEAM

We have an experienced and diverse Group and regional management, with a track record of delivering strong growth every year since inception.

Adjusted gross profit (£M)



MARKET-LEADING POSITIONS

We are the market leader in CTS and Unlicensed Medicines.

#1

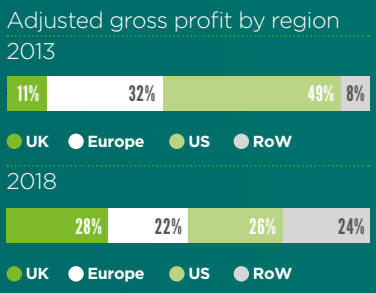
UNPARALLELED KNOWLEDGE AND EXPERTISE

We are experts in the supply and distribution of unlicensed medicines.

SIGNIFICANT LONG-TERM GROWTH POTENTIAL

The business can grow both through organic growth, with an increasing exposure to emerging pharmaceutical growth markets and through acquisition.

Adjusted gross profit by region



HIGHLY CASH GENERATIVE

We generate strong cash returns which are underpinned by strong credit control and working capital management.

Cash generated from operations

£64.1m

TRUSTED ETHICAL SUPPLIER

We have deep well-established relationships with pharmaceutical companies and pharmacists.

Relationships with big pharma:
31 of top 50 pharma companies

Customer base:
> 10,000 healthcare professionals ('HCPs')

Q&A WITH CLINIGEN CEO, SHAUN CHILTON

"COMMUNICATION WITH THE INVESTMENT COMMUNITY IS INCREDIBLY IMPORTANT. IT NOT ONLY ALLOWS US TO COMMUNICATE THE GROUP'S PERFORMANCE AND STRATEGY, BUT ALSO PROVIDES AN OPPORTUNITY FOR ME TO LISTEN TO INVESTOR FEEDBACK AND CONCERNS DIRECTLY AND GAIN IMPORTANT FEEDBACK TO INFORM MY AND MY TEAM'S THINKING."

Clinigen CEO, Shaun Chilton discusses the Group's performance in 2018 and addresses some common questions received from investors over the past year.

Q&A

Q

CAN YOU GIVE A BRIEF OVERVIEW OF THE COMPANY AND ITS BUSINESS OPERATIONS? HOW DO THEY ALL WORK TOGETHER?

A Clinigen's mission is to deliver the Right Medicine, to the Right Patient at the Right Time. There are only three ways for a HCP to provide access to a specialist medicine: through a clinical trial, through prescribing a licensed, commercially available medicine, or via the unlicensed regulatory route and at Clinigen, we have a unique business that has three synergistic business operations – Clinical Trials Services; Unlicensed Medicines and Commercial Medicines to fulfil our mission.

Clinigen operates a central operating platform that supports these three business operations with the fundamental components of what is a sophisticated and complex supply and distribution engine, including logistics, supply chain, customer services, quality, regulatory, finance, HR and legal.

See pages 12 to 13 on the Group's business model.

Q

CAN YOU DESCRIBE CLINIGEN'S VALUE PROPOSITION?

A As the global leader in access to medicines, Clinigen is building a synergistic business that has the capability to provide added value to two key customers:

- For physicians and pharmacists; we provide the most straightforward, compliant, safe and ethical way to obtain difficult to access, often unlicensed medicines.
- For pharmaceutical and biotech companies; we are a long-term partner with the capability to expand and extend the life and value of a medicine and provide distribution services and solutions in complex regulatory situations.

We operate in markets and geographies with long-term growth potential and underserved needs.

Q

HOW WOULD YOU SUMMARISE THE YEAR THAT'S JUST GONE, IN TERMS OF ACHIEVEMENTS, BUT ALSO WHERE THINGS HAVE NOT GONE QUITE TO PLAN?

A This year has demonstrated the benefits of the Group's portfolio of businesses. Overall, we have had another good year, combining a strong financial performance with excellent progress on delivering against the Group's strategic objectives.

Operationally, the areas where we have done well are in the Commercial Medicines business, particularly with our owned products, and in the Africa and Asia Pacific region overall where the performance was a standout.

I am particularly pleased with the progress we have made strategically. We are starting to 'join-the-dots' more effectively between the three businesses, for example, the recent activity with companies such as Eisai and Bristol-Myers Squibb ('BMS') who are now working with Clinigen in multiple areas and multiple products. While organic growth always remains a priority, we will always look to make strategic acquisitions – in the year, we added Quantum which has extended our capabilities in Unlicensed Medicines and Commercial Medicines, whilst the acquisition of IMMC adds to our existing footprint in Japan and further supports our strategy to become the 'go to' global leader in ethical access to unlicensed medicines.

An area which performed below expectation was CTS, particularly in the first half. However its performance strengthened in the second half and is better positioned for growth this year.

Q

CTS HAD A WEAK FIRST HALF OF THE YEAR? WHAT HAVE YOU SEEN IN THE SECOND HALF THAT GIVES YOU CONFIDENCE IN ITS FUTURE PERFORMANCE AND WHAT STEPS ARE YOU TAKING TO STRENGTHEN FOR THE FUTURE?

A We decided to make a management change in March to not only address the performance of the business but also to better position it in the US and to drive the future development of the business globally. The business delivered a strong final quarter making the second half performance sequentially better than the first and leaving the business better positioned to drive growth and I think the management change will deliver further progress this year. The strategy with CTS remains unchanged, to extend the service offering and increase our capabilities in faster growing segments of the clinical trials space, particularly supporting the growth in IITs. The CTS market is still growing and there are opportunities for growth for us here.

Q

WHAT IS THE OPPORTUNITY IN 'ON-DEMAND' ACCESS AND HOW CAN THE GROUP LEVERAGE ITS INFRASTRUCTURE TO GROW THIS BUSINESS FURTHER?

A We believe the immediately addressable market opportunity that exists in 'on-demand'

INVESTOR QUESTIONS
CONTINUED

access is well in excess of $2bn, of which we currently have a small share. The strategy to address the unmet, certainly underserved, medical need in those territories where products remain unlicensed is: 1) 'own' the product – increasing the number of exclusive supply agreements for high demand or niche products, also converting those 'early access' agreements into much longer-term 'on-demand' supply agreements; 2) continue to build a global community of HCPs as our key customers. What is very clear is that our proprietary online management platform, Cliniport, is fundamental to the long-term success of this business and is a way of rapidly creating scale and added service. See pages 28 to 29 which provides a case study underlining the importance and impact of Cliniport to the Group.

By 'joining-the-dots' more effectively for example in consolidating our drug sourcing and procurement and in leveraging global and regional pharmaceutical and biotech senior relationships across Clinigen, we will continue to drive growth.

Q

HAS THERE BEEN ANY MEANINGFUL CHANGE TO THE COMPETITIVE LANDSCAPE FOR THE CLINIGEN BUSINESSES?

A The competitive landscape the CTS business operates in has always been the most competitive of our three businesses. There are fewer barriers to entry and many local/regional players. However I don't believe it has become any more competitive during the year. As explained above, we have a strategy to address the CTS performance and I am confident we will be successful in the year ahead and beyond.

In Unlicensed Medicines, we remain the global market leader in early access, whilst in 'on-demand' access the market is very fragmented with most of the competition coming from local/regional wholesalers and internet pharmacies. We continue to differentiate our offering from our competitors as referenced in the Market Overview on pages 8 to 9.

In Commercial Medicines, most of the sales are derived from products not under patent protection and so increased competition is an ongoing risk. Assuming the competitive landscape remains unchanged, this operation is well positioned to continue to drive growth across all parts of its portfolio.

Q

THE GROUP HAS MADE TWO PRODUCT ACQUISITIONS FOLLOWING THE YEAR END, HOW DO THEY COMPLEMENT THE GROUP'S EXISTING PORTFOLIO IN COMMERCIAL MEDICINES?

A We made two product acquisitions in July 2018. The first was Proleukin® where we acquired from Novartis the global rights outside the US. Proleukin is licensed in around 20 countries around the world and is primarily indicated for use in metastatic renal cell carcinoma, as well as for metastatic melanoma in certain markets.

The second product was Imukin®, where we acquired the global rights outside the US, Canada and Japan from Horizon Pharma. Imukin is licensed in 19 countries globally to reduce the frequency of serious infections in patients with Chronic Granulomatous Disease ('CGD') and Severe Malignant Osteopetrosis ('SMO'), both considered rare conditions.

These acquisitions both fit with the Group's strategy to acquire global rights to niche hospital-only and critical care products and revitalising them to sustained long-term growth. In addition, they mark an extension to the previous acquisition strategy for global specialty medicines as they are biologics and therefore have inbuilt future generic protection.

Q

HOW IS THE INTEGRATION OF QUANTUM GOING?

A Quantum was acquired in November 2017 with the aim of strengthening our position as global leader in ethical access to medicines by extending our Unlicensed Medicines capability and accelerating our UL2L global strategy to benefit the Commercial Medicines business. The Group has been structured in a way that can accommodate bolt on acquisitions, such as Quantum. Shortly after its acquisition the integration process began in order to drive through the revenue synergies identified and we have made good progress. Quantum's unlicensed businesses have been incorporated into the Group's Unlicensed Medicines business operation, while the niche division of Lamda Laboratories and Colonis now feed directly into the Commercial Medicines business. Over the eight months of the year, we also made important progress in consolidating the key operational support areas such as quality, logistics, legal, finance, HR and IT.

We will continue to look at where we can obtain efficiencies in the way we operate and fully utilise the top line synergies to drive an improved business performance. Overall, I would comment that in the eight months since the acquisition, the integration of Quantum is going to plan with the UL2L portfolio in Commercial Medicines performing particularly well.

Q

HOW IS THE ENTERPRISE RESOURCE PLANNING ('ERP') IMPLEMENTATION PROGRESSING? WHAT WILL BE THE BENEFITS TO THE GROUP ONCE IMPLEMENTED?

A We have made progress in installing the Oracle ERP platform in the year and we have already benefited from the installation of several of the ERP modules with the remainder scheduled to be completed in 2019. This is by far the Group's most extensive capital expenditure project and it is critical that we get this right first time. I am confident that when completed in 2019, it will drive operational efficiency and allow the Group to compete better on a global scale.

Q

THE GROUP HAS MADE SOME TRANSFORMATIONAL ACQUISITIONS SINCE IPO, WHAT CAN WE EXPECT ON M&A GOING FORWARD?

A We will continue to have organic growth as a primary focus but also continue to look at selective acquisitions to extend capability and create long-term growth opportunities underpinned by more extensive competitive advantage. During the year, the Group made two corporate acquisitions, Quantum and IMMC, and following period end, made two product acquisitions, Proleukin and Imukin, and two corporate acquisitions, CSM Parent, Inc., ('CSM') and iQone Healthcare Holding (Suisse) SA ('iQone'). The corporate acquisitions will extend and expand capabilities across the Group. The two product acquisitions strengthen our offering in Commercial Medicines, demonstrating our strategy of acquiring global rights to niche, hospital based assets with revitalisation and growth potential.

Q

CAN YOU EXPLAIN THE GROUP'S SHARE PRICE PERFORMANCE IN THE LAST 12 MONTHS?

A The share price of 919p, on the last trading day of the year, increased 7% during the year and ranged between 1,177p and 837p. As with all share prices, movement is driven by many factors including macro drivers, industry specific drivers and of course, how the Company performs. As a Group we must focus on delivering on the Group's strategic objectives and achieving market expectations, as we have done this year. If we continue to perform, in the long run I am confident the share price of Clinigen will follow the growth in our earnings.

Q

WHAT ARE THE MAJOR MILESTONES TO LOOK OUT FOR IN 2019? WHAT DOES SUCCESS LOOK LIKE?

A We shall continue to drive organic growth across our portfolio and look to capitalise on the substantial opportunity in our markets to deliver another good year of progress. We have so many exciting opportunities but we also need to remain disciplined on making the expected progress against the core KPIs in each of the three businesses and for the Group as a whole. If we can continue to 'join-the-dots' within what we have created in Clinigen, then I am very excited about what the future holds for us.

Q

WHAT ARE THE IMPLICATIONS OF BREXIT FOR THE GROUP?

A As a business that operates globally and with 74% of the Group's revenues being from international markets, then we are in a good position already. Specific to the challenges and opportunities created from Brexit, however, we have a number of plans in place. The Group has established a Brexit team to develop contingency plans and has established a Dutch entity to hold the Group's proprietary marketing authorisations for our owned products. Whilst the outcomes are not clear, we have a flexible business model and can store and ship product from our own depots in the UK, Australia, Singapore and South Africa as well as utilise our existing third party wholesalers in other countries. With the team's deep understanding of multinational regulatory processes it is expected that any Brexit implications will be manageable. We continue to monitor any decisions made by the Government in respect of Brexit.

MARKET OVERVIEW

Clinigen has a unique combination of businesses providing access to medicines across clinical trials, unlicensed and commercial/licensed medicines – the key stages of a pharmaceutical product's lifecycle. The Group has broad and well-established relationships with both pharmaceutical companies, which increasingly require a trusted partner to facilitate supply and distribution of medicines to patients, and HCPs, who require assistance in accessing the medicines they need. We do this through a combination of a global reach and local knowledge.

There are several key macro market trends which impact the Group's business operations and the ability to provide access to medicines. Some of the more common macro market trends are discussed in this Market Overview.

MICRO MARKET TRENDS

COMMERCIAL MEDICINES

MARKET DRIVERS

- Portfolio rationalising by large pharmaceutical companies
- Clients increasingly looking to rationalise territories and partner with regional specialists to manage the lifecycle of products
- Increased pressure to have products available as licensed products by regulatory authorities, HCPs and patients
- Capability to convert unlicensed medicines to licensed medicines

CLINIGEN RESPONSE AND DIFFERENTIATORS

- Broad and embedded relationships with pharmaceutical companies
- Proven revitalisation capability
- Expert pharmacovigilance, quality management knowledge and understanding of complexity of regulatory environment
- Capability to convert unlicensed medicines to licensed medicines

UNLICENSED MEDICINES

MARKET DRIVERS

- Increased role of patient advocacy groups
- Clients increasingly requiring a global solution
- Demand for Real World Data ('RWD')
- Clients increasingly wanting a partner to manage supply and distribution beyond early access

CLINIGEN RESPONSE AND DIFFERENTIATORS

- Consultation capability to advise of policy
- Global supply chain and distribution network
- Online proprietary medicines access platform
- Ability to manage unlicensed supply from early access to 'on-demand' access

CLINICAL TRIAL SERVICES

MARKET DRIVERS

- Growth in IITs
- Efficacy to be shown against latest marketed product
- Clients increasingly require more complex solutions
- Speed to market launch is becoming a priority

CLINIGEN RESPONSE AND DIFFERENTIATORS

- Global supply chain and distribution network
- Certify product for authenticity
- Expanded services and IIT offering
- Broad and embedded relationships with pharmaceutical companies

MACRO MARKET TRENDS

THE INCREASED PREVALENCE OF COUNTERFEIT MEDICINES

Strategic link: 5
Impacts: CM/UL/CTS*

Patients are increasingly being put at risk by counterfeit or falsified medicines infiltrating the global pharmaceutical supply chain. These products have not been properly checked for quality, safety and efficacy and many don't require a prescription to supply. They can therefore be very dangerous and pose a serious health risk if self-prescribed. The illicit trade is on a global scale, with the WHO estimating that the global trade of counterfeit medicines is worth €73bn annually.[1] The WHO estimates that in some parts of Africa, Asia and South America, more than 30% of medicines in circulation are counterfeit.[1]

Clinigen is committed to the fight against counterfeit medicines and closely cooperates with the various stakeholders. We work closely with the regulatory authorities, partner with the appropriate associations and regularly help raise awareness of counterfeit medicines. Clinigen is the trusted global market-leader in providing an ethical, compliant way for HCPs to source medicines.

STRUCTURAL GROWTH IN EMERGING PHARMA MARKETS

Strategic link: 3 + 6
Impacts: CM/UL*

As economies in emerging markets become wealthier, life expectancy and populations increase and awareness of available healthcare improves, there is significant structural growth. The market prognosis of Intercontinental Market Services estimated pharma market development to be worth $1,190bn in 2016, with emerging markets accounting for 30% of that market.[2] The growth in these markets is against a backdrop of slowing growth in developed markets, expiration of patents and enforcement of tight regulations in mature markets.[3] Due to the complexity, particularly regulatory, of the diverse infrastructure, the approach in commercialising such opportunities require a niche and specialist service provider such as Clinigen.

Clinigen's strategy is to extend its global footprint into key markets, and is ideally placed to improve access to medicines to HCPs and their patients, by utilising its sophisticated and complex global supply and distribution engine.

DRUG SHORTAGES

Strategic link: 2 + 3 + 4 + 5 + 6
Impacts: CM/UL*

Drug shortages are a period of time when the demand for a drug exceeds the supply. In these cases access to medicines decreases and it is ultimately patients who suffer as alternative drugs are used, modifications in treatments occur and costs increase as a result of higher costs associated with substitute drugs. Drug shortages not only occur in emerging pharma markets but also in the largest pharma markets in the world. Between 2011–16, the US Food and Drug Administration ('FDA'), reports that there were 505 instances of drug shortages[4] ranging from sterile injectables, anti-infectives and oncology treatments.

Clinigen is affected by drug shortages in both our Unlicensed Medicines and Commercial Medicines business operations. At Clinigen, when we acquire an asset, we take every step possible to ensure the product won't go into shortage of supply. This gives the physician confidence to continue to use the product, keeping it on the prescribing guidelines and ultimately helping to drive sales. In addition, in Unlicensed Medicines, our experience in providing access to unlicensed medicines enables us to offer solutions and access to products to help ensure patients are not negatively impacted.

GLOBAL TRADE OF COUNTERFEIT MEDICINES[1]

€73bn

% OF ADJUSTED GROUP PROFIT GENERATED FROM OUTSIDE UK, EUROPE AND US

2013: 8%
2018: 24%

INSTANCES OF DRUG SHORTAGES[4]

505

1. https://www.bayer.com/en/background-information-on-counterfeit-drugs.aspx
2. https://www.imshealth.com/files/web/IMSH%20Institute/Reports/The%20 Global%20Use%20of%20Medicines%20Outlook%20Through%202016/Medicines_Outlook_Through_2016_Report.pdf
3. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5717296/
4. https://www.fda.gov/Drugs/DrugSafety/DrugShortages/ucm441579.htm

*CM = Commercial Medicines UL = Unlicensed Medicines CTS = Clinical Trial Services

THE PRODUCT LIFECYCLE

GLOBAL LIFECYCLE PARTNER

There are only three ways for a patient to ethically access a medicine: through clinical trials, unlicensed or licensed supply. Our unique business model allows us to manage access to all three routes worldwide.

Read more on pages 12 to 13

THE GLOBAL LIFECYCLE PARTNER

CLINICAL TRIAL SERVICES

CLIENT/CUSTOMER

PHARMACEUTICAL COMPANIES

THE CLINIGEN EFFECT

We add insight, expertise and value at the key stages of a product's lifecycle, supporting pharmaceutical companies and HCPs from clinical trials to full commercialisation. We help to reduce costs in the supply of medicines, achieve more meaningful outcomes and sustained value during commercialisation, and extend the lifetime value of a product.

- **We help the pharmaceutical company reduce supply chain inefficiencies and drive down costs.**

PROGRESS

We have made strong progress in delivering the Group's strategy in each of our business operations.

- **Complementary acquisition of CSM, enhancing capabilities, access to new customers and attractive infrastructure**
- **44 new clients added**

Read more on pages 36 to 37

UL2L is unlicensed to licensed. Number of exclusive supply agreements includes Managed Access Programs, 'on-demand' access client supply agreements and exclusive customer supply agreements in Quantum. Number of local, regional and global assets under management includes all products in the Commercial Medicines portfolio. BMS is Bristol-Myers Squibb.

HEALTHCARE PROFESSIONALS

- Managed Access Programs lead to a more impactful outcome and sustained value for the pharmaceutical company and HCP during commercialisation. We address unmet medical need by supplying into territories where products remain unlicensed.

- We help the pharmaceutical company optimally transition from UL2L supply, helping to commercialise products and address unmet medical need. We revitalise and return acquired products back to growth providing the broadest possible global access.

- Increased geographical footprint with acquisition of IMMC in Japan
- Increased number of exclusive supply agreements to 208 (2017: 138)
- Increased number of registered users to > 11,000

- Extended UL2L capability with acquisition of Quantum
- Partnership agreement signed with BMS in South Africa
- Extension to agreement with Eisai to launch three products into ten African countries
- Increased number of local, regional and global assets under management to 232 (2017: 197)

Read more on pages 34 to 35

Read more on pages 30 to 33

OUR BUSINESS MODEL

INPUTS

GLOBAL TEAM OF EXPERTS

Clinigen has over 800 employees in ten international locations.

DEEP WELL-ESTABLISHED RELATIONSHIPS

Clinigen has relationships with 31 of the top 50 pharma companies and has a customer base of over 10,000 HCPs.

PROPRIETARY DIGITAL PLATFORM

Clinigen's Cliniport is a proprietary online management platform which allows us to operate globally to build deep relationships with our customers from key opinion leaders ('KOLs') and HCPs to pharmaceutical companies.

GLOBAL SUPPLY AND DISTRIBUTION INFRASTRUCTURE

Clinigen's 'hub and spoke' global supply and distribution engine supplies into 108 countries from six international warehouses.

EXPERIENCED MANAGEMENT TEAM

Clinigen has a robust operational structure with Senior Vice Presidents supporting each of the three business operations.

UNIQUE COMBINATION OF BUSINESSES

By utilising Clinigen's balanced portfolio, across the services and products businesses, Clinigen offers access to medicines at the key stages of the pharmaceutical product lifecycle.

THREE SYNERGISTIC OPERATIONS

CENTRAL OPERATING PLATFORM AND REVENUE SYNERGIES

UNLICENSED MEDICINES

CTS

- **Generates cash** for Group investment
- Utilises unlicensed medicines **supply and distribution infrastructure**
- Provides **visibility of R&D pipeline**
- **Commonality of client** with early access
- **Transfer of patients from** clinical trials to early access

EARLY ACCESS

- Extending early access supply agreements on an exclusive basis provides client **alternative route to commercial launch**
- Provides opportunity to **partner client throughout product lifecycle**

'ON-DEMAND' ACCESS

COMMERCIAL MEDICINES

OWNED

- **ACQUIRED PRODUCTS**
- **DEVELOPED PRODUCTS**

LICENSED

- **LICENSED PRODUCTS**

- 'On-demand' identifies target medicines to **acquire and revitalise**
- 'On-demand' access identifies higher demand opportunities to **develop, licence and commercialise** medicines
- 'On-demand' helps identify geographies to **internationalise** commercial products
- 'On-demand' access identifies target medicines to transition from **UL2L** supply on a local/regional basis

OUTPUTS

PATIENTS

Clinigen shipped over 4.2m units of drugs during the year helping HCPs and their patients across 108 countries.

4.2m
Units shipped

CLIENTS

Clinigen is increasingly becoming the partner of choice for pharmaceutical and biotech companies in the supply and distribution of their products.

31
of top 50 pharma companies

Relationships with big pharma

CUSTOMERS

Clinigen offers ethical access to medicines to HCPs through a combination of a global reach and local knowledge.

> 10,000
HCPs

SHAREHOLDERS

Clinigen has delivered long-term value to shareholders through share price appreciation and a progressive dividend policy.

+360%[1]

EMPLOYEES

Clinigen is committed to a policy of equal opportunities in the recruitment, engagement and retention of employees, providing career development opportunities and competitive remuneration linked to performance.

£40.4m
Employee remuneration

1. Group total shareholder return ('TSR') (defined as share price growth including reinvested dividends), for six year period between IPO on 24 September 2012 until 7 September 2018 versus the FTSE Small Cap Index (ex Investment Trusts).

CHIEF EXECUTIVE OFFICER'S STATEMENT

EXECUTING ON STRATEGIC OBJECTIVES

SHAUN CHILTON
Group Chief Executive Officer
26 September 2018

THIS YEAR HAS BEEN AN IMPORTANT 12 MONTHS OF PROGRESS FOR THE CLINIGEN GROUP. WE HAVE DELIVERED ANOTHER YEAR OF STRONG GROWTH WITH A STRONG FINANCIAL PERFORMANCE ACROSS OUR KEY FINANCIAL METRICS

In addition, we continue to effectively demonstrate progress against the Group's strategic objectives and adding to our core capabilities following the acquisitions of Quantum and IMMC.

ADJUSTED EPS

45.4p +10%

CASH GENERATED FROM OPERATIONS

£64.1m

"THE GROUP HAS SIGNIFICANTLY STRENGTHENED ITS CAPABILITIES AND HAS CREATED A PLATFORM THAT CAN PROVIDE ACCESS TO MEDICINES GLOBALLY."

"THE RESULTS THIS YEAR, MORE THAN EVER, HAVE DEMONSTRATED THE STRENGTH AND DIVERSITY OF THE GROUP'S PORTFOLIO AND ITS THREE BUSINESS OPERATIONS."

Financial performance

We have achieved double digit growth in each of our three key metrics. Adjusted gross profit, the best measure of Clinigen's top-line performance, increased by 14%, adjusted EBITDA increased by 17% and adjusted EPS, which takes account of the additional debt costs and share dilution from the acquisitions, increased by 10%.

The results this year, more than ever, have demonstrated the strength and diversity of the Group's portfolio and its three business operations. The strong financial performance was driven by an excellent performance by Commercial Medicines, which helped offset a weaker performance from CTS and eight months' contribution from Quantum.

I am particularly pleased that the Group has also achieved a strong cash flow performance, a fundamental KPI for the business, with cash generated from operations up 17% to £64.1m.

Further details on our financial performance are covered by the Group Chief Financial Officer on pages 38 to 41.

Acquisitions and progress against strategic objectives

Since IPO in 2012, the Group has significantly strengthened its capabilities and has created a platform that can provide access to medicines globally to be able to fulfil our mission of delivering the right medicine to the right patient at the right time. Although the Group's strategy has evolved since IPO, we continue to operate in the key three areas of global medicine supply; clinical trials, unlicensed and licensed or commercial medicines.

Acquisitions have always been part of the Clinigen growth strategy and having built an organic platform we are now able to add in selective bolt on acquisitions to expand further our footprint and capabilities. The acquisition of Quantum strengthened our position as trusted global leader in access to medicines by extending our Unlicensed Medicines capability and extending our UL2L medicines global strategy. We are now able to identify and satisfy areas of unmet need through our Unlicensed Medicine business and then develop our own licensed versions of the most important and in demand products. The acquisition will also allow the Group to internationalise Quantum's portfolio of commercial products, utilising Clinigen's global supply and distribution infrastructure.

The acquisition of IMMC strengthened our presence in Japan, and makes Clinigen the leader in the provision of unlicensed medicines in the world's second largest pharmaceutical market. The business operates throughout Japan in sectors including niche vaccine, oncology and IVF, and has relationships with over 850 hospitals and clinics, which will be able to benefit from the broader access to medicines available as part of Clinigen. The acquisition of IMMC is part of Clinigen's strategy to become the 'go to' global leader in ethical access to unlicensed medicines and is a good medium-term growth opportunity for Group.

These two acquisitions are in different stages of their development, but both will be important drivers of future growth and take us closer to realising our vision to be the trusted global leader in access to medicines. We have a good track record integrating our acquisitions, allowing us to build scale and capability and this has enabled us to deliver strong shareholder returns and positions us well to drive future growth in the long-term.

CHIEF EXECUTIVE OFFICER'S STATEMENT
CONTINUED

"WE ARE BEGINNING TO GAIN REAL TRACTION IN THE STRATEGY TO PROVIDE ACCESS TO LICENSED AND BRANDED GENERIC MEDICINES IN THE HIGH-GROWTH POTENTIAL REGIONS SUCH AS IN AFRICA AND ASIA PACIFIC."

Following the year end, in July 2018, the Group acquired two further medicines, bringing its portfolio of acquired global, specialty medicines undergoing revitalisation to seven. The Group acquired the global rights outside the US to Proleukin from Novartis and acquired the global rights outside the US, Canada and Japan to Imukin from Horizon Pharma. Proleukin is indicated for use in metastatic renal cell carcinoma, as well as for metastatic melanoma in certain markets. Imukin is licensed to reduce the frequency of serious infections in patients with CGD and for the treatment of SMO.

These acquisitions both fit with the Group's strategy in acquiring global rights to niche hospital-only and critical care products and revitalising them back to sustained growth. In addition, they mark an extension to the previous acquisition strategy for global specialty medicines as they are biologics and therefore have inbuilt future generic protection.

Operational performance

The standout performance during the year was in the Commercial Medicines business operation. It delivered an excellent performance across most of the portfolio and was supplemented by eight months' contribution from Quantum.

We are beginning to gain real traction in the strategy to provide access to licensed and branded generic medicines in the high-growth potential regions such as in Africa and Asia Pacific. In the year we announced further agreements, registering Garsun in South Africa and extending the agreement with Eisai to launch three products into ten African Countries. In addition, we announced an extended partnership agreement with BMS which will lead to the transfer of marketing authorisations (product registration certificates) in South Africa, from BMS to Clinigen. Collectively, these agreements demonstrate that the Group is increasingly becoming a partner of choice to pharmaceutical companies, both in Africa and around the world, in the supply and distribution of their products.

We have continued to focus on the revitalisation of our acquired product portfolio. Our lead asset, Foscavir, continued to show good growth across its major geographies. We also obtained a price increase for Foscavir in Japan, the first such increase since launching the product there in 2010 and aligning the price closer to other key territories. In addition we launched Totect in the US through our strategic partner, Cumberland, after which it benefited from a manufacturing shortage of a competitor product, enabling it to accelerate gains in market share. We have also seen the effects of revitalisation in the other products, in particular Cardioxane and Savene, which both delivered double digit growth. In Quantum, the performance of the business's main commercial medicine, Glycopyrronium Bromide Oral Solution 1mg/5ml ('Glyco'), performed well in the eight months since acquisition.

In the Unlicensed Medicines business operation, our early access business has continued to win programs throughout the year, strengthening our market-leading status in the supply of early access to medicines globally. In 'on-demand' access, we have made further progress with the strategy of increasing the number of exclusive supply agreements for high demand or niche products, and continuing to build a community of HCPs as customers. This is the right strategy to address unmet medical need in those territories where products remain unlicensed. The Unlicensed Medicines business from Quantum performed in line with our expectations.

Linking the product with the customer requires a differentiated digital offering capable of supporting the business as it grows. With Cliniport, we have a proprietary online management platform which allows us to operate globally to build deep relationships with HCPs and pharmaceutical companies. The momentum is really building with Cliniport and I expect this to continue in the year ahead. See pages 28 to 29 which provides a case study underlining the importance and impact of Cliniport to the Group.

EMPLOYEES

> 800

"ON BEHALF OF THE BOARD I WOULD LIKE TO THANK ALL OUR EMPLOYEES FOR THEIR PROFESSIONALISM AND EXPERTISE DURING THE PAST YEAR."

"WE HAVE ALREADY BENEFITED FROM THE INSTALLATION OF SEVERAL OF THE ERP MODULES WITH THE REMAINDER SCHEDULED TO BE COMPLETED IN 2019."

Technology

Work has continued throughout the year with the implementation of the Group ERP system. The Group has already benefited from the installation of several of the ERP modules with the remainder scheduled to be completed in 2019. This is by far the Group's most extensive capital expenditure project and is critical to the future growth of the business. The Group is confident that when it completes in 2019, it will drive operational efficiency and allow it to compete better on a global scale.

People

Adding and integrating successfully new talent from acquisitions is an important part of growth. Following the Quantum acquisition the Group now has over 800 employees operating in ten international locations. On behalf of the Board, I would like to thank all our employees for their professionalism and expertise during the past year, helping the Group in its guiding principle to become the trusted global leader in access to medicines. I am pleased that so many of our employees are themselves shareholders in Clinigen and can benefit from the Group's success as a result of participating in our popular Sharesave scheme.

The senior management team has been strengthened with new Senior Vice Presidents in each of our business operations, Commercial Medicines, Unlicensed Medicines and CTS. These business operations are critical for the Group to achieve its strategic objectives and appointing high-calibre individuals helps prepare the Group for the next stage in its development.

I would also like to thank my current and previous Board colleagues for their support and guidance over the past year. Peter George and John Bacon stepped down from the Board on 1 November 2017, whilst Anne Hyland joined the Board on 1 January 2018.

I would finally like to thank all our stakeholders; customers, suppliers, employees and shareholders, whose continued support has contributed to our success.

Outlook

I believe the Group is well-positioned to capitalise on the substantial opportunity in our markets in line with our strategic objectives and deliver another good year of progress.

Group results on an adjusted basis exclude amortisation of acquired intangibles and products, and other non-underlying items relating to acquisitions. Adjusted EBITDA includes the Group's share of EBITDA from its joint venture. Adjusted results now include amortisation on software and developed IP and the prior year has been restated accordingly.

OUR TRACK RECORD AND FUTURE ASPIRATIONS

CAGR GROWTH IN GROSS PROFIT[1] 46%

CAGR GROWTH IN EBITDA[1] 61%

OUR HISTORICAL PERFORMANCE

2010
Clinigen Group formed by Peter George

Acquires its first product, Foscavir

2011
Recognised as the fastest-growing private company in the UK by the Sunday Times Virgin Fast Track 100

2012
Lists on the AIM of the London Stock Exchange – the first UK healthcare company to list in London in five years

2013
Wins Best Newcomer at the London Stock Exchange AIM Awards

Acquires its second product, Cardioxane

2014
Extends headquarters in Burton-on-Trent, UK

Acquires its third product, Savene and fourth product, Ethyol

2015
Acquires Idis in April 2015 to become the global leader in providing ethical compliant access to unlicensed medicines

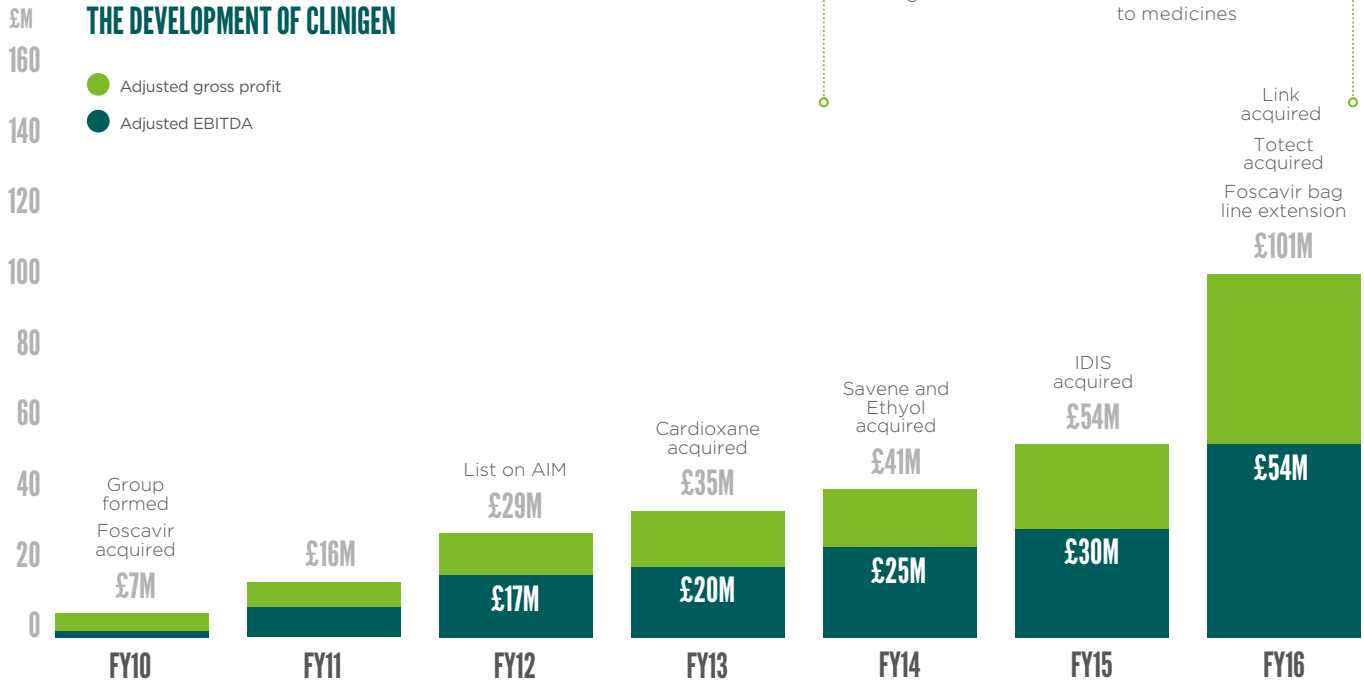
Acquires Link Healthcare ('Link') in October 2015 to expand its ability to provide access to medicines for patients in the Africa, Australia and Asia region

2016
Acquires its fifth product, Totect, and Foscavir bag line extension

2017
Acquires IMMC in October 2017, strengthening the Group's presence in Japan, the world's second largest pharmaceutical market

Acquires Quantum in November 2017, strengthening Clinigen's position as global leader in ethical access to medicines

THE DEVELOPMENT OF CLINIGEN



Adjusted results exclude amortisation of acquired intangibles and products, and other non-underlying items relating to acquisitions. Adjusted EBITDA includes the Group's share of EBITDA from its joint venture. Adjusted results include amortisation of software and internally developed IP.

1. CAGR growth covers the eight year period between FY10 and FY18.

2018

Extended partnership agreement signed with BMS leading to the transfer of marketing authorisations in South Africa from BMS to Clinigen

OUR FUTURE

The Group has a strong track record of growth, delivering double digit gross profit and EBITDA growth, year-on-year, since its inception in 2010. The Group must continue to build scale and capability to enable it to deliver strong shareholder returns in the future. The following are the key areas which will drive future growth allowing the Group to achieve its aspirations.

EMBRACE DIGITAL INNOVATION

The Group's ERP system will drive operational efficiency and allow the Group to compete on a global scale. Once the ERP is implemented in 2019, and with further enhancements, the benefits of the Group's customisable, scalable web portal, Cliniport, can be fully utilised.

Read more on pages 28 to 29

EXTEND GEOGRAPHICAL FOOTPRINT

A key focus for the Group is to extend its global footprint further into remaining key markets. This means shipping product into new geographies as well as extending services and products into the Group's current markets.

Read more on pages 26 to 27

DEVELOP STRATEGIC PARTNERSHIPS

The Group has built partnerships with pharmaceutical companies both with its owned-product portfolio, where it owns the product, but also with its licensed product portfolio, where the Group holds the marketing authorisation. These partnerships are becoming more important as pharmaceutical companies rationalise both their products and their territories and are looking for a partner to help fully realise their commercial aspirations.

OUR STRATEGY

STRATEGIC OBJECTIVES	CULTURE 1	TECHNOLOGY 2
PRIORITY	Develop and retain talented people	Upgrade technology platform to drive organic growth
2018 PROGRESS	– 47 employees across UK, US and South Africa completed the Clinigen Management Academy training program – Implementation of the global intranet, ClinigenConnect, connecting all employees globally to online learning resources and recognition initiatives – Access to e-learning portal and online language learning extended to all employees globally	– Growth of Cliniport (proprietary web-based operating system) enabling the Group to better interact with the customer – Several key modules of ClinigenOne ERP implemented
KEY PERFORMANCE INDICATORS	Spend per head on training and development: **£441**	Number of products on Cliniport: **420**
2019 OBJECTIVES	– Obtain Investors in People reaccreditation – Launch a bespoke leadership development program with external recognition – Upgrade to online performance, development and talent management system incorporating peer to peer feedback – Implement a global online recruitment and onboarding platform	– Complete implementation of ClinigenOne ERP – Embed Cliniport functionality including extended RWD capability into ClinigenOne

CUSTOMER

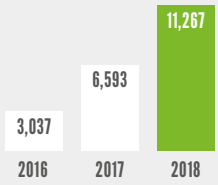
BUSINESS

3

Expand and embed a global community of customers and opinion leaders

- Growth of Cliniport (proprietary web-based operating system) enabling the Group to better interact with the customer

Number of registered users on Cliniport:



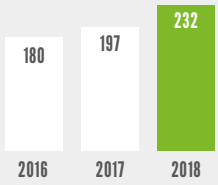
- Increase amount of activity through Cliniport
- Continue to expand the number of users on Cliniport
- Drive KOL, hospital pharmacist and pharmacy group engagement across markets

4

Expand portfolio of acquired, global and regional assets

- Acquisition of Quantum accelerates our UL2L medicines global strategy
- Acquisition of Proleukin and Imukin in July 2018 strengthen our offering in Commercial Medicines
- Extended partnership agreement signed with BMS leading to the transfer of marketing authorisations in South Africa from BMS to Clinigen
- Agreement with Eisai to launch Halaven® and Fycompa® and Lenvima® into ten African countries
- Registration of Garsun® in South Africa

Number of local, regional and global assets under management[1]:



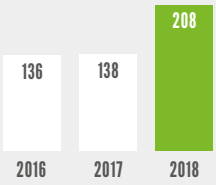
- Convert UL2L opportunities in Europe, Africa and Asia Pacific
- Prepare Foscavir bag line extension for launch in 2019
- Transfer Commercial Medicines product marketing authorisations to Clinigen
- Continue to search for selective product acquisitions

5

Become the 'go to' leader in ethical access to unlicensed medicines

- Acquisition of Quantum strengthens market-leading position
- Further 'on-demand' exclusive supply agreements won

Number of exclusive supply agreements in Unlicensed Medicines[2]:



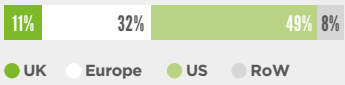
- Drive further operational synergies within Unlicensed Medicines
- Raise awareness of threat of counterfeit medicines

6

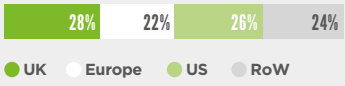
Extend global footprint into remaining key markets

- Acquired IMMC, Japan's largest supplier of unlicensed medicines
- Totect launched in US through strategic alliance with Cumberland
- Agreement with Eisai to launch Halaven and Fycompa and Lenvima into ten African countries

Adjusted gross profit by region 2013



Adjusted gross profit by region 2018



- Utilising EU footprint through acquisition of iQone
- Develop capability through partnerships in LATAM and Middle East

1. Number of local, regional and global assets under management includes all products in the Commercial Medicines portfolio.
2. Number of exclusive supply agreements includes Managed Access Programs, exclusive 'on-demand' access client supply agreements and exclusive customer supply agreements in Quantum.

KEY PERFORMANCE INDICATORS

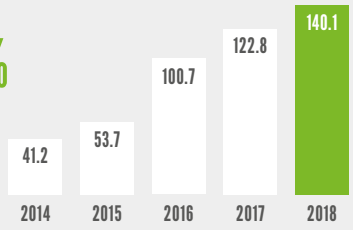
OUR PERFORMANCE IS MEASURED AGAINST A NUMBER OF KPI TARGETS

Our performance is measured against a number of KPI targets. These KPIs contribute to the success of the Group and form a component of the Executive Directors' and senior management's incentives.

FINANCIAL

ADJUSTED GROSS PROFIT (£M)

140.1 14%

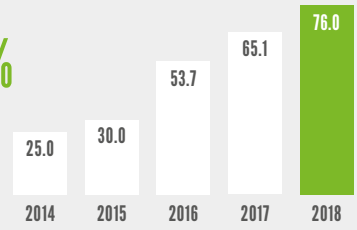


Why we measure it: Adjusted gross profit is viewed by the Board as the best measure of top line performance. It allows management to assess the performance of the business after removing transactions that are not reflective of the routine business operations.

Performance: Adjusted gross profit increased by 14%, driven by an excellent performance by Commercial Medicines and eight months' contribution from Quantum.

ADJUSTED EBITDA (£M)

76.0 17%

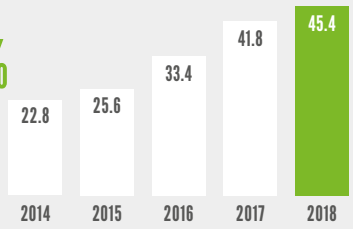


Why we measure it: Adjusted EBITDA provides management with an approximation of cash generation from operating activities after removing transactions that are not reflective of the routine business operations.

Performance: Adjusted EBITDA increased 17% benefitting from the increase in gross profit, good operational leverage, and robust cost control.

ADJUSTED BASIC EARNINGS PER SHARE (PENCE)

45.4 10%



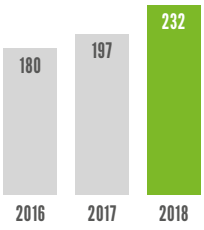
Why we measure it: Adjusted EPS growth allows management to assess the post-tax underlying performance of the business in combination with the impact of capital structure actions on the share base.

Performance: Adjusted EPS increased 10% reflecting the Group's higher adjusted profit from operations, partially offset by dilution and higher finance costs following the acquisitions.

NON-FINANCIAL

NUMBER OF LOCAL, REGIONAL AND GLOBAL ASSETS UNDER MANAGEMENT[1]

232 18%

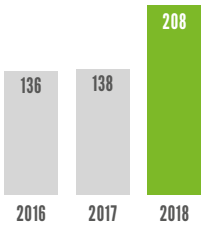


Why we measure it: Measures the quantity of products in the Commercial Medicines portfolio, demonstrating the business's potential for future growth.

Performance: Growth in the number of products in the portfolio was driven by an increase in the number of local marketed licences and branded generic products in the Africa and Asia Pacific region and from the products acquired as a result of Quantum.

NUMBER OF EXCLUSIVE SUPPLY AGREEMENTS IN UNLICENSED MEDICINES[2]

208 51%

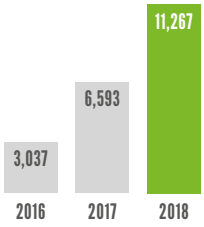


Why we measure it: Measures the quantity of exclusive supply agreements in Unlicensed Medicines, demonstrating the business's potential for future growth.

Performance: Growth of products in the portfolio was driven as a result of the Quantum acquisition.

COMMUNITY OF REGISTERED USERS ON CLINIPORT

11,267



Why we measure it: Measures the progress made in building a community of HCPs and pharmaceutical and biotech clients.

Performance: Growth has been driven by an increase in the number of assets under management and exclusive supply agreements.

1. Number of local, regional and global assets under management includes all products in the Commercial Medicines portfolio.
2. Number of exclusive supply agreements includes Managed Access Programs, exclusive 'on-demand' access client supply agreements and exclusive customer supply agreements in Quantum.

QUANTUM'S DEVELOPED PRODUCTS PIPELINE

STRATEGIC OBJECTIVES 4+6

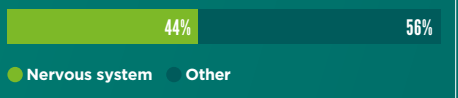
THE ACQUISITION OF QUANTUM IN NOVEMBER 2017 ADDED COMPLEMENTARY CAPABILITY IN UNLICENSED MEDICINES AND PROVIDED A PIPELINE OF PRODUCTS AND IN-HOUSE DEVELOPMENT CAPABILITIES IN COMMERCIAL MEDICINES

DEVELOPED PRODUCTS **13**

PIPELINE PRODUCTS **16**

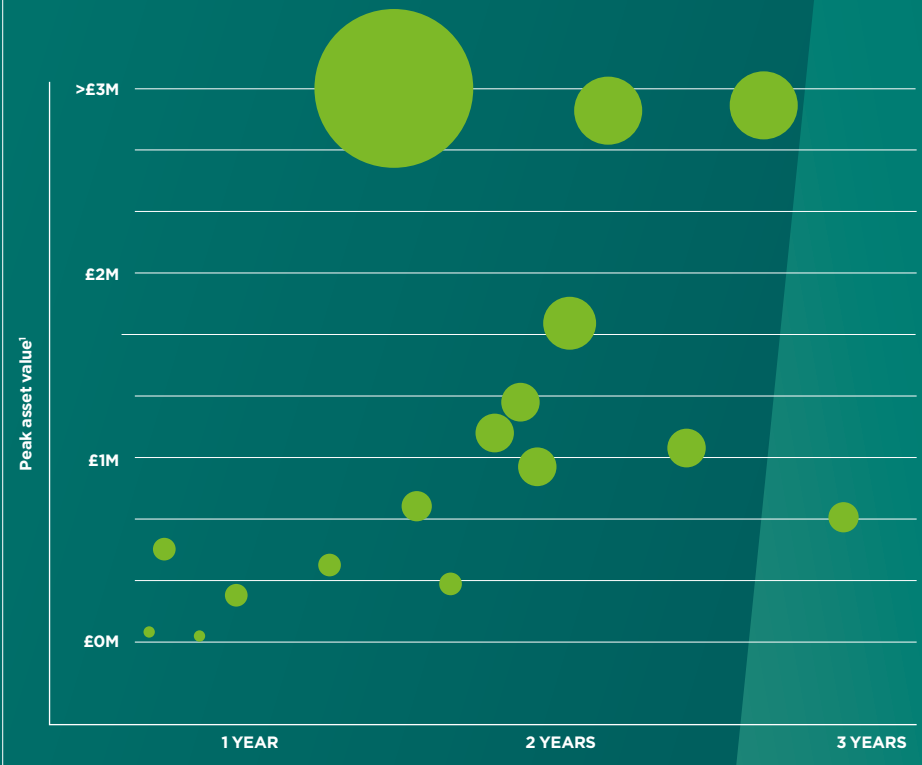
TOTAL PEAK ASSET VALUE[1] **> £35M**

PRODUCTS BY THERAPY AREA



PRODUCTS BY TIME TO LAUNCH

PIPELINE – PRODUCT SIZE AND TIME TO LAUNCH



Products are determined by active pharmaceutical ingredient and may include multiple formulations/presentations and strengths.

1. Peak asset value is the annualised gross profit based on the gross profit from the single highest month.

REGULATORY APPROVAL PROCESS

Supplying products on an unlicensed basis allows the Group to identify where unmet medical need and patient demand is high. Once identified, these products are then assessed for technical and commercial feasibility to determine their suitability to add to the commercialisation pipeline.

Using the Group's in-house product development capabilities, regulatory and commercialisation expertise, these products are developed and then submitted through the regulatory approval process, to demonstrate their safety, efficacy and quality. This type of development requires less time and investment than the development of innovative new medicines and also benefits from more rapid uptake on commercial launch as it is fulfilling what was unmet clinical need. However, they remain complicated developments and could typically take up to three years before the products can be commercialised. If the development is successful, products are granted a marketing authorisation and are added to our current developed products portfolio where the Group is able to market the product, by selling directly to wholesalers or by utilising its global supply and distribution infrastructure.

PIPELINE

The Group's strong market position in the supply of unlicensed medicines, in-house product development capabilities and regulatory approval expertise, are key differentiators, presenting it with excellent growth opportunities. At the half year, the Group reported it had over 50 individual product presentations in the commercialisation pipeline in either active development or ongoing submission. When these products of variable strengths and dosages are consolidated into their active pharmaceutical ingredient, there were 16 products at the end of the year with an estimated annualised peak asset value in excess of £35m. The peak asset value is the annualised gross profit based on the gross profit from the single highest month. There are currently four products in the pipeline that are due to be launched in the next year, a further seven in the next two years and a further five in the next three years.

PRODUCTS

In addition to those in the pipeline, there are currently 13 products in the developed products portfolio which have passed through the regulatory approval process. The most significant of which is Glyco, launched in August 2016. During the year, adjusted gross profit associated with these developed products contributed £7.8m to the Commercial Medicines business operation.

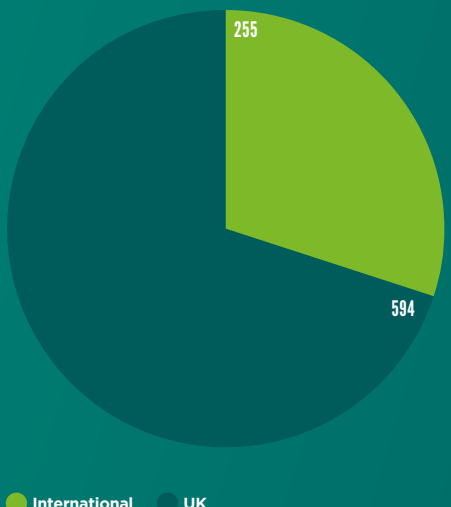
Each of these products have in the past been developed primarily for the UK market. However, with the Group's global supply and distribution infrastructure, these products can be reviewed for international opportunities for unlicensed supply or local approval and registration. In addition, the Group can utilise its knowledge of medicines, particularly in the Africa and Asia Pacific region, to identify products for development with an unmet medical need.

EXTENDING GLOBAL FOOTPRINT

STRATEGIC OBJECTIVES 3+4+5+6

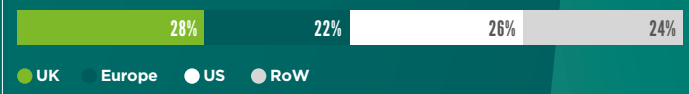
SINCE IPO IN 2012, THE GROUP HAS BECOME INCREASINGLY GEOGRAPHICALLY DIVERSE THROUGH BOTH ORGANIC GROWTH, PARTNERSHIPS AND ACQUISITIONS. EXTENDING THE GLOBAL FOOTPRINT INTO REMAINING MARKETS IS A KEY STRATEGIC OBJECTIVE FOR THE GROUP

HEADCOUNT



ADJUSTED GROSS PROFIT BY REGION 2013

ADJUSTED GROSS PROFIT BY REGION 2018



1. RoW includes all countries outside UK, Europe and the US.
2. Other includes UK, Europe and the US.

LOCAL MARKETED LICENCES

214

The acquisition of Link in 2015 provided the Group with an immediate growth opportunity by extending its presence in the Africa and Asia Pacific region.

ASIA PACIFIC

The Group has subsequently made further steps strengthening its infrastructure in the region by launching an office in Japan in 2016, obtaining a wholesale licence in Hong Kong in 2017 and during the year, acquired IMMC, Japan's largest supplier of unlicensed medicines. The acquisition of IMMC adds to Clinigen's existing footprint in the country and is part of the strategy to become the 'go to' global leader in ethical access to unlicensed medicines, allowing it to better address unmet patient needs.

AFRICA

In Africa, building on the relationship established with Eisai in the supply and distribution of unlicensed medicines, a further agreement was signed in the year to launch Halaven, Fycompa and Lenvima into ten African countries, helping to address the unmet medical needs of patients and their families across southern Africa.

In addition the Group signed an extended partnership in May 2018 with BMS to supply its portfolio of products in South Africa. The partnership will lead to the Group taking on the marketing authorisations (product registration certificates) from BMS for a period of five years. Many pharmaceutical and biotechnology companies are increasingly looking for specialist partners to work with them in non-core markets. The Group's global supply and distribution infrastructure now gives us more opportunities to provide our clients and customers with our global expertise combined with local knowledge.

US

In the US the Group has established an East Coast presence in its CTS and Unlicensed Medicines business operations. It has also formed strategic alliances to assist in the supply and distribution of its owned products in the Commercial Medicines business operation. Foscavir, Ethyol and Totect are all now available in the US helping to ensure patients can access these vital medicines and driving sales in a key strategic market.

The above geographical regions are key to the Group's success in driving organic growth and demonstrate how it is building out market leadership positions to better address unmet patient needs for access to critical medicines.

BUILDING SCALE THROUGH CLINIPORT

STRATEGIC OBJECTIVES 2+3+5

CLINIPORT IS THE GROUP'S CUSTOMISABLE, SCALABLE WEB PORTAL WHICH HAS BECOME AN INVALUABLE PART OF OUR SERVICE OFFERING FOR OUR CLIENTS AND FURTHER STRENGTHENS OUR MARKET PROPOSITION AND INTERACTION WITH THE CUSTOMER

CLINIPORT DRIVING MARKET SHARE

PRESENT

EXCLUSIVE PRODUCTS

110 MAPs[1]

39 'on-demand' access agreements

7 acquired products

13 developed products

NON-EXCLUSIVE PRODUCTS

> 2,500 Quantum products[2]

> 1,000 'on-demand' access products

CLINIPORT

420 Products

> 11,000 Registered users

32,000 Orders placed in last 12 months

PHARMA & BIOTECH CLIENTS

HEALTHCARE PROFESSIONALS

STRATEGY

- Increase number of exclusive agreements
- Broaden non-exclusive product range

- Increase number of users driven by exclusivity of product and marketing awareness

1. MAPs are Managed Access Programs.
2. Quantum products are individual stock keeping units ('SKU').

Cliniport was designed for use by both our pharmaceutical and biotech clients, to be able to access real-time live and historic data for their early access programs, and the HCP customer, to be able to place orders for the relevant medicines from the library of over 400 products.

The Group has built a portfolio of products where it has exclusive agreements with the owner of the product, to be able to supply and distribute their medicines. This means the customer has to come to Clinigen to be able to access the product. These exclusive agreements include those from both the early access and 'on-demand' access businesses in Unlicensed Medicines, and from the acquired products and developed products which we own in Commercial Medicines. In addition, we have over 250 of the highest demand products on Cliniport which we supply and distribute on a non-exclusive basis.

Not only does this drive traffic and demand for these products, but it also helps build the community of registered users or customers on Cliniport, an important KPI for the Group. Currently, we have over 10,000 customers and over 500 clients registered on Cliniport. Building the customer community in particular will further strengthen our market proposition.

In the future, the strategy is to increase the number of exclusive agreements where the customer can only access the product through Clinigen and Cliniport, and to broaden the number of non-exclusive products in the library. Providing access to products on Cliniport will then help to drive market awareness in the customer community.

The development of Cliniport since launching it in 2017, demonstrates the demand we have seen from both our clients and customers. We believe that Cliniport through its scalability, will support our current geographical infrastructure and future growth ambitions in the coming years.

COMMERCIAL MEDICINES

Benjamin was promoted to Senior Vice President of Commercial Medicines in March 2018. Benjamin's roles include both the global management of Clinigen's Commercial Medicines division and the strategic development of the Group's UL2L. This has already proved successful in South Africa, with Clinigen launching Eisai products and, following the acquisition of Quantum in 2017, Clinigen seeks to expand these capabilities further. Benjamin's promotion also marks the first senior management appointment of a former Link employee following its acquisition in 2015. This demonstrates the importance of these geographic markets to the Group and the strategic significance of licensed medicines to Clinigen as a whole.

BENJAMIN MINY
Senior Vice President of Commercial Medicines

Clinigen's Commercial Medicines operation has a three-fold strategy. It acquires global rights to niche hospital-only and critical care products and revitalises them back to sustained growth. It provides access to licensed and branded generic medicines as a commercial partner of the owner/innovator in regions such as Africa and Asia Pacific. In addition, it has an 'UL2L strategy, where it looks to take unlicensed medicines with commercial potential and develops them into licenced medicines, helping to address unmet medical need.

Commercial Medicines represents 46% of adjusted Group gross profit. This operation was the biggest driver of Group profit, increasing adjusted gross profit by 35% due to an excellent performance across most of the portfolio and eight months' contribution from Quantum. Adjusted gross profit on a constant currency basis increased by 37% compared to last year.

Gross margin was 72.7% (2017: 71.3%) with the increase due to the change in mix towards higher margin products.

NUMBER OF LOCAL, REGIONAL AND GLOBAL ASSETS UNDER MANAGEMENT[1]

232

MARKET DRIVERS

- Portfolio rationalising by large pharmaceutical companies
- Clients increasingly looking to rationalise territories and partner with regional specialists to manage the lifecycle of products
- Increasing pressure to have unlicensed products available as licensed products by regulatory authorities, HCPs and patients to improve access

CLINIGEN RESPONSE AND DIFFERENTIATORS

- Broad and embedded relationships with pharmaceutical companies
- Proven revitalisation capability
- Expert pharmacovigilance, quality management knowledge and understanding of complexity of regulatory environment
- Capability to convert unlicensed medicines to licensed medicines

REVENUE (£M)

£87.9M

ADJUSTED GROSS PROFIT (£M)

£64.0M +35%

GROSS PROFIT (%)

72.7% +1.4%

Acquired products portfolio

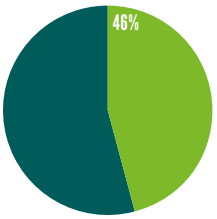
Following the year end, in July 2018, the Group acquired two further medicines, bringing its portfolio of acquired, global, specialty medicines undergoing revitalisation to seven. The Group acquired the global rights outside the US to Proleukin from Novartis and acquired the global rights outside the US, Canada and Japan to Imukin from Horizon Pharma. Proleukin is indicated for use in metastatic renal cell carcinoma, as well as for metastatic melanoma in certain markets. Imukin is licensed to reduce the frequency of serious infections in patients with CGD and for the treatment of SMO.

These acquisitions both fit with the Group's strategy of acquiring global rights to niche hospital-only and critical care products and revitalising them back to sustained growth. In addition, they mark an extension to the previous acquisition strategy for global specialty medicines as they are biologics and therefore have inbuilt future generic protection. It is expected that both Proleukin and Imukin will add incrementally to gross profit in 2019 with the full benefit of revitalisation occurring from 2020.

During the year, the core five products which cover two therapy areas (oncology support and infectious disease), underwent further revitalisation and contributed 66% of Commercial Medicines' adjusted gross profit (2017: 75%). The decrease in the relative percentage is due to the eight months' contribution from Quantum in the current year and demonstrates further breadth to the Group's product portfolio.

Foscavir is an anti-viral used to treat cytomegalovirus ('CMV') viraemia and infection primarily in bone marrow transplant patients. Foscavir achieved strong growth in the year, benefiting from a good underlying performance across its major geographies, and from driving direct to hospital business in Europe. Foscavir now represents 45% of Commercial Medicines' adjusted gross profit (2017: 53%).

SHARE OF ADJUSTED GROUP GROSS PROFIT



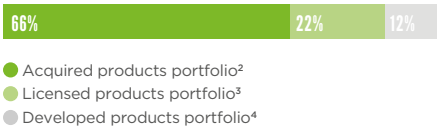
UNITS SHIPPED

2.1M

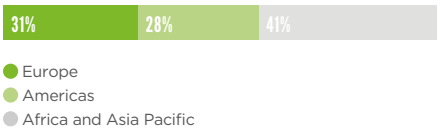
COUNTRIES SHIPPED TO

53

ADJUSTED GROSS PROFIT BY PORTFOLIO



REVENUE BY REGION



PRIORITIES

- Continued revitalisation of existing products, particularly those recently acquired
- Development of the Quantum pipeline and further conversion of UL2L medicines
- Further licensing and distributing regional products
- Add further products to portfolio

1. Number of local, regional and global assets under management includes all products in the Commercial Medicines portfolio.
2. Acquired products refers to Foscavir, Ethyol, Cardioxane, Savene and Totect.
3. Licensed products refers to the local marketed licenses including branded and generic products in the Africa and Asia Pacific region.
4. Developed products refers to the commercial products in Quantum.

COMMERCIAL MEDICINES
CONTINUED

"THIS OPERATION WAS THE BIGGEST DRIVER OF GROUP PROFIT, INCREASING ADJUSTED GROSS PROFITS BY 35% DUE TO AN EXCELLENT PERFORMANCE ACROSS MOST OF THE PORTFOLIO AND EIGHT MONTHS' CONTRIBUTION FROM QUANTUM."

In February 2018, the MHLW ('Ministry of Health, Labour and Welfare') agreed to a price increase in Japan for Foscavir, the first such increase since launching the product there in 2010 and aligning the price closer to other key territories.

Sales of Cardioxane demonstrated strong growth, in part as a result of increased usage following the approval from the European Commission in August 2017 to modify its current product information and change its guidance for paediatric use. The Group continues to work with physicians to expand the clinical understanding of the recent Cardioxane label changes and the introduction of new sarcoma treatments that demand increased anthracycline and Cardioxane use. This is expected to lead to a significant increase in usage of Cardioxane in the medium term.

Following the US launch in September 2017, sales of Totect benefited from a manufacturing shortage of a competitor product. Whilst this benefit was temporary and sales have now normalised, this has enabled Totect to accelerate gains in market share.

Licensed products portfolio
Excellent progress was made in the Africa and Asia Pacific region, with growth across all geographies. The Group has 214 specialist pharmaceutical and medical-technology actively marketed licensed products including both branded and generic products in this region and continues to make progress in extending the commercial strategy in converting unlicensed medicines to licensed medicines.

Following on from the agreements announced in the first half of the year to register Garsun in South Africa and the extension to the agreement with Eisai to launch three products into ten African countries, the Group also announced in May 2018 an extended partnership agreement with BMS. The agreement will lead to the transfer of marketing authorisations (product registration certificates) in South Africa, from BMS to Clinigen. This agreement demonstrates the long and successful relationship the Group has built with BMS, which began with providing access to BMS' unlicensed products globally and has grown with Clinigen's expansion into important future growth markets.

Each of the agreements above demonstrate that the Group is increasingly becoming a partner of choice to pharmaceutical companies, both in Africa and around the world, in the supply and distribution of their products.

Developed products portfolio
The commercial business within Quantum develops, licenses and commercialises medicines with a particular focus on those currently prescribed as unlicensed medicines. At the end of the year, the business had 13 commercialised products in its portfolio. The performance across most the portfolio was strong with the business's main product Glyco, performing well in the eight months since acquisition.

"EXCELLENT PROGRESS WAS MADE IN THE AFRICA AND ASIA PACIFIC REGION, WITH GROWTH ACROSS ALL GEOGRAPHIES."

Quantum also has a pipeline of UL2L products, as well as complementary, larger, niche generic products across several therapeutic areas that the Group aims to commercialise. At the half year, the Group reported it had over 50 individual product presentations in the commercialisation pipeline in either active development or ongoing submission. When these products of variable strengths and dosages are consolidated into their active pharmaceutical ingredient, there were 16 products at the end of the year in the pipeline at different stages of development. These products typically can take up to three years to develop before becoming licensed. If the development is successful, products are granted a marketing authorisation and are added to the current Commercial Medicines portfolio. The Group is then able to market the product, by selling directly to wholesalers or by utilising its global supply and distribution infrastructure. There are currently four products in the pipeline that are due to be launched in the next year and up to 12 further products over the next two to three years.

The priorities for Commercial Medicines are: continued revitalisation of existing products, particularly those recently acquired, seeking selective product acquisitions that fit within the portfolio, extending the commercial strategy of licensing and distributing regional products, the development of the Quantum pipeline and further conversion of UL2L medicines.

UNLICENSED MEDICINES

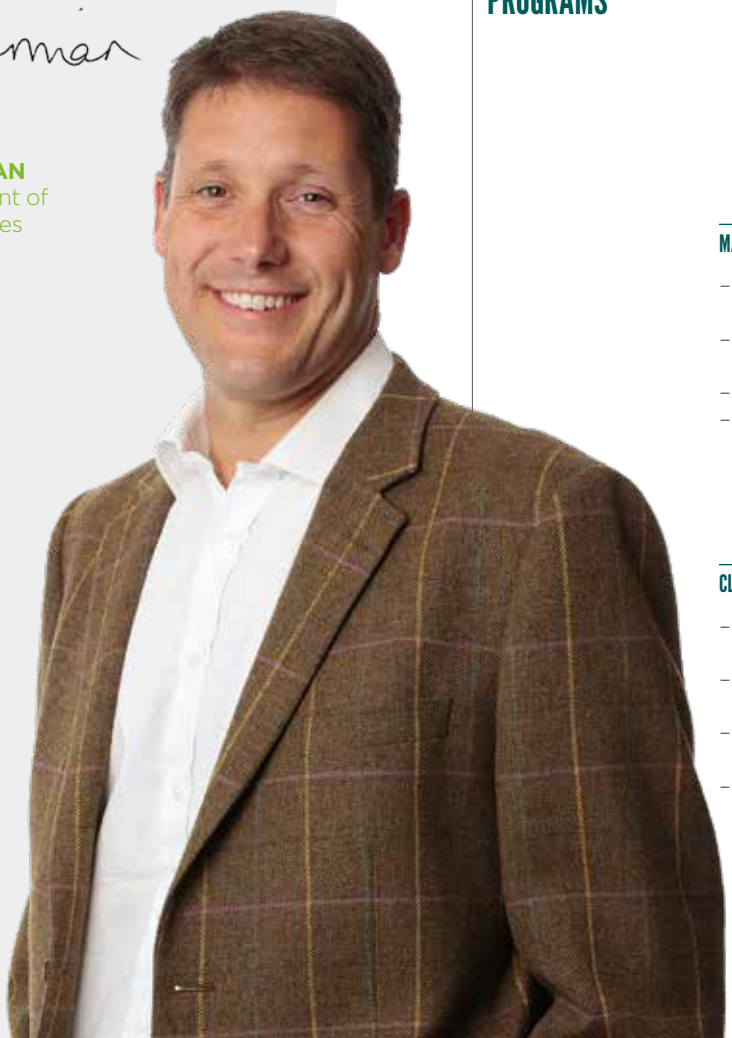
Clinigen is the global leader in ethically sourcing and supplying unlicensed medicines to hospital pharmacists and physicians for patients with a high unmet medical need. The Group manages early access programs to innovative new medicines, provides 'on-demand' access globally to medicines which remain unlicensed at the point of care, and through Quantum, manufactures, procures and supplies unlicensed medicines.

The Unlicensed Medicines operation represents 44% of adjusted Group gross profit. Gross profit increased by 19%, benefiting from eight months' contribution from the related business within Quantum and IMMC. Adjusted gross profit on a constant currency basis increased by 21% compared to last year.

During the year this operation shipped 1.9m units of drugs across 104 countries.

James joined Clinigen in September 2018 as the Senior Vice President of Unlicensed Medicines. James was appointed to build on the foundations already in place in the Unlicensed Medicines business operation and to realise the potential of this global business. James is a senior pharmaceutical executive with a long-term track record of building and developing high-performing teams. He has held a number of senior commercial and operational roles in the industry. At Pfizer, James managed the local market access teams and in his most recent role with Astellas, was Senior Vice President for Marketing and Market Access across Europe, Middle East and Africa, linking the marketing strategy to the market access capability.

JAMES WINTERMAN
Senior Vice President of Unlicensed Medicines



NUMBER OF MANAGED ACCESS PROGRAMS

110

MARKET DRIVERS

- Increased role of patient advocacy groups
- Clients increasingly requiring a global solution
- Demand for RWD
- Clients increasingly wanting a partner to manage supply and distribution beyond early access

CLINIGEN RESPONSE AND DIFFERENTIATORS

- Consultation capability to advise of policy
- Global supply chain and distribution network
- Online proprietary medicines access platform
- Ability to manage unlicensed supply from early access to 'on-demand' access

REVENUE (£M)

£215.6M

ADJUSTED GROSS PROFIT (£M)

£62.1M +19%

Early access

In early access, the Group is the global market leader in providing exclusive, ethical worldwide access to the most promising innovative medicines on behalf of pharmaceutical and biotech companies in disease areas where there is a high unmet patient need. These disease areas are typically in oncology, central nervous system, infectious disease, immunology and orphan disease. These early access initiatives are called Managed Access Programs ('MAPs').

At the end of year, there were 110 MAPs (2017: 107), of which 92% of products shipped on behalf of the client were provided free of charge to patients. When the product is 'charged for', the revenue is passed through the Group's accounts. A shift in mix towards 'free of charge' products can have a material impact on the revenue generated without affecting gross profit which is why the Group views gross profit as the best measure of top-line growth.

As indicated at the half year results, the early access business within Unlicensed Medicines was affected by its two largest programs coming to the natural end of their lifecycle which was partially offset by 15 new programs beginning in the second half. There has subsequently been a number of further programs which have started in the first quarter of the new financial year which has provided the business with good momentum and is expected to drive a strong performance this financial year.

'On-demand' access

In 'on-demand' access, the Group ethically supplies unlicensed or short supply medicines to patients, via their physicians.

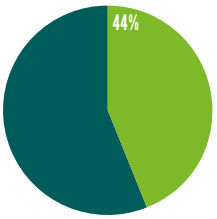
Further progress was made against the key objective of increasing the number of 'on-demand' exclusive supply agreements for high demand or niche medicines. During the year, the number of these agreements increased to 39 (2017: 31) covering 52 products (2017: 35).

On a regional basis, the Africa and Asia Pacific region delivered solid growth, after a number of products converted into the Commercial Medicines portfolio via the UL2L pathway. The process of converting products from UL2L demonstrates the value to the Group in having this differentiated capability.

The Unlicensed Medicines business of Quantum performed in line with management's expectations.

The Group's strategy for Unlicensed Medicines remains unchanged: to capitalise on the considerable long-term international opportunity by increasing the number of exclusive supply agreements for high demand or niche products and to increase Clinigen's profile amongst hospital pharmacists and physicians through targeted marketing activity.

SHARE OF ADJUSTED GROUP GROSS PROFIT



UNITS SHIPPED

1.9M

COUNTRIES SHIPPED TO

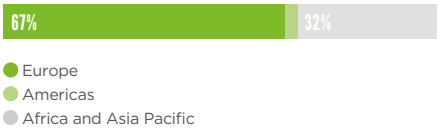
104

NUMBER OF EXCLUSIVE SUPPLY AGREEMENTS[1]

208

ADJUSTED GROSS PROFIT BY PRODUCT

UNITS SHIPPED BY REGION



PRIORITIES

- Increase number of exclusive supply agreements
- Further strengthen client and customer relationships
- Drive international expansion
- Leverage Group sourcing and procurement capability

1. Number of exclusive supply agreements includes 110 MAPs (2017: 107), 39 exclusive 'on-demand' access client supply agreements (2017: 31) and 59 exclusive customer supply agreements in Quantum (2017: nil).

CLINICAL TRIAL SERVICES

Terry joined Clinigen in March 2018 as the Senior Vice President of CTS. Terry was appointed with the aim of better positioning and strengthening the CTS business in the US and to drive the future development of the business globally. Terry joined from GSK where he held a number of senior leadership roles in Clinical Trial Supply Chain, Outsourcing and External Drug Discovery, US Managed Markets and Comparator Management. Whilst at GSK, he was seconded to TransCelerate Biopharma Inc., the not-for-profit pharma industry collaboration organisation, where he created the Comparator Purchasing Network. Terry is considered an industry-wide expert in comparator sourcing strategies.

TERRY WALSH
Senior Vice President of CTS

CTS is the global market leader in the specialist supply and management of quality-assured comparator medicines and services to clinical trials and IITs.

Following two years of double digit growth (2017: 18%; 2016: 21%), CTS had a challenging year, with adjusted gross profits, representing 10% of adjusted Group gross profit, decreasing 40%. Adjusted gross profit on a constant currency basis also decreased by 40% compared to last year.

Although the breadth of activity was good, with the business serving 100 clients in the year (2017: 93 clients), CTS did not have the usual number of bigger programs that normally represent an important part of the divisions' gross profit. Three clients generated more than £1m in gross profit (2017: six), contributing 48% of the division's gross profit (2017: 80%). The gross margin of 18% decreased versus prior year (2017: 21%) due to the change in mix towards lower margin products and activity.

NUMBER OF CLIENTS

100

MARKET DRIVERS

- Growth in IITs
- Efficacy to be shown against latest marketed product
- Clients increasingly require more complex solutions
- Speed to market launch is becoming a priority

CLINIGEN RESPONSE AND DIFFERENTIATORS

- Global supply chain and distribution network
- Certify product for authenticity
- Expanded services and IIT offering
- Broad and embedded relationships with pharmaceutical companies
- Supply chain expertise

REVENUE (£M)

£77.7M

ADJUSTED GROSS PROFIT (£M)

£14.0M -40%

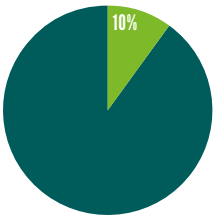
CTS continues to make progress in developing complementary services to the core offering and targeting attractive segments of the broader clinical trials markets such as IITs; a key strategic objective for the business. The gross profit from expanded added value services, which are intended to deepen relationships with clients and reinforce CTS' market leader status, contributed 10% of the operation's total gross profit (2017: 4%).

In March 2018, the Group strengthened the leadership of the CTS business by appointing Terry Walsh as Senior Vice President of CTS. Terry has already had a positive effect on the business, helping to drive an improved performance in the second half. Following the actions being taken to improve performance and a strengthened pipeline, the business is now better positioned to drive growth in the new financial year.

The market remains dynamic with clients demanding ever more global and complex solutions and the service niche within clinical trials that Clinigen has historically offered remains a highly competitive market. CTS has established a leading position in the market as a trusted partner capable of delivering high quality service across the world with an extensive understanding of the complex regulatory environment. These strengths, combined with the strategy of overlaying the core service offering with added value services, position the operation to take advantage of the rapidly developing market opportunity.

The strategy with CTS remains unchanged, to extend the service offering and increase its capabilities in faster growing segments of the clinical trials space, particularly supporting the growth in IITs, worth in excess of $1 billion. The overall CTS market is still growing by high single digit percentage and there remain opportunities for growth.

SHARE OF ADJUSTED GROUP GROSS PROFIT



UNITS SHIPPED

0.3M

COUNTRIES SHIPPED TO

32

ADJUSTED GROSS PROFIT BY CUSTOMER

- Top 10 customers
- Other

UNITS PURCHASED BY SOURCE

- Europe
- Americas
- Africa and Asia Pacific

PRIORITIES

- Further development of expanded services
- Formalise IIT service offering
- Increase client penetration
- Enhance sourcing capabilities
- Extend markets

FINANCIAL REVIEW

A STRONG FINANCIAL PERFORMANCE

MARTIN ABELL
Chief Financial Officer
26 September 2018

HIGHLIGHTS

- Adjusted gross profit up 16% (at constant currency), driven by an excellent performance by Commercial Medicines and eight months' contribution from Quantum
- Adjusted EPS up 10% to 45.4p (2017: 41.3p)
- Another good cash flow performance with £64.1m cash generated from operations (2017: £54.7m)
- Full year dividend increased 12% to 5.6p (2017: 5.0p)
- Profit before income tax of £35.9m (2017: £14.1m)

When presenting the financial results, a number of adjusted measures are used which are considered by the Board and management in reporting, planning and decision making. Adjusted results reflect the Group's trading performance and exclude amortisation of acquired intangibles and products, and non-underlying costs relating to acquisitions which are explained in note 7 of the consolidated financial statements.

Overall, the Group achieved a strong financial performance with its three key financial metrics; adjusted gross profit up 16% on a constant currency basis, adjusted EBITDA up 19% on a constant currency basis and adjusted EPS up 10%.

SUMMARY ADJUSTED INCOME STATEMENT

Year ended 30 June Adjusted results	2018 £m	2017 restated £m	Growth Reported	Growth Constant currency
Revenue	**381.2**	302.3	26%	28%
Gross profit	**140.1**	122.8	14%	16%
Administrative expenses	**(65.2)**	(58.7)	(11)%	
EBITDA from joint venture	**1.1**	1.0	11%	
EBITDA	**76.0**	65.1	17%	19%
Depreciation and amortisation	**(1.7)**	(1.4)		
EBITA	**74.3**	63.7	17%	
Finance cost	**(5.3)**	(2.4)		
Profit before tax	**69.0**	61.3	13%	
Basic earnings per share	**45.4p**	41.3p	10%	
Dividend per share	**5.6p**	5.0p	12%	

This summary adjusted income statement presents Group results on an adjusted basis excluding amortisation of acquired intangibles and products, and other non-underlying items relating to acquisitions (see note 4 and 7 of the consolidated financial statements). Adjusted EBITDA includes the Group's share of EBITDA from its joint venture. Adjusted results now include amortisation on software and internally developed products and the prior year has been restated accordingly. Administrative expenses include share-based payments. Constant currency is growth applying prior year's actual exchange rate to this year's result.

RECONCILIATION OF ADJUSTED PROFIT BEFORE TAX TO REPORTED PROFIT BEFORE TAX

Year ended 30 June	2018 £m	2017 restated £m
Adjusted profit before tax	**69.0**	61.3
Amortisation of acquired intangibles and products	**(22.1)**	(17.8)
Acquisition costs	**(3.9)**	–
Restructuring costs	**(5.3)**	–
Adjustment for fair value of acquired inventory sold in the period	**(1.4)**	(0.1)
NuPharm legal settlement	**1.0**	–
Link contingent consideration	**(1.1)**	(29.1)
Tax on joint venture in South Africa	**(0.3)**	(0.2)
Total adjustments	**(33.1)**	(47.2)
Reported profit before tax	**35.9**	14.1

Group revenues increased 26% (28% on a constant currency basis) to £381.2m (2017: £302.3m). This is higher than the growth in gross profit due principally to an increase in the amount of pass through revenue within the early access part of Unlicensed Medicines.

Adjusted gross profit, viewed by the Board as the best measure of top line growth, increased by 14% (16% on a constant currency basis), driven by an excellent performance by Commercial Medicines and eight months' contribution from Quantum.

Tight cost control and integration savings meant that underlying overheads increased at a slower pace than gross profit driving improved profit leverage. As a result, adjusted EBITDA increased by 17%, and on a constant currency basis increased by 19% compared to last year. Quantum contributed £10.2m in adjusted EBITDA which includes £1.1m of cost synergies following the acquisition. The adverse currency movement was mainly due to the appreciation of sterling against the Group's major overseas currency, the US dollar.

See note 4 of the consolidated financial statements for a reconciliation of adjusted EBITDA to the IFRS equivalent comparative.

Finance cost

The adjusted net finance cost excluding the impact of the Link contingent consideration, was £5.3m (2017: £2.4m). The increase relates to the increase in net debt following the payment of the Link contingent consideration in October 2017 and the acquisition of Quantum in November 2017. The average interest charge on gross debt during the period was 2.2%.

The reported finance cost was £6.4m (2017: £31.5m), after taking account of the non-cash £1.1m unwind of discount on the Link contingent consideration (2017: £27.0m increase in Link contingent consideration and £2.1m unwind of discount).

The table on the left shows the reconciling items between the adjusted profit before tax of £69.0m (2017: £61.3m) and the reported profit before tax of £35.9m (2017: £14.1m).

The adjustments to profit before tax comprise costs relating to amortisation, acquisitions and the Group's share of the tax charge on the JV earnings of £0.3m (2016: £0.2m).

FINANCIAL REVIEW
CONTINUED

Total amortisation was £22.6m (2017: £18.6m), of which £18.4m (2017: £13.4m) related to acquired intangibles, £3.7m (2017: £4.4m) related to acquired product licences, £0.4m (2017: £0.8m) related to software and £0.1m (2017: £nil) related to internally developed product licences.

Acquisition costs amounted to £3.9m of which £3.4m related to the Quantum acquisition and £0.5m to the IMMC acquisition. Restructuring costs were £5.3m, most of which is redundancy costs resulting from streamlining the senior management teams and removing duplicate functions following the acquisitions.

The NuPharm legal settlement represents net proceeds received following a settlement completed in November 2017 on an action brought by Quantum against the vendors of the NuPharm business. The NuPharm business was closed before Clinigen acquired Quantum. The likelihood and amount of any settlement of the claim was highly uncertain at the date of acquisition and therefore a contingent asset was not recognised in the acquisition balance sheet.

Under IFRS 3 (revised), inventory acquired in a business combination is valued at fair value on acquisition, which includes the profit margin in the stock's carrying value. The £1.4m adjustment represents the profit margin associated with the acquired inventory in Quantum which was sold during the year. This profit margin is included in adjusted profit before tax to better reflect the underlying profitability of the business but is excluded from statutory reported profit.

Taxation
Taxation was £8.5m (2017: £10.3m), based primarily on the prevailing UK and overseas tax rates. This charge is calculated as £14.5m based on the adjusted profit before tax of £69.0m, offset by a credit of £6.0m in respect of the adjusted items.

The adjusted effective tax rate ('ETR') decreased modestly to 21.0% (2017: 22.5%) due to the higher proportion of earnings in the UK and the reduction in the UK corporation tax rate. The adjusted ETR also takes account of the reduction in the corporation tax rate going forward in the US.

Earnings per share
Adjusted basic EPS, calculated excluding amortisation of acquired intangibles and products, and other non-underlying items, increased by 10% to 45.4p (2017: 41.3p). The increase reflects the Group's higher adjusted profit from operations, partially offset by dilution and higher finance costs following the acquisitions.

Reported basic EPS was 22.9p (2017: 3.3p). The increase is due primarily to the revision to the estimate of contingent consideration on the Link acquisition being charged to the income statement in the prior year and the increase in the underlying earnings in the current year.

Dividend
In view of the strong trading performance and positive outlook, the Directors are proposing to increase the final dividend to 3.84p per share (2017: 3.4p), resulting in a 12% increase in the full year dividend to 5.6p per share (2017: 5.0p).

The final dividend will be paid, subject to shareholder approval, on 30 November 2018 to shareholders on the register on 9 November 2018.

Cash flow and net debt
Cash flow performance was good in the year, with cash generated from operations of £64.1m (2017: £54.7m) up 17%. Net working capital increased by £10.2m in the year (excluding the effect of acquisitions, non-underlying items, and exchange adjustments) due to timing of cash flows around the period ends, the settlement of accrued share awards in Quantum post-acquisition, as well as increased investment in growth opportunities. The low levels of working capital in the business reflect a strong focus on credit control and general working capital management.

Capital expenditure was £13.8m (2017: £8.8m), which includes £6.6m related to the development of owned products (including £1.5m deferred consideration on the Foscavir bags acquisition), £4.8m related to the Group ERP system, and £1.1m related to warehouse, IT and other infrastructure investments. Capital expenditure is expected to remain at an elevated level in FY19 due to the ERP implementation and then it is expected to fall to normal levels in the following financial year.

The other main cash flows were tax paid of £12.6m (2017: £6.9m), interest paid of £3.9m (2017: £1.7m) and dividends paid of £6.3m (2017: £4.9m).

As provided for in last year's accounts, £38.7m was paid in respect of the final Link contingent consideration in October 2017. This payment and the Quantum acquisition, detailed below, accounted for net debt increasing from £35.0m to £136.5m. Net debt is expected to increase in the first half due to the product acquisitions completed in July and the corporate acquisitions in September.

Quantum acquisition
Quantum was acquired on 1 November 2017 and its results have been fully consolidated from that point onwards.

The Group paid a total consideration of £143.5m, being a cash payment of £62.9m and an issue of 6,849,264 shares in Clinigen which had a fair value of £80.6m representing the market price on 31 October 2017.

The consideration was paid in full to Quantum shareholders on the acquisition date. In order to fund the cash element of the consideration, the Group's bank facility was amended and extended (as detailed in the treasury management section).

A further £8.6m was spent on settling Quantum share awards at acquisition which are recognised as a liability in the Quantum acquisition balance sheet.

Net debt of Quantum at the time of acquisition was £12.2m.

Treasury management

The Group's operations are financed by retained earnings and bank borrowings, and on occasion, the issue of shares to finance acquisitions.

During the year, the Group's bank facility was amended and extended in order to finance the Quantum acquisition. The fixed term loan was fully repaid and the revolving credit facility ('RCF') was increased from £95m to £200m and extended for five years to October 2022. Additionally, the Group exercised its option to further extend this facility by £20m to £220m for a period of 12 months ending October 2018.

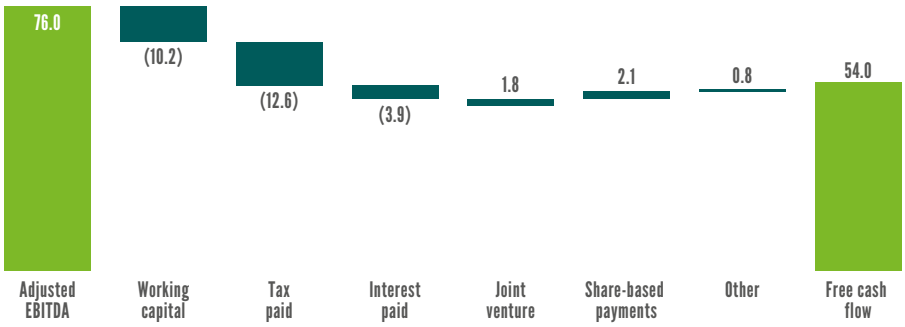
During the year, there were two covenants that applied to the bank facility: interest cover of not less than 4.0x and net debt/adjusted EBITDA cover of not more than 3.0x. As at 30 June 2018, interest cover was 16.9x and the net debt/adjusted EBITDA leverage was 1.8x.

The debt facilities have subsequently been refinanced as part of the financing arrangements for the acquisition of CSM. The new financing increases the debt facility from £220m to £300m and is extended to October 2023. The facility includes an unsecured £150m term loan with a single repayment in 2023 and an unsecured revolving credit facility of up to £150m.

Borrowings at the end of the year are in sterling and to a lesser extent US dollar, and are managed by the Group's UK-based treasury function, which manages the Group's treasury risk in accordance with policies set by the Board.

GOOD CASH FLOW PERFORMANCE

OPERATING CASH FLOW (£M)



USES OF CASH FLOW

	£m
Quantum and IMMC acquisition	89.7
Final deferred payment on Link	38.7
Acquisition and restructuring costs	6.4
Capex on products	6.6
Capex on ERP	4.8
Other capex	2.4
Dividend	6.3
Other	0.6
Total	155.5
Financed by:	
Free cash flow	54.0
Increase in net debt	101.5
Total	155.5

The Group reduces its exposure to currency fluctuations on translation by typically managing currencies at Group level using bank accounts denominated in foreign currencies. Where there is sufficient visibility of currency requirements, forward contracts are used to hedge exposure to foreign currency fluctuations. The Group's treasury function does not engage in speculative transactions and does not operate as a profit centre.

The Group has applied hedge accounting where permissible to match hedges to the transactions to which they relate thereby reducing volatility in the results which may arise from gains and losses on hedging instruments.

Principal risks facing the business

Clinigen operates an embedded risk management framework, which is monitored and reviewed by the Board. There are a number of potential risks and uncertainties that could have a material impact on the Group's financial performance and position. These include risks relating to competitive threat, the regulatory environment, political environment, counterfeit products penetrating the supply chain, reliance on technology, reputational risk, and foreign exchange. These risks and the Group's mitigating actions are set out on pages 42 to 45.

PRINCIPAL RISKS

MANAGING OUR RISKS

The Group's approach to risk management is to identify principal risks and then to develop actions or processes within the business to eliminate or mitigate those risks to an acceptable level. The internal controls are designed to manage risk rather than eliminate it.

RISK MANAGEMENT FRAMEWORK

The Group's risk management framework provides the structure by which the principal risks are managed

BOARD
- Ensures comprehensive risk management and internal controls are in place and operating effectively
- Reviews the principal risks
- Determines the Group's risk appetite

AUDIT AND RISK COMMITTEE
- Oversees the effectiveness of the Group's risk management and internal controls
- Monitors and has oversight of external audit
- Reviews and monitors the Group's principal risks

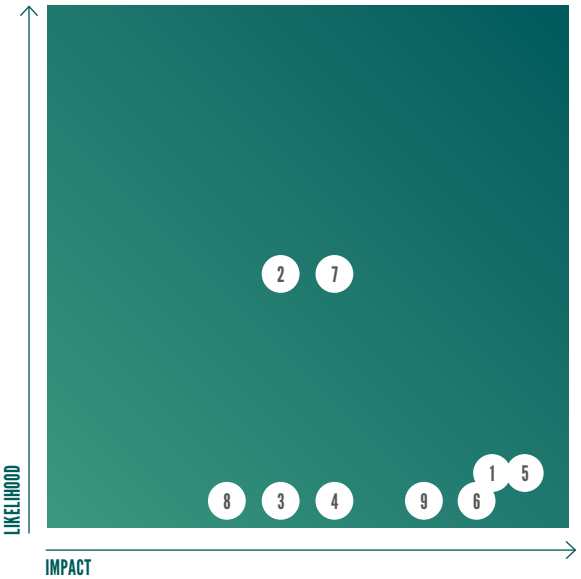
EXECUTIVE MANAGEMENT TEAM
- Responsible for consolidating the key risks across the Group
- Oversees the implementation and operation of the risk management and internal control systems
- Reviews and monitors the Group's key risks

BUSINESS OPERATIONS
- Identifies and assesses operational risk
- Implements risk management processes, procedures, controls and reporting

IMPLEMENTATION

MONITORING

RISK HEAT MAP



1. POLITICAL RISK
2. COMPETITIVE THREAT
3. SUPPLY CHAIN
4. COMPLIANCE
5. RELIANCE ON TECHNOLOGY
6. CYBER RISK
7. FOREIGN EXCHANGE
8. ACQUISITIONS
9. PEOPLE

The Group's principal risks, together with the management actions to mitigate the risk, are set out below. They are not in any order of priority and do not comprise all risks associated with the Group. Further risks not currently known or risks that have been considered to be less material may also have an adverse impact on the business.

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK	TREND
1. POLITICAL RISK The Group's expanded global footprint has increased the exposure to adverse local political decisions, changes in regulation and economic events impacting the pharmaceutical industry, which may affect the ability to supply, local demand and/or pricing. The impact of Brexit could impact the Group's ability to ship product efficiently in and out of the UK and complicate its ability to recruit non-UK employees STRATEGIC LINK 1+4+5+6	The Group mitigates this risk by having an increasingly broad product, service and geographical range, limiting the impact of events in any single territory. The Group regularly monitors developments in key geographies and maintains strong relationships with regulatory bodies to enable the Group to respond rapidly to local changes in circumstances or events. The Group also takes account of political risk when assessing new contracts or product acquisitions. The Group has established a Brexit team to develop contingency plans and has established a Dutch entity to hold the Group's proprietary marketing authorisations for our owned products. Whilst the outcomes are not yet clear, the Group's flexible operating model, the team's deep understanding of multinational regulatory process and with 74% of revenues being from international markets, it is expected that any Brexit implications will be manageable.	▷
2. COMPETITIVE THREAT The Group faces a threat to its owned products from generic products and/or the development of alternative therapies by competitors. The Group's products are not typically protected by patents and competitor threat could significantly erode sales of our products. The threat of generic risk increases as the Group's product sales increase in size as increasing market size improves the viability for a potential generic product. The competitive landscape could also change during a product's development before commercialisation. The Group also faces competitive threat within the services operations. STRATEGIC LINK 4+6	The continued diversification of the Group reduces the overall effect if one of its products or services is impacted by significant change in the competitive landscape. Finding and promoting new users of our products and services and expanding into new geographies are a key part of our strategy and this helps mitigate the impact of competition in a particular geography treatment area or service. The Group closely monitors the competitive landscape in key markets to ensure a rapid and appropriate response to changes in competition.	▷
3. SUPPLY CHAIN The Group's reputation could be undermined and profits impacted if our products go into shortage of supply or through the risk of counterfeit products. In addition, the Group has obligations to comply with increased regulation on the serialisation of licensed pharmaceutical products. STRATEGIC LINK 5+6	The Group has effective supply chain management only working with trusted manufacturing and global distribution partners which the Group assesses regularly. The Group also seeks to maintain appropriate stock levels of its own products and related active pharmaceutical ingredient ('API') to minimise the risk of shortage of supply. To the extent possible, the Group supplies its own products directly to hospitals and HCPs. The Group also has industry-leading quality management systems and audits supply partners where appropriate. The mandatory global serialisation of licensed pharmaceutical products is expected to reduce the trade of counterfeit medicines. As a pharmaceutical company with its own specialty product portfolio in its Commercial Medicines operation and a supplier of licensed comparator products in its CTS operation, Clinigen will ensure that it is fully compliant with serialisation regulation. A project team has been established to address the additional regulatory requirements.	△

△ INCREASING ▽ DECREASING ▷ UNCHANGED ○ NEW

PRINCIPAL RISKS
CONTINUED

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK	TREND
4. COMPLIANCE Increased legislation and regulation could inhibit our ability to conduct business in certain jurisdictions and expose the Group to potential reputational damage and financial penalties.	The Group has a business-wide compliance structure which is continually assessed. Employees are regularly trained in key areas including policies relating to Clinigen's approach to Good Distribution Practice and Good Manufacturing Practice activities, including pharmacovigilance, and manufacturing and distribution, as well as legal policies including the General Data Protection Regulations, share dealing, whistleblowing and anti-bribery and corruption. In addition, the employee code of conduct reinforces the Group's values of ethics, trust and quality. The Group is also regularly audited by customers and regulatory authorities to ensure compliance with relevant legislation and contractual obligations and acts to address any recommendations. Senior Management at Clinigen has full responsibility for the quality management system undertaking periodic management reviews and maintains a close working relationship with the competent authorities to ensure compliance.	▷
5. RELIANCE ON TECHNOLOGY The Group's dependence on technology in our day-to-day business means that systems failure and loss of data would have a high impact on our operations. STRATEGIC LINK 2	The Group's technology strategy is regularly reviewed to ensure that the systems it operates across the Group support its strategic direction. Ongoing asset lifecycle management programs mitigate risks of hardware obsolescence whilst back-up procedures mitigate risk of data loss. The Group is currently undertaking an implementation of a new ERP system designed to make the business systems more efficient and scalable. The risk attached to this implementation has been mitigated by a significant amount of planning work, the employment of a specialist implementation partner and a robust governance structure managing the implementation.	△
6. CYBER RISK The Group relies on technology in our day-to-day business. These systems are potentially vulnerable to service interruptions and data breaches from attacks by malicious third parties, or from intentional or inadvertent actions by our employees. Failure to protect against the threat of cyber-attack could adversely impact the systems performing critical functions which could lead to a significant breach of security, jeopardising sensitive information and financial transactions of the Group. STRATEGIC LINK 2	The Group has invested in the protection of its data and IT systems from the threat of cyber-attack. Cyber security procedures exist to minimise this risk.	▷

RISK	MANAGEMENT ACTIONS TO MITIGATE RISK	TREND
7. FOREIGN EXCHANGE The Group has significant operations and activities outside the UK and is therefore exposed to foreign exchange risk. STRATEGIC LINK 4+5+6	The Group's main operational currencies are sterling, US dollar, euro and, to a lesser extent, the South African rand and Australian dollar. The Group reduces its exposure to currency fluctuation on translation by typically managing currencies at Group level using bank accounts denominated in the principal foreign currencies for payments and receipts. The Group seeks to optimise the matching of currency surpluses generated to the foreign currency needs of the wider Group, and where there is a sufficient visibility of currency needs, forward contracts are used to hedge exposure to foreign currency fluctuations. The Group does not issue or use financial instruments of a speculative nature and the Group's treasury function does not act as a profit centre. The volatility of sterling as a result of Brexit discussions heighten the foreign exchange risk.	▷
8. ACQUISITIONS The Group could fail to integrate acquisitions efficiently, leading to disrupted operations and reduced returns. In addition the Group could make acquisitions which don't support the business as intended or could fail to identify potential acquisitions to drive future growth aspirations. STRATEGIC LINK 4+5+6	The Group utilises specialist advisors on all acquisitions and conducts the appropriate level of due diligence to ensure the costs and benefits are fully evaluated prior to acquisition. All acquisitions are thoroughly reviewed and approved by the Board and supported by experienced integration teams with detailed integration plans. These plans are then monitored regularly to raise any deviations and corrective action taken.	○
9. PEOPLE The Group's ability to deliver on its strategic objectives could be adversely impacted by failure to recruit, develop and retain the right people. STRATEGIC LINK 1	The Group has grown rapidly and now employs over 800 people in ten international locations. The Group ensures effective and regular internal communications in order to communicate and update on strategy and objectives. The Group has appropriate remuneration packages to help recruit and retain key employees. In addition, all permanent employees are given the opportunity to become shareholders of the Company. The Group has developed a performance and development tracker and launched a management academy recognised by the Institute of Leadership and Management to assist with career development and improve competency.	○

KEY TO STRATEGIC PRIORITIES

1	2	3	4	5	6
Develop and retain talented people	Upgrade technology platform to drive organic growth	Expand and embed a global community of customers and opinion leaders	Expand portfolio of global and regional assets	Become the 'go to' global leader in ethical access to unlicensed medicines	Extend global footprint into remaining key markets

△ INCREASING ▽ DECREASING ▷ UNCHANGED ○ NEW

CORPORATE SOCIAL RESPONSIBILITY

TO BE THE TRUSTED GLOBAL LEADER IN ACCESS TO MEDICINES THE GROUP MUST ENSURE THAT IT BEHAVES IN A SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE MANNER

The Clinigen foundations are based on addressing unmet medical needs and improving access to medicines. Through the Group's global supply and distribution networks it is able to navigate the regulatory hurdles to ensure it delivers the right medicine, to the right patient, at the right time. In the last financial year the Group shipped over four million units, helping patients in over 100 countries.

Underlying the Group's business are corporate responsibility policies which must be followed for the Group to be sustainable and create long-term shareholder value.

CORPORATE, SOCIAL AND ETHICAL POLICIES

Clinigen recognises the importance of balancing the interests of its customers, shareholders, employees, suppliers and the communities in which it operates. Management of the environmental and social issues that play a part in the business is a key factor in the Group's strategy for success and in the practice of good corporate governance. With this in mind, the Group, through its management team and its experienced quality and regulatory department, audits all suppliers and manufacturers regularly to ensure they reach the standards set and responds to any improvement requests made of them.

The Group aspires to carry out its business to the highest ethical standards, treating employees, suppliers and customers in a professional, courteous and honest manner. Ethical standards are included in the Group's audit schedule when reviewing its suppliers and manufacturers to check the standards they follow meet the Group's expectations.

EMPLOYEES

The Group currently employs over 800 people in ten countries and is committed to a policy of equal opportunities in the recruitment, engagement and retention of employees. The multinational diversity of the Group's team not only supports its global service offering, but demonstrates its lack of barriers to employment. In line with the Group's strategic objective of developing and retaining talented people, employees are encouraged and supported to undertake additional training, both internal and external, to develop their skills, which are then often transferred across departments or enable promotion.

The Group believes that the development of talent is important to achieve the long-term strategic goals of the business. The Clinigen Management Academy, a bespoke management development program which is formally recognised in the UK by the Institute of Leadership and Management, was successfully completed by 47 employees across the UK, US and South Africa during the year.

Age, colour, race, gender, disability, ethnic origin, national origin, marital status, sexual orientation, religious or political views are not seen as barriers to employment and are evidenced by the Group's diverse employment base. The Group is committed to providing equal opportunities for individuals in all aspects of employment, and considers the skills and aptitudes of disabled persons in recruitment, career development, training and promotion. The Group supports employees with disabilities, ensuring the necessary reasonable adjustments are in place to support them.

It is important the Group listens to its employees and understands their views on Clinigen as an employer. The Group operates a culture of open communication through a range of two-way mediums including: monthly employee representative staff forums; a global intranet platform; newsletters; and regular Group and divisional performance updates from the CEO and CFO. The strategic objectives of the Group are communicated to the employees through the regular updates and at the annual all-staff conferences. Employees are encouraged to be a part of the Group's success through share ownership and the Group's employee share schemes.

As the Company grows it is important that the Group has a culture and set of values which are understood in each of the locations in which it operates. At Clinigen, this is called the 'Clinigen Way', and is captured in six clear and powerful principles that underpin everything the Group does. They reflect the Group's rich and varied historic businesses and the common purpose employees all share today:

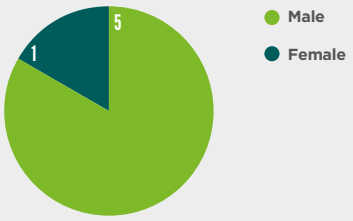
- Make a difference: We go further for patients
- Put best interests first: We manage for best interests, not self-interest
- Show mutual respect: We treat others as we would like to be treated
- Maintain integrity: We're open and transparent
- Nurture success: We reward, recognise and develop success
- Measure progress: We know where we are and where we're going

The Group works hard to embed these principles into employees' ways of working; from reward and recognition initiatives such as the Group's 'Making a Difference' awards, to the focus on behaviours in its hiring and performance management processes.

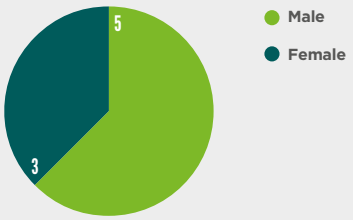
The Group recognises the importance of diversity, including gender, at all levels of the Company. The Group already has a strong female representation in the Executive Management Team where women comprise 38% of positions. In addition, out of 849 employees, approximately 61% are female. The Group continues to actively seek to recruit and advance women into its top management.

Gender ratio

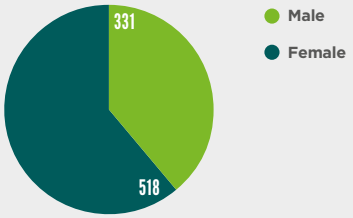
PLC BOARD



EXECUTIVE MANAGEMENT TEAM



TOTAL EMPLOYEES



Details on the Group's gender pay gap reporting can be found on the Group website.

MODERN SLAVERY ACT

The Group fully supports the aims of the Modern Slavery Act 2015 to eradicate human slavery and trafficking. In particular, the Group wishes to ensure that no child labour or servitude of any kind or human trafficking has been involved in the supply and distribution of products or services. This statement is made pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 and sets out the steps the Company has taken to ensure that slavery and human trafficking are not taking place in our supply chains or in any part of our business.

The Group is a worldwide supplier and distributor of pharmaceutical products and services. As part of our initiative to identify and mitigate risk we have put in place, or are in the process of putting in place, systems to:

- Identify and assess potential risk areas in the Group's supply chains
- Mitigate the risk of slavery and human trafficking occurring in the Group's supply chains
- Monitor potential risk areas in the Group's supply chains; and
- Protect whistle blowers

The Group will continue to review the position by a process of contract reviews, third-party audits and ongoing monitoring of our partners within the supply chain.

CORPORATE SOCIAL RESPONSIBILITY
CONTINUED

COMMUNITY

Clinigen participates in local community projects that it feels are worthy and appropriate and encourages employees to get involved in local and national charitable events, as well as deciding where charitable donations are placed.

This year the Group has continued its support of Foundation MEM. This is a charity focusing on developing a better life for a village in Cameroon.

FOUNDATION M.E.M

Clinigen supports Foundation MEM

Clinigen has also continued its support for Anthony Nolan. This is a charity which is focused on putting the patient at the heart of everything they do and is a close fit with the Clinigen mission of right medicine, right patient, right time. They are the leading blood cancer charity in the UK; facilitating stem cell transplants to provide the chance of a cure for patients with leukaemia, lymphoma and other blood disorders.

For World Head and Neck Cancer Day in July, employees from all areas of the Group, including Australia, South Africa, the US and Japan were encouraged to support fund raising activities and help raise awareness of the risks of head and neck cancer. Head and neck cancer is a general term used to refer to a range of different cancers that start developing in the head and neck region of the body. It is the ninth most common cancer, accounting for more than 550,000 new cases and 380,000 deaths annually. According to Cancer Research UK, approximately 12,061 people in the UK are affected annually, with around 4,047 dying from the disease.

Clinigen supports World Head and Neck Cancer Day

The Group intend to continue to provide ongoing support to charities in the coming year.

Clinigen works alongside patient group organisations in the Unlicensed Medicines business operation. It believes greater patient involvement in personal healthcare needs and in the development of local and national healthcare provision is an important part of the future development of effective healthcare services.

The Group made no political donations during the year (2017: £nil) and made charitable donations of £24,700 (2017: £5,000).

HEALTH AND SAFETY

The Group recognises that health and safety has positive benefits to the organisation and that a commitment to a high level of safety makes good business sense. It also recognises that health and safety is a business function and must, therefore, continually improve, progress and adapt to change. To achieve this aim, appropriate levels of resource are allocated to ensuring a positive health and safety culture throughout the Company. This is demonstrated by active health, safety & environment ('HSE') Committees with the members receiving the IOSH Working Safely training to support them in performing the role of Representatives of Employee Safety ('ROES') for their respective departments.

The Group's approach to health and safety is based on the identification and control of risks. Adequate planning, monitoring and reviews of the health and safety policy are carried out in line with our Safety Management System ('SMS') to ensure continual improvement to our health and safety standards.

Complying with its legal obligations, the Group provides a safe working environment for all its employees and visitors, but also strives for best practice standards wherever these are achievable. A recent audit of the Group's SMS carried out by the British Safety Council at Clinigen's UK sites, showed there to be areas of excellence within the business.

Achievements made during the year to the continual improvement to the Group's health and safety standards, include installing AEDs (automated external defibrillators) at two of its UK sites, and is looking to extend this provision further. The Group has also been shortlisted for the St John Ambulance Annual Awards for its first aid arrangements at its sites in Burton.

Wellbeing is extremely important to the Group, with health promotion initiatives and posters displayed across its sites. This year a high volume of employees took advantage of the free annual health checks and annual flu vaccinations provided.

ENVIRONMENT

The Group is an environmentally conscious organisation, which acknowledges the impact its operations and services may potentially have on the environment. The Group fully complies with applicable legal and other compliance obligations, whilst at all times striving for best practice. The Group is committed to continually investigating ways of improving its impact on the environment. Board and senior management are committed to monitoring and continually improving environmental performance.

The Group has determined its environmental objectives, including raising environmental awareness to its employees through the development and training of the HSE Committees and promoting awareness amongst its clients, suppliers and contractors through the implementation of operational procedures as well as environmental objectives and targets, which have been set by senior management and reviewed at least annually.

The Group aims to minimise energy and water consumption, and wherever practicable, reduce, recycle and reuse our resources to prevent the unnecessary waste of materials.

For a number of years now the Group has been formalising its in-house environmental management processes. This formalisation has now resulted in the Environmental Management System ('EMS') achieving ISO 14001:2015 certification for its Burton and Weybridge operations.

In addition, the Group is registered with the Environment Agency as an approved packaging producer which shows that it has met its recovery and recycling obligations under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 (as amended).

In March this year, the Group's HSE Committee members all achieved their Level 2 Award in Environmental Sustainability to support them in their role as 'Environmental Champions' across the business. It is the Group's aim that environmental training for the HSE Committee members and remainder of its employees will be continually improved.

BOARD OF DIRECTORS

OUR EXPERIENCED BOARD HAS A SIGNIFICANT TRACK RECORD AND A WEALTH OF KNOWLEDGE ACROSS THE BIOTECHNOLOGY, PHARMACEUTICAL AND HEALTHCARE SECTORS, SPANNING PRIVATE AND PUBLICLY QUOTED COMPANIES.

PETER ALLEN
Independent
Non-Executive Chairman

APPOINTED
August 2012

COMMITTEES
Nomination (Chairman)
Audit and Risk, Remuneration

PROFILE
Peter has a wealth of experience and has held key senior positions, including Chairman, CEO and CFO in a number of companies in the healthcare industry, and played a significant role in their growth. Peter spent 12 years at Celltech Group plc (1992–2004) as CFO and Deputy CEO, six years at ProStraken Group plc as Chairman (2007–2013) and interim CEO (2010–2011) and three years as Chairman of Proximagen plc (2009–2012).

EXTERNAL APPOINTMENTS
Peter is currently Chairman of Abcam plc, Advanced Medical Solutions Plc and Diurnal Plc and Non-Executive Director of Oxford Nanopore Technologies Ltd and Istesso Ltd.

The Board is satisfied that these external appointments do not impact upon the Chairman's ability to discharge his role at the Company effectively.

SHAUN CHILTON
Chief Executive Officer

APPOINTED
Director in July 2013 and CEO in November 2016

COMMITTEES
None

PROFILE
Shaun is the Chief Executive Officer of the Clinigen Group and has the responsibility for the Group achieving its key performance indicators and plays a central role in setting the Group strategy. Shaun has played a pivotal role in the development of Clinigen, joining the Company in January 2012 as Chief Operating Officer, when it was a privately owned company with a turnover of £82m.

He was a key part of the executive team that took Clinigen through IPO in September 2012. Then, as deputy CEO in 2015 and CEO from November 2016, has been a fundamental part of the leadership of the impressive strategic growth of the company from £135m market capitalisation in 2012 to its current position as one of the largest companies on AIM on the London Stock Exchange.

In 2017, Shaun oversaw the largest M&A healthcare deal of the year in the UK with the successful acquisition of Quantum, in addition to acquiring the largest supplier of unlicensed medicines in Japan, IMMC.

Shaun was awarded the Entrepreneur of the Year Healthcare (Western Europe) in 2017 and 2018 by the European CEO Awards.

Prior to joining Clinigen, Shaun held senior global strategic, commercial and operational roles at Pfizer, Sanofi, Wolters Kluwer Health and the KnowledgePoint360 Group (now part of UDG Healthcare).

EXTERNAL APPOINTMENTS
None

MARTIN ABELL
Chief Financial Officer

APPOINTED
Director in August 2015 and CFO in October 2015

COMMITTEES
None

PROFILE
Martin joined Clinigen in August 2015 and has over 19 years' experience working for international, listed companies. Before Clinigen, Martin worked for Hays plc, Europe's largest professional recruitment business. He began there as Head of Investor Relations and M&A before becoming Finance Director for the Continental Europe and Rest of World division, which operated across 21 countries with revenues of over £1bn. Prior to that, Martin held several financial roles at the FTSE 100 logistics group, Exel plc (now part of Deutsche Post), including Financial Controller of two of the UK divisions. He is a qualified Chartered Accountant, having trained at PwC in the M&A Transaction Services team.

EXTERNAL APPOINTMENTS
None

JOHN HARTUP

Senior Independent
Non-Executive Director

APPOINTED
June 2011

COMMITTEES
Nomination, Remuneration

PROFILE
John has over 30 years' experience as a corporate lawyer, dealing with corporate finance and commercial contract issues across a number of industries. He was formerly Managing Partner at Ricksons LLP and subsequently became a Partner at DWF LLP.

EXTERNAL APPOINTMENTS
John is currently the Chairman of the Board of Enigma Holdings Group Ltd.

IAN NICHOLSON

Independent
Non-Executive Director

APPOINTED
September 2012

COMMITTEES
Remuneration (Chairman), Audit and Risk, Nomination

PROFILE
Ian has considerable experience as both an Executive Director and as a Non-Executive Director. Ian is CEO of F2G Limited.

EXTERNAL APPOINTMENTS
Ian currently holds positions as Non-Executive Director of Consort Medical plc and Bioventix plc, where he is the Non-Executive Chairman. Ian is also Chairman of the Investment Committee at Cancer Research UK Pioneer Fund, Director of Casewell Consulting Ltd, F2G Ltd, and Wells Stores Ltd, and an Operating Partner at Advent Life Sciences LLP.

ANNE HYLAND

Independent
Non-Executive Director

APPOINTED
January 2018

COMMITTEES
Audit and Risk (Chairman)

PROFILE
Anne has a strong track record within the biopharma sector, bringing with her over 25 years of financial experience with both public and private companies.

Anne is a Chartered Accountant (FCA), and Corporate Tax Adviser (CTA – AITI) and holds a degree in Business Studies from Trinity College, Dublin. Anne's previous roles include CFO of BBI Diagnostics Group Ltd and FTSE-listed Vectura Group plc. Prior to her role at Vectura, Anne held a number of senior finance positions at Celltech Group plc, Medeva plc and KPMG.

EXTERNAL APPOINTMENTS
Anne is CFO of Kymab Ltd a private biopharmaceutical company. She is also a Non-Executive Director of Elementis plc, a FTSE 250 global specialty chemicals company.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

PETER ALLEN
Independent Non-Executive Chairman
26 September 2018

I AM PLEASED TO PRESENT YOU WITH THE GOVERNANCE SECTION FOR THE YEAR ENDED 30 JUNE 2018

Corporate governance remains a high priority for us. As the Board of an AIM traded company with a significant market capitalisation, we are committed to ensure the Group is managed in accordance with the principles and provisions set out in the UK Corporate Governance Code ('Code'). We believe that effective corporate governance, consistent with best practice, and with the size and available resources of the Group, will assist in the delivery of its corporate strategy, the generation of sustainable shareholder value and the protection of shareholders' long-term interests.

The Board believes that the Group's governance framework is robust, but we continue to consider future developments and best practice that improve its governance further. With this in mind, an externally facilitated corporate governance benchmarking exercise was undertaken during the year to compare Clinigen's current practice against other AIM trading companies having a market capitalisation in excess of £1bn and with FTSE 250 companies having a market capitalisation of between £1bn and £1.3bn, in order to identify areas of improvement. Following this review, the Board was presented with several recommendations, which have been or are now being implemented. Highlights include:

- The appointment of John Hartup as Senior Independent Director;
- To underline their accountability to shareholders, each Director will stand for re-election at the upcoming AGM and annually thereafter; and
- A commitment to conduct a thorough evaluation process of the Board and its Committees, led by the Senior Independent Director, to ensure the Board and its Committees are efficient and effective with an appropriate good mix of skills and experience.

The Board through its Committees, plays a key role in corporate governance providing the necessary framework, challenge and support to the business and ensuring that a culture of good governance exists throughout the Group.

As Chairman, in order to facilitate the long-term sustainability and success of the Group, my role is to ensure that the Board operates in an open and transparent environment, allowing the Non-Executive Directors an opportunity critically to assess, challenge and support the Executive Directors and senior management team.

Throughout the year

The Board has met nine times during the year. Two of our meetings were held overseas, allowing us to visit our operations in the US and in South Africa. This provided the Board with a great opportunity to meet employees outside the UK, and see for ourselves the professionalism and expertise in these sites which has contributed to the success of the Group.

Implementation of the strategy has been a significant area of focus in our Board meetings during the year and Shaun and his management team have provided us with regular updates allowing the Board to inform our view on the successes and challenges throughout the Group.

Particular focus has been given to the governance of the acquisitions made during the year and following the period end. During the year, the Group made two corporate acquisitions, Quantum and IMMC, and following period end, made two product acquisitions, Proleukin and Imukin, and two corporate acquisitions, CSM and iQone. The process of identifying potential acquisitions that fit with the Group's strategic growth aspirations is extremely complex. Once identified, the acquisition process, from due diligence, deal structure, documentation and proposed integration planning, all need sufficient scrutiny from the Board to ensure the costs and benefits are fully evaluated.

Throughout the year, the Board has received regular updates on the progress made to implement the Group's new ERP system. The ERP system is a significant investment and will make the Group more efficient and scalable. Several stages of the ERP have already gone live and the remainder of the modules will be implemented through 2019.

In addition, the Board has reviewed and approved policies to ensure compliance with the Global Data Protection Regulations which came into force in May 2018 and approved a revised and updated anti-bribery and corruption policy. There will be online training for all employees in these two areas over the coming months. It has also received updates on the progress made on serialisation, the mandatory legislation aimed at increasing transparency and visibility of licensed pharmaceutical products which will help to reduce counterfeit products. As a pharmaceutical company with its own specialty pharma portfolio and a supplier of licensed comparator products in CTS, the Group must ensure that it is fully compliant with serialisation regulation.

Board changes

During the year some changes were made to the composition of the Board. As planned, Peter George and John Bacon stepped down from the Board on 1 November 2017 and Anne Hyland joined the Board on 1 January 2018. Peter had done a tremendous job developing and growing Clinigen and, since becoming a Non-Executive director, was a major support to the Board. John made a valuable contribution to the Group following the acquisition of Link, through his expertise in the Africa and Asia Pacific markets. We are delighted that Anne joined the Board to become the chair of the Audit and Risk Committee. Anne brings significant financial expertise and experience to the Board from both her executive and her non-executive positions. She is currently CFO of Kymab Ltd, a biopharmaceutical company, prior to which she was CFO and company secretary of BBI Diagnostics Group Ltd and FTSE-listed Vectura Group plc.

The Board continues to believe that its membership has the right qualities required to operate within a robust governance structure which matches the requirements of the Group. This structure makes our business stronger to ensure the right decisions are made to help support and deliver the Group's strategy, and to protect shareholders interests.

Governance

Principal risks facing the Group continue to be a focus. Details of our principal risks are set out on pages 42 to 45. This year a number of risks have increased in relation to supply chain and our reliance on technology. In addition we have identified new risks surrounding the Group's acquisitions, both in relation to acquisitions already made and future acquisitions, and in the development, retaining and recruiting of the right people. All of these risks, along with the other principal risks are regularly assessed by the Audit and Risk Committee.

Dividend

The Board has maintained a progressive dividend policy. In view of the strong results, we propose to pay a final dividend of 3.84p, subject to approval at the AGM on 8 November 2018. Together with the interim dividend of 1.76p paid in April, this makes a combined annual dividend of 5.6p, representing an increase of 12% versus last year.

Looking ahead

Priorities for the Board in 2018 include continually assessing progress against the strategic priorities, with particular attention on integration of the acquisitions and implementation of the Group ERP, ensuring that they are supported by appropriate governance structures. It will also look to strengthen the Board membership with independent Non-Executive Directors where it is deemed desirable. We believe that our governance framework is robust and effective, but we recognise that there are improvements we can make given our commitment to follow the Code. This year we will conduct a thorough evaluation process led by our Senior Independent Director, to ensure the Board and its Committees are both efficient and effective with an appropriate mix of skills and experience.

Thank you for your continued support and I look forward to meeting any shareholders who can join us at our AGM on 8 November 2018.

CORPORATE GOVERNANCE STATEMENT

As a company whose shares are traded on AIM, the Company is subject to the AIM Rules for Companies. Pursuant to (amended) AIM Rule 26, with effect from 28 September 2018, every company whose shares are traded on AIM is required to state on its website which corporate governance code it applies, how it complies with that code, and where it departs from its chosen corporate governance code an explanation of the reasons for doing so ('Compliance Statement').

The Board believes that effective corporate governance as best business practice will assist the delivery of the Group's corporate strategy, the management of risk and the generation of shareholder value, improve Board efficiency, boost investor confidence, reduce cost of capital and help protect our shareholders' long-term interests. Clinigen values corporate governance highly, not only in the Boardroom but across the whole business of the Group.

After careful consideration of the Company's circumstances and stage in development, and what is in the best interests of its shareholders, while having regard to employees, customers, suppliers and the Group's operational impact on the community, the Board has agreed to report against the Code published by the Financial Reporting Council ('FRC') on 17 June 2016.

The Company's Compliance Statement which sets out how it complies with the Code is available from the Company's website at www.clinigengroup.com.

The following section outlines in broad terms how the Board has managed and applied standards of corporate governance that are appropriate for the Group's size and circumstances.

The role of the Board

The Board's role is to establish the vision and strategy for the Group, and is responsible for the long-term success of the Company. The individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans.

The Board is responsible to the Company's shareholders with its main objective to increase the sustainable value of assets and long-term viability of the Company. The Board reviews business opportunities and determines the risks and control framework. It also makes decisions on budgets, Group strategy and major capital expenditure. The day-to day management of the business is delegated to the Executive Directors.

The Board has a schedule of matters specifically reserved for its approval. These matters are delegated to the Board Committees, Executive Directors, Executive Management Team and senior management where appropriate. The schedule of matters reserved for the Board and terms of reference for each of its Committees can be found on the website www.clinigengroup.com.

Matters considered by the Board in 2018 include:

- Approval of the financial statements
- Annual budget
- Strategic review
- Gender Pay Gap Reporting
- General Data Protection Regulation
- A revised and updated anti-bribery and corruption policy
- Acquisition strategy
- Corporate governance in light of an external benchmarking study and AIM Rule 26 (as amended)

Division of responsibilities

There is a clear division of responsibilities between the Chairman and the CEO of the Company.

The role of the Chairman is to lead and manage the Board, ensuring the Board's effectiveness in all aspects. They should facilitate active engagement by all members, promoting a culture of challenge, openness and scrutiny.

The CEO manages the Group's business and develops its strategy. The CEO leads the senior management team in delivering the Group's strategic objectives.

The Non-Executive Directors' responsibilities are to challenge and contribute towards the Group's strategy, and to ensure that the financial controls and systems around risk management are suitably robust.

Board composition

The Board consists of two Executive Directors, an Independent Non-Executive Chairman and three Independent Non-Executive Directors. John Hartup is the Company's Senior Independent Director. John's role as the Senior Independent Director is to act as a sounding board for the Chairman and a trusted intermediary for the other Directors. He is also available as an additional point of contact for shareholders. The names of the Directors and their biographies are set out on pages 50 and 51.

In accordance with the provisions of the Code, at least half the Board is comprised of Independent Non-Executive Directors.

As planned, Peter George and John Bacon stepped down from the Board on 1 November 2017, and Anne Hyland joined the Board on 1 January 2018.

Chris Rigg joined the Board on 1 November 2017 following the acquisition of Quantum. He subsequently stepped down from the Board on 6 December 2017 to seek a CEO role elsewhere.

The Board considers that all of the Company's Non-Executive Directors are Independent Directors, in both character and judgement, in accordance with recommendations of the Code. In addition, the Code sets out criteria designed to assist our Board in determining whether there are circumstances that might affect, or could appear to affect, a Director's judgement and therefore their independence. In applying the criteria, the Board have concluded that the majority of Board members are independent Non-Executive Directors.

The Board continues to assess that its membership has the right qualities required to operate within a robust governance structure which the Board believes fits the requirements of the Group. Priorities for the Board in 2018–2019 include continually assessing progress against the strategic priorities and strengthening the Board membership with Independent Non-Executive Directors where it is deemed necessary. In 2019, the Senior Independent Director will lead a thorough internal evaluation process of the Board and Committees, to ensure that in all aspects they are efficient and effective with an appropriate mix of skills and experience. The review will assess the composition, experience, dynamics, the Chairman's leadership, and the Board's role and responsibilities in connection with the Group's strategy, oversight of risk and succession planning.

Appointment, removal and re-election of Directors

The Group seeks to recruit the best candidates at Board level and considers candidates on merit and against objective criteria. The process for the appointment of Directors is managed by the Nomination Committee.

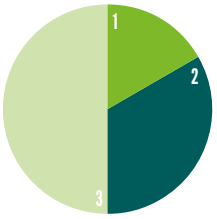
Appointments are made with due regard for the benefits of diversity on the Board (including gender). The Group supports the Code in respect of diversity.

The Board takes care that appointees have sufficient time available to allocate to the position. Each Non-Executive Director is expected to allow the necessary time to conduct their duties which involves attending all Board and Committee meetings of which they are members.

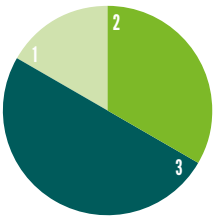
Effective procedures are in place to deal with conflicts of interest. Other interests and commitments of Directors are known by the Board and any changes to their commitments are reported.

Our Articles of Association state that one-third of the Directors must stand for re-election by shareholders annually in rotation and that each Director appointed by the Board is subject to election by the shareholders at the first AGM after their appointment. However, to underline their accountability to shareholders and the Board's commitment to appropriate corporate governance, each Director will stand for re-election at the upcoming AGM. Following advice from the Nomination Committee, the Board has concluded that each Director is qualified for election or re-election.

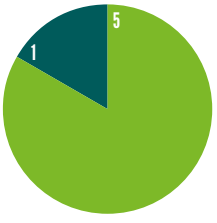
BOARD COMPOSITION



BOARD TENURE



GENDER DIVERSITY OF THE BOARD



CORPORATE GOVERNANCE STATEMENT
CONTINUED

Board and committee meetings
The Board meets on a formal basis regularly throughout the year and met nine times in the year ended 30 June 2018. The Committee meetings are scheduled around the Board meetings. Agendas, Committee papers and other appropriate information are distributed prior to each meeting to allow the Board to meet its duties.

The Directors' attendance during the year ended 30 June 2018 are as follows:

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Current Directors				
S Chilton	9	3*	4*	1*
M Abell	9	3*	4*	1*
P Allen	9	3	4	1
J Hartup[1]	8	3	4	1
I Nicholson	9	3	4	1
A Hyland (appointed to the Board January 2018)	5	2	3*	
Past Directors				
P George (left the Board November 2017)	3	1*	1*	1*
J Bacon (left the Board November 2017)	3	1*		1*
C Rigg[2]	0			

* By invitation
1. Unable to attend one Board meeting due to prior commitment.
2. Appointed to the Board in November 2017 and left the Board in December 2017.

Induction and development
On joining the Board, new Directors receive a comprehensive formal induction, involving meetings with senior management and external advisors. Individual training and development needs are reviewed regularly and provided as required. All Directors receive regular updates in legal, regulatory and governance matters by the Group General Counsel and Company Secretary, independent external auditors and advisors. The Group General Counsel and Company Secretary attends all Board meetings and has the responsibility of advising the Board on corporate governance matters and assisting with the flow of information to and from the Board.

Occasionally Board meetings are held at operational sites outside the UK to enhance the Board's understanding of the business. This year Board meetings were held in the US and South Africa in addition to the UK.

Board committees
The Board has established a Nomination Committee, Audit and Risk Committee, and Remuneration Committee, each with having separate duties and responsibilities.

Nomination Committee
The Chairman of the Nomination Committee is Peter Allen, with John Hartup and Ian Nicholson the other members of the Committee. The primary role of the Committee is regularly to review the structure, size and composition of the Board, give full consideration to succession planning for Directors and other senior executives and evaluate the balance of skills, knowledge, experience and independence on the Board. The Committee meets at such times as the Chairman of the Committee requires.

Audit and Risk Committee
The Chairman of the Audit and Risk Committee is Anne Hyland, with Peter Allen and Ian Nicholson being the other members of the Committee. Anne succeeded John Hartup as Chairman of the Committee upon her appointment to the Board in January 2018. The primary role of the Committee is to monitor, review and challenge the financial statements and regulatory environment, monitor the relationship with the external auditor, monitor the Group's internal control and risk management and ensure compliance with laws and regulations. The Committee meets at such times as the Chairman of the Committee requires. The Committee carefully considers the key judgements applied in preparation of the consolidated financial statements including the estimated future discounted cash flows supporting the carrying value of goodwill and intangibles and the going concern assumption. Each of the relevant estimates and judgements have been confirmed as appropriate.

In accordance with the provisions of the Code, the Audit and Risk Committee should comprise at least three independent Non-Executive Directors (excluding the Chairman) and so currently the composition of the Audit and Risk Committee does not comply with the Code. The Board believes that the Chairman, who is a Chartered Accountant, has highly relevant experience to contribute to the Committee discussions.

The audit of Clinigen's Annual Report and Accounts for the year ended 30 June 2017, performed by PwC, was chosen by the FRC for an audit quality review as part of their routine quality monitoring process. The Audit and Risk Committee received a full copy of the findings and met with PwC to close out the points raised by the review. The Audit and Risk Committee is satisfied that the matters raised do not give it concerns over the quality, objectivity or independence of the audit.

Remuneration Committee

The Chairman of the Remuneration Committee is Ian Nicholson, with Peter Allen and John Hartup being the other members of the Committee. The primary role of the Committee is to determine and agree the remuneration of the Company's Chairman, CEO, Executive Directors and senior managers, with the objective to ensure there is an appropriate remuneration strategy in place to encourage enhanced performance and reward for individual contributions to the success of the Company. The Committee also reviews the design of all Group share incentive plans and oversees major changes to employee benefit structures across the wider business. The Committee reviews the performance targets regularly to ensure that they are both challenging and closely linked to the Group's strategic priorities. The level of remuneration of the Directors is set out in the Group's Remuneration Report on pages 58 to 67.

Risk management and internal control

The Board has responsibility for establishing and maintaining the Group's internal control systems. The Board regularly reviews, and evaluates internal controls, ensuring they meet the needs of the Group. The internal controls are designed to manage risk rather than eliminate it and therefore cannot provide absolute assurance against material misstatement or loss. Primary responsibility for reviewing internal controls has been delegated to the Audit and Risk Committee.

Communication with investors

The Board realises that effective communication with shareholders on strategy and governance is an important part of its responsibilities. The CEO and CFO have a regular dialogue with institutional shareholders engaging proactively with them and ensuring their views are communicated back to the Board. The Investor Relations department acts as a focal point for contact with investors throughout the year. The Chairman and Non-Executive Directors continue to be available to discuss matters of concern as requested. Interim and final results are communicated via formal meetings with roadshows, participation in conferences and additional dialogue with key investor representatives held in the intervening periods.

The Board believes that appropriate steps are taken to ensure that the Board, and in particular the Non-Executive Directors, develop an understanding of the views of major shareholders. Prior to each Board meeting, an Investor Relations report is circulated which includes analysts' and brokers' briefings and following results roadshows, broker and advisor feedback is also passed to the Board.

Share dealing

The Company has established a Group share dealing code which complies with all applicable legislation, and all the Directors of the Group understand the importance of compliance with the Code.

AGM

The Company's AGM is used by the Board to communicate with shareholders, who are all entitled to attend. The presentation of the results will be given by the CEO, followed by the formal business of the meeting. The meeting provides an opportunity to ask questions of each of the Board members as part of the agenda, or more informally after the meeting.

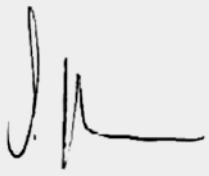
The Notice of AGM and all related papers are sent to each shareholder at least 20 working days before the meeting. The outcomes of the voting on resolutions are announced to the London Stock Exchange via the Regulatory News Service and added to the Clinigen website.

Whistleblowing

The Group operates a whistleblowing policy which allows all employees to raise concerns to senior management in strict confidence about any unethical business practices, fraud, misconduct or wrongdoing.

REMUNERATION REPORT

REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT



IAN NICHOLSON
Independent Non-Executive Chairman
of the Remuneration Committee
26 September 2018

"IN ORDER TO DELIVER THE GROUP'S STRATEGY, THE COMMITTEE BELIEVES CLINIGEN MUST CONTINUE TO ATTRACT, MOTIVATE AND RETAIN THE HIGHEST CALIBRE TALENT IN THE SECTOR."

Dear Shareholder,
On behalf of the Board, I am pleased to present you with the Remuneration Committee's report for the year ended 30 June 2018.

The Remuneration Committee was chaired by me throughout the year and my co-members were Peter Allen and John Hartup. The Committee met four times formally in 2018.

In order to deliver the Group's strategy, the Committee believes Clinigen must continue to attract, motivate and retain the highest calibre talent in the sector. The Committee therefore must ensure that the remuneration policy is appropriate for a diverse and unique team working in a dynamic and successful business. The governance of the remuneration policy is equally important to ensure it is appropriate for a business the size and profile of the Group.

As has already been mentioned in this Annual Report, the Group has delivered another strong financial performance, with Group adjusted EBITDA of £76.0m up 17%. The company related performance condition for the annual bonus for the last financial year was based on the achievement of stretching adjusted Group EBITDA targets and personal objectives. In view of performance, the Committee has determined that the CEO and CFO will both receive annual bonus payouts of 58% of their maximum opportunities.

The long-term incentive plan ('LTIP') held by the CEO, which vested in September 2017, was subject to TSR performance for the period from 25 September 2014 to 24 September 2017. During this period, TSR exceeded the maximum stretch target with 100% of the award vesting.

During the year, Shaun Chilton's annual base salary increased from £400,000 to £600,000. Shaun became CEO in November 2016, during his first year he has settled into the role extremely well. Consequently, the Board decided to further increase his basic salary to the median of his peers. It is not anticipated that a further market adjustment will be required in 2019-2020. In order to reflect the scale of the business and increased responsibility of his role following both the acquisition of Quantum and recent product acquisitions, we believe that his annual base salary increase is fully justified and in line with market rates.

The Committee believe that the increase in base salary and the LTIP award are fair and appropriate, reflecting the results that have been delivered and value created for shareholders over the period in which they apply.

Due to the continuing pressures on executive remuneration, particularly for main market listed companies, the Committee regularly reviews the remuneration policy to ensure it remains appropriate for the business. The Committee has determined that the policy does not require fundamental changes to the way our Executive Directors are remunerated.

As an AIM-listed company we voluntary seek advisory shareholder approval for our Remuneration Report in order to provide accountability and for shareholders to express their views on the remuneration policy and its implementation. All feedback provided by shareholders helps form the Committee's approach to governance of the remuneration policy. The Committee welcomes any feedback on the remuneration policy.

I hope you find the Remuneration Report useful and the Committee looks forward to your continued support.

As an AIM-listed company, Clinigen is not subject to the UK Listing Rules and makes the following disclosures voluntarily.

The Group's Remuneration Report will be put forward, on an advisory basis, for shareholder approval at the AGM to be held on 8 November 2018. The current policy came into effect following the AGM on 28 November 2017.

Remuneration policy

The remuneration policy has been constructed to offer appropriate, competitive remuneration to attract, retain and motivate senior executives to avoid excessive or inappropriate risk-taking and encourage them to implement the Group's strategy for the benefit of long-term shareholder value.

The Board believes in pay for performance against challenging targets and stretching goals. The approach is to set base salaries around the median for our comparator group. A significant proportion of the total remuneration package is variable and linked to corporate performance. In setting Directors' remuneration, the Committee takes account of the remuneration of other companies of similar size and complexity. The Committee also takes into account the pay and employment conditions of all our employees.

The Remuneration Committee determines the remuneration policy for the Chairman, Executive Directors and senior managers. The remuneration for the Chairman is determined by the Committee (with the Chairman not present for any discussions). The remuneration of the Non-Executive Directors is determined by the Chairman of the Committee and the Executive Directors.

The Committee reviews the performance targets regularly to ensure that they are both challenging and closely linked to the Group's strategic priorities. Furthermore, because a large part of the remuneration package is delivered in shares, they are directly exposed to the same gains or losses as all other shareholders.

The Committee ensures that the incentive structure for senior executives does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. Part of the annual bonus depends upon an assessment of each senior executive's personal contribution to Company measures, including results of the regular employee surveys and health and safety outcomes.

Shareholders' views

The Committee considers the views expressed by shareholders during the year, including at the AGM, and encourages open dialogue with its largest shareholders. In addition, in determining the remuneration policy, the Committee takes into account guidance issued by shareholder representative bodies, including the Investment Association, the Pensions and Lifetime Savings Association and Institutional Shareholders Services.

REMUNERATION REPORT
CONTINUED

Executive Directors

The Executive Directors' remuneration consists of five components to ensure there is a balance between fixed and performance-related remuneration. The table below sets out a summary of our remuneration policy:

	Purpose and link to strategy:	Operation:	Maximum opportunity:	Performance metrics:
Base salary	To provide a core reward for undertaking the role, positioned at a level needed to recruit and retain the talent required to develop and deliver the business strategy.	The Remuneration Committee sets base salaries taking into account a range of factors including: – the individual's skills, performance and experience; – internal relativities and wider workforce salary levels; – external benchmark data; – the size and responsibility of the role; – the complexity of the business and geographical scope; and – economic indicators.	There are no maximum levels set although increases will normally be in line with the typical level of increases awarded to other employees at Clinigen and will be a reflection of the individual's performance. The Remuneration Committee may award increases above this level in certain circumstances, including if there is an increase in the scope of roles and responsibilities. Base salaries are usually reviewed annually.	
Annual bonus	To support the delivery of the Group's annual business plan. The focus is on the delivery of the annual financial, strategic, customer and people KPIs.	Performance targets are approved annually by the Remuneration Committee. The Remuneration Committee exercises its judgement to determine payout levels after the year end, based on performance against targets. This ensures that the outcome is fair in the context of overall Group performance and against personal goals. For Executive Directors, 20% of any bonus above 50% of salary will be deferred. For example; this would relate to 10% of total for those receiving 100% bonus, 5% for those getting 75%. The deferral period will be one year.	The maximum award opportunity in respect of any financial year is based on role and is up to 125% of base salary.	Performance is measured against a range of key financial metrics, strategic, customer and people indicators and personal performance. Stretch targets are set for maximum payout. Performance is measured over 12 months.

	Purpose and link to strategy:	Operation:	Maximum opportunity:	Performance metrics:
LTIP	To reward participants for the delivery of the Group's goals of driving shareholder value through measures such as the Group's adjusted EPS and TSR.	Award of shares subject to performance measured over a three-year period. Performance targets are set annually for each three-year cycle by the Remuneration Committee. Awards are subject to review by the Remuneration Committee at the end of the three-year performance period to confirm that vesting of the award is appropriate. Unvested awards can be reduced or withheld in certain circumstances.	The maximum award opportunity is based on role. The maximum award possible under the plan rules is usually 100% of salary but may rise to 400% in exceptional circumstances. Awards above 100% are unusual and usually a one-off award per individual.	Vesting of the award is based on a combination of the following performance measures: – cumulative Group adjusted EPS compared to targets; – cumulative Group TSR compared to FTSE Small Cap Index (ex Investment Trusts); and – personal objectives. The split between these measures, for each grant, is set annually by the Remuneration Committee. In 2018, 40% of the award was based on EPS, 40% on TSR and 20% on personal objectives. The personal objectives component can only vest if a minimum EPS target is achieved.
Pension	To provide a competitive, flexible retirement benefit in a way that does not create an unacceptable level of financial risk or cost to the Group.	Executive Directors are auto-enrolled into a defined contribution pension plan and are offered the alternative of a cash allowance. Legacy arrangements will continue to be honoured.	Employer contribution into the Group's defined contribution pension plan of up to 15% of salary.	
Other benefits	To provide market-competitive monetary and non-monetary benefits, in a cost-effective manner, to assist employees in carrying out their duties efficiently.	Executive Directors are provided with a package of core benefits, including private healthcare, health screening, death in service protection, disability benefit and reimbursement of membership fees of professional bodies. The Company also operates a sharesave scheme. This scheme is open to all permanent employees of the Group who have completed the requisite length of service at the launch of each award.	There is no maximum value of the core benefit package as this is dependent on the cost to the Company and the individual's circumstances.	

REMUNERATION REPORT
CONTINUED

Payment for loss of office
In a departure event, the Committee will typically consider whether any element of bonus should be paid for the financial year. Generally, any bonus, if paid, will be limited to the period served during the financial year in which the departure occurs. The Committee will consider whether any of the share element of deferred bonus awarded or LTIP in prior years should be preserved either in full or in part and whether any deferred cash payments should be preserved either in full or in part.

The Committee has a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique. The overriding approach to payments for loss of office is to act in the shareholders' interests. The default position is that an unvested share award, LTIP or cash entitlement lapses on cessation of employment. This provides the Committee with the maximum flexibility to review the facts and circumstances of each case, allowing differentiation between good and bad leavers and avoiding payment for failure. When considering a departure event, there are a number of factors which the Committee takes into account. These include:

- the position under the relevant plan documentation;
- the individual circumstances of the departure;
- the performance of the Company/individual during the year to date; and
- the nature of the handover process.

In some cases, the treatment is formally prescribed under the rules of the relevant plan so that where there are good leaver circumstances awards, which would otherwise lapse by default, awards may vest either on the normal vesting date or on cessation of employment. These circumstances may include death, injury, ill-health, disability, redundancy or sale of the Company or business.

Non-Executive Directors
The Board aims to recruit high-calibre Non-Executive Directors, with broad commercial, international or other relevant experience. Each Non-Executive Director has an appointment letter setting out the terms of his or her appointment. They do not have service contracts. The letter includes membership of any Board committees, the fees to be paid and the time commitment expected. Appointments are for an initial period of three years. During that period, either party can give the other at least three months' notice of termination. All Board appointments automatically terminate in the event of a Director not being elected or re-elected by shareholders at the AGM each year. The appointment of a Non-Executive Director is terminable on notice by the Company without compensation. At the end of the period, the appointment may be continued by mutual agreement. The appointment letter also covers matters such as confidentiality, data protection and Clinigen's share dealing code.

Non-Executive Directors cannot individually vote on their own remuneration. Non-Executive Director remuneration is reviewed by the Chairman and the Executive Directors, and discussed and agreed by the Board. Non-Executive Directors may attend the Board discussion but may not participate in it.

Details of the service agreements for the Executive Directors and letters of appointment for the Non-Executive Directors are set out below:

	Date of contract	Unexpired term (months) or rolling contract	Notice period (months)
S Chilton	3 January 2012	Rolling	12
M Abell	3 August 2015	Rolling	6
P Allen	1 August 2012	Rolling	3
J Hartup	1 June 2011	Rolling	3
I Nicholson	1 September 2012	Rolling	3
A Hyland	1 January 2018	Rolling	3
P George	1 July 2010	Stood down 1 November 2017	
J Bacon	30 October 2015	Stood down 1 November 2017	
C Rigg	1 November 2017	Stood down 6 December 2017	

Remuneration governance

The Remuneration Committee consists of three independent Non-Executive Directors. The table below provides each member's attendance record at Committee meetings during the year. The Committee members' biographies are set out on pages 50 to 51.

Committee member	Position	Appointed	Attendance
I Nicholson	Committee Chair	September 2012	3/3
P Allen	Non-Executive Director	August 2012	3/3
J Hartup	Non-Executive Director	June 2011	3/3

The key areas of focus for the Remuneration Committee during 2018 include:

- approved the Remuneration Report
- reviewed and approved UK and International sharesave plans
- reviewed performance conditions and targets for 2018 bonus and LTIPs
- reviewed 2017 personal objectives and set 2018 personal objectives for the Executive Directors
- reviewed and approved additional 2017 LTIP awards for senior managers
- prepared the Company's first Gender Pay Gap Report
- reviewed and approved base salary increases for the Executive Directors, senior managers and the Chairman
- reviewed wider market trends and best practice reporting in remuneration

The key areas of focus for the Remuneration Committee for the year ahead include:

- prepare and publish the Remuneration Report
- determine performance conditions and targets for 2019 bonus and LTIPs
- review and approve base salary increases for the Executive Board, senior managers and the Chairman
- prepare and publish the Gender Pay Gap Report

Annual report on remuneration

The Executive Directors' and Non-Executive Directors' remuneration for 2018 and 2017 are set out below:

	2018					2017				
£000	Salary/Fees	Bonus	LTIP	Other	Total	Salary/Fees	Bonus	LTIP	Other	Total
S Chilton	533	309	465	51	1,358	360	400	1,548	41	2,349
M Abell	277	161	–	29	467	258	275	–	28	561
P Allen	140	–	–	4	144	125	–	–	5	130
J Hartup	70	–	–	–	70	65	–	–	–	65
I Nicholson	70	–	–	–	70	65	–	–	–	65
A Hyland[1]	35	–	–	1	36	–	–	–	–	–
P George[2]	23	–	–	1	24	191	–	–	8	199
J Bacon[3]	20	–	–	–	20	57	–	–	–	57
C Rigg[4]	23	–	–	–	23	–	–	–	–	–

1. Anne Hyland joined the Board as Non-Executive Director in January 2018.
2. Peter George stood down as Chief Executive Officer to become a Non-Executive Director in November 2016 and subsequently stood down from the Board in November 2017.
3. John Bacon stood down from the Board in November 2017.
4. Chris Rigg joined the Board as an Executive Director in November 2017 and stood down from the Board in December 2017. A payment of £375,000 as compensation for loss of office was paid on leaving the Group.

REMUNERATION REPORT
CONTINUED

One Director (2017: three) is a member of the defined contribution pension scheme.

As mentioned on page 59, following his successful first year as CEO, the Board decided to increase Shaun Chilton's annual base salary from £400,000 to £600,000. It is not anticipated that a further market adjustment will be required in 2019-2020. In order to reflect the scale of the business and increased responsibility of his role following both the acquisition of Quantum and recent product acquisitions, the Board believe that Shaun's annual base salary increase is fully justified and in line with market rates.

Martin Abell's annual base salary increased by 2.7% from £275,000 to £282,425 following the annual salary review in April 2018, in-line with the Group's UK based employees.

The amount payable to the highest paid Director in respect of emoluments was £1,358,000 (2017: £2,349,000), comprising basic salary and bonus of £842,000 (2017: £760,000), long-term share-based incentives vesting of £465,000 (2017: £1,548,000) and other benefits of £51,000 (2017: £41,000).

Annual bonus
The Executive Directors were eligible to earn an annual bonus of up to 100% of salary, based on the achievement of stretching adjusted Group EBITDA targets and personal objectives. Group EBITDA targets unlock up to 70% of maximum bonus potential, whilst personal objectives unlock up to 30%. The personal objectives are set on an individual basis and are linked to the corporate, financial, strategic and other non-financial objectives of the Group. The Committee believe the objectives to be commercially sensitive and are therefore not provided in this report.

The annual bonuses awarded for the 2018 financial year were as follows:

£000	Total bonus awarded in September 2018 (relating to 2018 financial year)	Bonus to be paid in September 2018 (relating to 2018 financial year)	Deferred bonus to be paid in September 2018 (relating to 2017 financial year)	Deferred bonus to be paid in September 2019 (relating to 2018 financial year)	Percentage of base salary of total bonus awarded (relating to 2018 financial year)	Maximum percentage of salary
S Chilton	309	300	40	9	58	100%
M Abell	161	157	28	4	58	100%

The deferred element of the bonus relating to the 2017 financial year was paid in September 2018. For the 2018 financial year, the annual bonus awarded for the Executive Directors was 58% of their base salary. 20% of the bonus earned in excess of 50% of base salary is deferred for one year in line with the stated policy.

LTIP
Nil cost share options granted to Shaun Chilton in June 2015 vested in September 2017. These awards were subject to a performance criteria over the period from 25 September 2014 to 24 September 2017 with 100% of the award based on TSR. The level of achievement against this target was 100%.

Awards were granted to the Executive Directors as part of the LTIP in October and November 2017, with vesting of the awards subject to the performance conditions, as set out on the following page, in October 2020. The split between these measures, for each grant, is set annually by the Remuneration Committee. 40% of the award is based on EPS, 40% on TSR and 20% on personal objectives. The personal objectives component can only vest if a minimum EPS target is achieved.

The TSR and EPS performance targets of the LTIPs currently running, namely the 'Clinigen Group LTIP 2015', are as follows:

Total shareholder return

TSR against the FTSE Small Cap Index (ex Investment Trusts) over the performance period	Percentages of award that vests
Less than the Index	0%
Equal to the Index	25%
Between the Index but less than 15% out performance of the Index on a cumulative basis over the TSR performance period	Calculated on a straight-line basis between 25% and 100%
Equal to or greater than 15% out performance of the Index on a cumulative basis over the TSR performance period	100%

EPS

EPS compound annual growth rate over the performance period	Percentages of award that vests
< 5% CAGR	0%
5%–10% CAGR	Calculated on a straight-line basis between 25% and 100%
> 10% CAGR	100%

Personal objectives

The element of the award relating to personal objectives shall only vest if the personal objectives have been achieved and the minimum EPS threshold, shown above, is achieved.

An exception to the above performance conditions relates to the award issued to Martin Abell in November 2015, due to vest in November 2018. One quarter of this award has no performance condition attached, as it was made to compensate Martin Abell for the value of awards that he relinquished from his former employer when he joined the Group. The remaining three quarters of the award has a performance condition in line with the above.

During the year, share options that were issued to and exercised by the Executive Directors as part of the LTIP are set out in the table below:

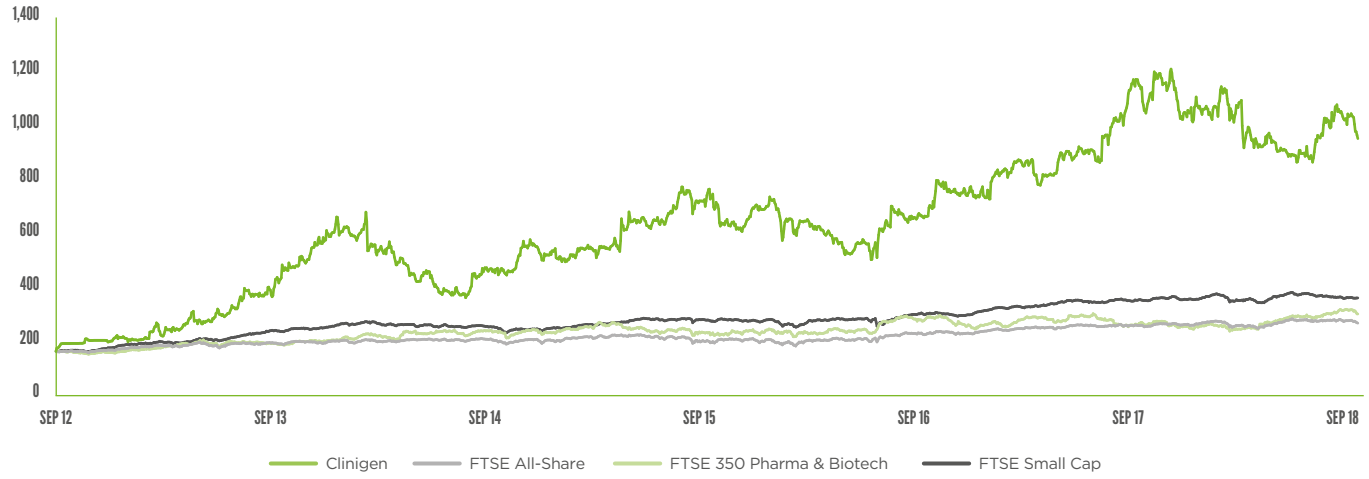
	Plan	30 June 2017	Exercised	Granted	Lapsed	30 June 2018
S Chilton	Clinigen Group Long-Term Incentive Plan	43,811	–	–	–	**43,811**
	Clinigen Group Long-Term Incentive Plan 2015	196,075	–	78,534	–	**274,609**
M Abell	Clinigen Group Long-Term Incentive Plan 2015	159,814	–	23,996	–	**183,810**
	Clinigen Group Sharesave Plan	3,846	–	–	–	**3,846**
C Rigg[1]	Clinigen Group Long-Term Incentive Plan 2015	–	–	79,365	79,365	**–**

1. Chris Rigg joined the Board as an Executive Director in November 2017 and stood down in December 2017.

REMUNERATION REPORT
CONTINUED

Total shareholder return
In the six years since IPO on 24 September 2012 until 7 September 2018, the Group's TSR, defined as share price growth including reinvested dividends, has outperformed the FTSE All-Share Index by 417%, the FTSE 350 Pharma and Bio Index by 396% and the FTSE Small Cap Index (ex Investment Trusts) by 360%.

TSR (P, REBASED TO CLINIGEN)



Directors' interests
The interests of the Directors over the Ordinary Share capital of the Company as at 30 June 2018 are as follows:

	Number of shares owned outright	Number of share options with performance conditions	Number of share options without performance conditions	Number of vested but unexercised options
S Chilton	312,943	274,609	–	43,811
P Allen	47,232	–	–	–
M Abell	19,404	153,017	34,639	–
J Hartup	10,000	–	–	–
I Nicholson	10,000	–	–	–
A Hyland[1]	–	–	–	–
P George[2]	–	–	–	–
J Bacon[3]	–	–	–	–
C Rigg[4]	–	–	–	–
Total	399,579	335,247	127,018	43,811

1. Anne Hyland joined the Board as Non-Executive Director in January 2018.
2. Peter George stood down as Chief Executive Officer to become a Non-Executive Director in November 2016 and subsequently stood down from the Board in November 2017.
3. John Bacon stood down from the Board in November 2017.
4. Chris Rigg joined the Board as an Executive Director in November 2017 and stood down in December 2017.

There has been no change in the interests set out above between 30 June 2018 and 26 September 2018.

CEO remuneration

The total remuneration for the Chief Executive Officer during each of the last four financial years is shown in the table below. The total remuneration includes base salary, annual bonus (based on previous year's performance), LTIPs and other benefits. The annual bonus payout on that year's performance and LTIP vesting level as a percentage of the maximum is also shown.

	Financial year 2015	Financial year 2016	Financial year 2017	Financial year 2018	Percentage change	Percentage change for all employees
Total remuneration (£000)	567	6,103	2,349	**1,358**	(42)%	9%
Annual bonus (% of maximum)	48%	0%[1]	100%	**58%**	(42)%	(41)%
LTIP vesting (% of maximum)	0%	100%	100%	**100%**	0%	0%

Peter George stood down as Chief Executive Officer to become a Non-Executive Director in November 2016 where upon Shaun Chilton was promoted to Chief Executive Officer.

1. For the year ended 30 June 2016, the annual performance bonus for the Executive Director's paid at 95% of their basic salary. Peter George waived his entire bonus.

Relative importance of spend on pay

The table below shows the Group's actual spend on pay (for all employees) relative to dividends, and adjusted profit before tax for the year.

Year ended 30 June 2018	2017 £m	2018 £m	Change %
Total employee pay	37.2	**40.4**	9%
Dividends	4.9	**6.3**	29%
Adjusted profit before tax	61.3	**69.0**	13%

Gender pay gap reporting

The Group recognises the importance of diversity and inclusion, including gender, at all levels of the Company.

The Group already has a strong female representation in both management and operational boards. We continue to actively recruit and develop women into our top management structures to enable us to better reflect and serve the diverse communities and cultures in which we operate around the world.

A full compliance statement can be found on the Group website at www.clinigengroup.com/uk-gender-pay-gap-report.

Remuneration policy in 2019

The Committee does not anticipate any significant changes to the remuneration policy in 2019, but it will continue to review the salaries and benefits of the Executive Directors throughout the year.

Along with the salary review timetable for the Company as a whole, the Executive Directors' salaries for 2019 are scheduled to be reviewed in April 2019. Any increases to the Executive Directors' salaries are expected to be in line with the average UK employee, other than where a larger increase is awarded to reflect additional duties.

No changes are proposed to the Non-Executive Directors' fees for 2019.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018

The Directors present their report together with the Strategic Report and the audited consolidated financial statements for the year ended 30 June 2018.

Clinigen Group plc is a public limited company, which is listed on AIM, incorporated and domiciled in the UK and registered in England and Wales.

Principal activities

Clinigen is a specialty global pharmaceutical and services company headquartered in the UK, with offices in the US, South Africa, Australia, New Zealand, Japan, Hong Kong, Singapore, Greece and Ireland. The Parent Company is a holding company for the Group, holding the product portfolio of intangible assets of the Group and providing management services for the other Group companies which undertake the Group's three operations.

CTS is the global market leader in the specialist supply and management of quality-assured comparator medicines and services to clinical trials and IITs.

The Unlicensed Medicines business operation is the global leader in ethically sourcing and supplying unlicensed medicines to hospital pharmacists and physicians for patients with a high unmet medical need. The operation manages early access programs to innovative new medicines and provides 'on-demand' access globally to medicines which remain unlicensed at the point of care.

The Commercial Medicines business operation acquires global rights to niche hospital-only and critical care products, revitalising these assets around the world and returning them back to sustained growth. The operation also provides access to licensed and branded generic medicines in the Africa and Asia Pacific region and has a UL2L strategy, where it looks to take unlicensed medicines with commercial potential and licenses them, helping to address unmet medical need and allowing the Group to capitalise on its market-leading positions.

The three operations work in synergy to attain our primary aim of supplying 'the right medicine, to the right patient, at the right time'.

Strategic report

As permitted by legislation, some of the matters required to be included in the report of the directors have instead been included in the strategic report on pages 4 to 49, as the board considers them to be of strategic importance. Specifically, these are risk management on pages 42 to 45, business review and future developments on pages 30 to 37, and corporate social responsibility on pages 46 to 49. The strategic report forms part of this report of the directors and is incorporated into it by cross-reference. Both the strategic report and the report of the directors have been drawn up and presented in accordance with and in reliance upon applicable English company law, and the liabilities of the directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

KPIs

The Group's KPIs are discussed in the Strategic Report. The Directors consider the Group KPIs as adjusted gross profit, adjusted EBITDA and adjusted basic EPS. The KPIs for the business operations are the number of local, regional and global assets under management, the number of exclusive supply agreements in Unlicensed Medicines and the community of registered users on Cliniport.

Financial instruments

The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk and foreign exchange risk. The Group has a risk management program that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and related finance costs and managing foreign currency transactions. The Group has implemented policies that require appropriate credit checks before a sale is made. The Group reduces its exposure to currency fluctuations on translation by managing currencies at Group level using bank accounts denominated in foreign currencies. Where there is sufficient visibility of currency requirements, forward contracts are used to hedge its exposure to foreign currency fluctuations.

Further detail is provided in note 20 of the consolidated financial statements.

Creditor payment policy

It is the policy and normal practice of the Group to make payments due to suppliers in accordance with agreed terms and conditions, generally 30 days. Where suppliers offer early settlement discounts, these may be taken advantage of. The policy will also be applied for 2019.

Major shareholders

As at 30 June 2018, the following shareholders held an interest of 3% or more of the Company's issued share capital:

	% of total voting rights
AXA Framlington Investment Managers	8.7%
Old Mutual Global Investors	6.1%
Rathbones	5.5%
Octopus Investments	4.2%
Wasatch Advisors	4.1%
Leaver family	3.5%
Janus Henderson Group	3.4%
BAE Systems Pensions	3.3%
Neuberger Berman	3.1%

Dividend

As explained in the CFO statement, the Directors propose a final dividend of 3.84p per share, subject to approval at the AGM on 8 November 2018. The dividend will be payable on 30 November 2018 to all shareholders on the register on 9 November 2018. Together with the interim dividend of 1.76p per share paid on 12 April 2018, this makes a combined dividend for the year of 5.6p per share (2017: 5.0p per share).

Events after the reporting date

In July 2018, the Group acquired the global rights to Proleukin outside the United States from Novartis, and the global rights to Imukin from Horizon Pharma.

On 26 September 2018, the Group reached an agreement to acquire 100% of the issued share capital of CSM Parent, Inc., a specialised provider of packaging, labelling, warehousing and distribution services from its locations in the US and continental Europe for an initial cash consideration of US$150m. Further contingent consideration of up to US$43m is payable in cash dependent on achieving EBITDA targets in the year ended 31 December 2019.

The Group is funding the acquisition and associated expenses through a refinancing of the Group's existing debt facilities and an equity placing. The equity placing is targeting gross proceeds of approximately £80m.

On 26 September 2018, the Group acquired 100% of the share capital of iQone Healthcare Holding (Suisse) SA, a privately owned specialty pharmaceutical business based in Switzerland. Initial consideration is €7.5m, made up of €5.0m in cash and €2.5m in new Clinigen shares, with additional potential contingent consideration based on the achievement of certain future EBITDA targets.

Directors and appointment of Directors

The Directors who served during the year and up to the date of signing the financial statements were, unless otherwise stated, as follows:

S Chilton	
M Abell	
P Allen	(Independent Non-Executive Chairman)
J Hartup	(Senior Independent Non-Executive)
I Nicholson	(Independent Non-Executive)
A Hyland	(Independent Non-Executive) (joined in January 2018)
P George	(Non-Executive) (stood down in November 2017)
J Bacon	(Non-Executive) (stood down in November 2017)
C Rigg	(joined the Board as Executive Director in November 2017 and stood down in December 2017)

With regard to the appointment of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. Directors are subject to re-election at intervals of not more than three years. However, as a matter of best practice, all Board members will resign and submit themselves for re-election annually in line with the Code.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with IFRS as adopted by the European Union ('EU') and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). 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 the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed for the Group financial statements and UK Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018
CONTINUED

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Directors' indemnities
The officers of the Company and its subsidiaries would be indemnified in respect of proceedings which might be brought by a third party. No cover is provided in respect of any fraudulent or dishonest actions.

Employees
The policies relating to employees are discussed in the Corporate Social Responsibility section of the Strategic Report.

Political donations
In line with the established policy, the Group made no political donations.

Although the Group does not make, and does not intend to make, political donations, the definition of political donations under the Companies Act 2006 includes broad and potentially ambiguous definitions of the terms 'political donation' and 'political expenditure', which may apply to some normal business activities which would not generally be considered to be political in nature.

As in previous years, a resolution will be proposed at the AGM seeking shareholder approval for the Directors to be given authority, to make political donations and/or to incur political expenditure, in each case within the meaning of the Companies Act 2006 for no more than £50,000. The Directors wish to emphasise that the proposed resolution is sought on a purely precautionary basis in order to avoid inadvertent contravention of the Companies Act 2006. The Board has no intention of entering into any party political activities.

Provision of information to the independent auditors
Each of the Directors at the time when this Report of the Directors is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's and the Group's auditors are unaware; and
- that the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company and the Group's auditors in connection with preparing their report and to establish that the Company and the Group's auditors are aware of that information.

AGM notice
The notice convening the AGM to be held on 8 November 2018, together with an explanation of the resolutions to be proposed at the meeting, is contained in a separate circular to shareholders.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have expressed its willingness to continue in office and a resolution to reappoint it will be proposed at the forthcoming AGM.

This report was approved by the Board and signed on behalf of the Board:

MARTIN ABELL
Chief Financial Officer
26 September 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLINIGEN GROUP PLC

Report on the audit of the Group financial statements

Opinion

In our opinion, Clinigen Group plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 30 June 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the 'Annual Report'), which comprise: the consolidated statement of financial position as at 30 June 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £2.3m (2017: £2.1m), based on 5% of profit before tax before the deduction of non-underlying items save for amortisation relating to the intangible assets.
- Following our assessment of the risks of material misstatement of the Group financial statements we performed audits of the complete financial information of five components.
- In addition, certain centralised functions, including those covering acquisition accounting, corporate taxation and goodwill and intangible asset impairment assessments were audited.
- The components on which audits of the complete financial information and centralised work was performed accounted for 82% (2017: 96%) of Group revenue.
- As part of our supervision process, the Group engagement team has been responsible for the audit of all significant components and for all of the in-scope reporting components.

Our assessment of the risk of material misstatement also informed our views on the areas of particular focus for our work which are listed below:

- Assessment of the carrying value of acquired intangible assets and goodwill.
- Fair value of assets and liabilities identified through acquisition accounting.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLINIGEN GROUP PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Assessment of the carrying value of acquired intangible assets and goodwill Refer to the critical accounting estimates and judgements in note 2 to the consolidated financial statements, and note 12 (intangible assets). We focused on this area because the Directors' assessment of whether impairment triggers have been identified that could give rise to an impairment charge in relation to intangible assets and goodwill, involved complex and subjective judgements and assumptions including the progress and future performance of individual products, in addition to the ongoing business activities of acquired entities. The Directors have prepared impairment assessment models which include a number of assumptions. The assumptions which are deemed to be the most significant in respect of these models are the short and long term growth and discount rates.	For each separate intangible asset, including goodwill, we focused on the key assumptions relating to future revenue forecasts, margin expectations and associated selling costs. We were able to evaluate the reasonableness of the Directors' forecasts and expectations including the impact upon terminal values by agreeing changes in growth assumptions to corroborating evidence and assessing the margin and selling costs expected to be achieved by reference to historical margins realised, and where relevant, consideration of actual performance against prior year forecasts. We validated the inputs used by the Directors to calculate the discount rate applied by using our valuation specialists to compare this to the cost of capital for the Group and a selection of comparable organisations. The Directors' key assumptions for long term growth rates were also compared to economic and industry forecasts for reasonableness. We assessed, through the performance of sensitivity analysis over the key assumptions above, the extent of change in those assumptions that either individually or collectively would be required for any potential impairment charges, to have a material impact on the carrying value of the acquired intangible assets and goodwill. We also assessed the likelihood of such changes occurring. As a result of our audit work, we agreed that the Directors' assessment that no impairment triggers for acquired intangible assets were identified nor any impairment charge for goodwill is required to be recognised. We consider that the associated judgements taken were supportable.
Fair value of assets and liabilities identified through acquisition accounting The Group made one significant acquisition during the year, Quantum Pharma Holdings Limited ('Quantum'), for consideration of £143.5m. The Group also made one smaller acquisition during the year, but we have focused our work on the larger acquisition due to the relative size and significance to the Group as a whole. We focused on this area because the accounting treatment for the provisional opening balance sheet is inherently judgemental and requires the Directors to exercise many judgements, including in respect of the fair values of intangible assets and other assets and liabilities, and the calculation of associated goodwill.	For the significant acquisition: – We read the Scheme of Arrangement in order to understand the nature of the transaction and ensure that relevant clauses that impact the accounting had been considered by the Directors. – We tested the fair values ascribed to intangible assets by understanding the assumptions adopted in the valuation model, which critically include sales and margin forecasts, forecast attrition rates in relation to customers, useful economic lives of medicines and probability of success of licensing the pipeline of products. We engaged and evaluated the work of our valuation specialists who validated those underlying assumptions and confirmed that the Directors had adopted reasonable assumptions in each circumstance. – For the remaining fair values of other material assets and liabilities, we evaluated the Directors' assessment that book values equal fair values, and confirmed this reflects information that was known in relation to events that existed at the transaction dates. – We note that the generated goodwill of £96.3m is the residual value of the consideration over and above the fair value of acquired net assets. We consider that the Directors' assessment of the provisional fair value of the opening balance sheets of these acquisitions to be supportable.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

The Group is structured along three segments, being Commercial Medicines, Unlicensed Medicines and Clinical Trial Services, with each segment set up to manage operations on both a regional and functional basis, consisting of a number of reporting entities.

The Group financial statements are a consolidation of 39 active reporting entities comprising the Group's operating businesses and centralised functions. These reporting units maintain their own accounting records and controls and report to the head office finance team in the UK.

In establishing the overall approach for the Group audit, we determined the type of work that needed to be performed at each reporting unit. Accordingly, of the Group's 39 active reporting entities we identified 5 which, in our view, required a full audit of their complete financial information in order to ensure that sufficient audit evidence was obtained. The reporting units on which a full audit of their complete financial information was performed accounted for 82% of Group revenue. Of these reporting entities, four were considered to be significant components due to their size or risk criteria; Clinigen Group plc, Clinigen CTS, Clinigen Healthcare Limited and Idis Limited. In addition, one non-significant reporting unit, Quantum Group sub-consolidation, was subjected to a full scope audit.

The Group consolidation, financial statements disclosures, and a number of centralised functions were audited by the Group engagement team at the head office. These included, but were not limited to, central procedures on derivative financial instruments, UK and corporate taxation and goodwill and intangible asset impairment assessments. We also performed Group level analytical procedures on all of the remaining out of scope active reporting units to identify whether any further audit evidence was needed, which resulted in no extra testing being required.

The Group engagement team are responsible for the audit of all in scope reporting components. The Group engagement team have been directly responsible for the audit of all significant components.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£2.3m (2017: £2.1m).
How we determined it	5% of profit before tax before the deduction of non-underlying items save for amortisation relating to the intangible assets.
Rationale for benchmark applied	We believe that profit before tax adjusted for non-underlying items save for amortisation of the intangible assets provides a consistent basis for determining materiality as it eliminates the impact of these items which fluctuate year on year and can have a disproportionate impact on the consolidated income statement.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.5m and £2.1m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £115,000 (2017: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLINIGEN GROUP PLC CONTINUED

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our independent auditors' report thereon. The Directors are responsible for 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 to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 69, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for 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.

In preparing the financial statements, the Directors are responsible for assessing the Group'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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 or error, and to issue an auditors' report that includes our opinion. 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 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 further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

OTHER MATTER

We have reported separately on the Parent Company financial statements of Clinigen Group plc for the year ended 30 June 2018.

PAUL NORBURY BSC FCA (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
September 2018

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

(In £m)	Note	2018 Underlying	2018 Non-underlying (note 7)	2018 Total	2017 Underlying restated	2017 Non-underlying (note 7) restated	2017 Total
Revenue	4	**381.2**	**–**	**381.2**	302.3	–	302.3
Cost of sales		**(241.1)**	**(1.4)**	**(242.5)**	(179.5)	(0.1)	(179.6)
Gross profit	4	**140.1**	**(1.4)**	**138.7**	122.8	(0.1)	122.7
Administrative expenses		**(66.9)**	**(30.3)**	**(97.2)**	(60.1)	(17.8)	(77.9)
Profit from operations	5	**73.2**	**(31.7)**	**41.5**	62.7	(17.9)	44.8
Finance income	8	**0.3**	**–**	**0.3**	0.2	–	0.2
Finance expense		**(5.6)**	**(1.1)**	**(6.7)**	(2.6)	(29.1)	(31.7)
Share of profit of joint venture		**0.8**	**–**	**0.8**	0.8	–	0.8
Profit before income tax		**68.7**	**(32.8)**	**35.9**	61.1	(47.0)	14.1
Income tax expense	9	**(14.2)**	**5.7**	**(8.5)**	(13.6)	3.3	(10.3)
Profit attributable to owners of the Company		**54.5**	**(27.1)**	**27.4**	47.5	(43.7)	3.8
Earnings per share (pence)							
Basic	10			**22.9**			3.3
Diluted	10			**22.5**			3.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

(In £m)	2018 Underlying	2018 Non-underlying (note 7)	2018 Total	2017 Underlying restated	2017 Non-underlying (note 7) restated	2017 Total
Profit attributable to owners of the Company	**54.5**	**(27.1)**	**27.4**	47.5	(43.7)	3.8
Other comprehensive income						
Items that may be subsequently reclassified to profit or loss						
Cash flow hedges	**(0.7)**	**–**	**(0.7)**	0.3	–	0.3
Currency translation differences	**(2.9)**	**–**	**(2.9)**	10.1	–	10.1
Total other comprehensive income for the year	**(3.6)**	**–**	**(3.6)**	10.4	–	10.4
Total comprehensive income attributable to owners of the Company	**50.9**	**(27.1)**	**23.8**	57.9	(43.7)	14.2

All amounts relate to continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

(In £m)	Note	2018	2017 restated
Assets			
Non-current assets			
Intangible assets	12	**497.6**	332.5
Property, plant and equipment	13	**6.8**	3.3
Investment in joint venture	14	**6.6**	8.7
Deferred tax assets	21	**2.6**	3.6
Total non-current assets		**513.6**	348.1
Current assets			
Inventories	15	**21.3**	16.7
Trade and other receivables	16	**95.9**	65.9
Derivative financial instruments	20	**–**	1.0
Cash and cash equivalents	17	**36.3**	27.8
Total current assets		**153.5**	111.4
Total assets		**667.1**	459.5
Liabilities			
Non-current liabilities			
Trade and other payables	18	**–**	1.3
Loans and borrowings	19	**172.8**	54.2
Deferred tax liabilities	21	**31.0**	20.1
Total non-current liabilities		**203.8**	75.6
Current liabilities			
Trade and other payables	18	**106.5**	118.7
Loans and borrowings	19	**–**	8.6
Corporation tax liabilities		**6.8**	7.5
Derivative financial instruments	20	**0.5**	–
Total current liabilities		**113.8**	134.8
Total liabilities		**317.6**	210.4
Net assets		**349.5**	249.1
Equity attributable to owners of the Company			
Share capital	22	**0.1**	0.1
Share premium account	23	**161.3**	161.2
Merger reserve	23	**86.0**	5.4
Hedging reserve	23	**(0.4)**	0.3
Foreign exchange reserve	23	**7.6**	10.5
Retained earnings	23	**94.9**	71.6
Total equity		**349.5**	249.1

The notes on pages 80 to 113 form an integral part of the consolidated financial statements.

The financial statements on pages 76 to 113 were approved and authorised for issue by the Board of Directors on 26 September 2018 and were signed on its behalf by:

S CHILTON
Director

M ABELL
Director

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

(In £m)	Note	2018	2017
Operating activities			
Profit for the year before tax		**35.9**	14.1
Share of profit of joint venture		**(0.8)**	(0.8)
Net finance costs	8	**6.4**	31.5
Profit from operations		**41.5**	44.8
Adjustments for:			
Amortisation of intangible fixed assets	12	**22.6**	18.6
Depreciation of property, plant and equipment	13	**1.2**	0.6
Loss on disposal of non-current assets		**–**	0.2
Dividends received from joint venture	14	**2.9**	–
Movement in fair value of derivatives		**0.8**	(2.0)
Release of fair value on acquired inventory	7	**1.4**	0.1
Equity-settled share-based payment expense	6	**2.1**	2.0
		72.5	64.3
(Increase)/decrease in trade and other receivables		**(14.6)**	3.2
Increase in inventories		**(1.4)**	(0.8)
Increase/(decrease) in trade and other payables and provisions		**7.6**	(12.0)
Cash generated from operations		**64.1**	54.7
Income taxes paid		**(12.6)**	(6.9)
Interest paid		**(3.9)**	(1.7)
Net cash flows from operating activities		**47.6**	46.1
Investing activities			
Purchase of intangible fixed assets	12	**(11.1)**	(6.4)
Purchase of property, plant and equipment	13	**(1.2)**	(1.4)
Deferred consideration on the purchase of products		**(1.5)**	(1.0)
Purchase of subsidiaries, net of cash acquired		**(62.1)**	–
Settlement of Quantum share awards on acquisition		**(8.6)**	–
Contingent consideration paid on the Link acquisition		**(38.7)**	–
Net cash used in investing activities		**(123.2)**	(8.8)
Financing activities			
Proceeds from issue of shares		**0.1**	0.5
Proceeds from increase in loan		**135.6**	–
Loan repayments	19	**(45.0)**	(33.4)
Dividends paid	11	**(6.3)**	(4.9)
Net cash flows from/(used in) financing activities		**84.4**	(37.8)
Net increase/(decrease) in cash and cash equivalents		**8.8**	(0.5)
Cash and cash equivalents at beginning of year	17	**27.8**	27.8
Exchange (losses)/gains		**(0.3)**	0.5
Cash and cash equivalents at end of year	17	**36.3**	27.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

(In £m)	Share capital	Share premium account	Merger reserve	Hedging reserve	Foreign exchange reserve	Retained earnings	Total equity
At 1 July 2017	**0.1**	**161.2**	**5.4**	**0.3**	**10.5**	**71.6**	**249.1**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**27.4**	**27.4**
Currency translation differences	**–**	**–**	**–**	**–**	**(2.9)**	**–**	**(2.9)**
Cash flow hedges							
– Effective portion of fair value movements	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
– Ineffective portion of fair value movements	**–**	**–**	**–**	**(0.4)**	**–**	**–**	**(0.4)**
– Transfers to the income statement (revenue)	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Total comprehensive income	**–**	**–**	**–**	**(0.7)**	**(2.9)**	**27.4**	**23.8**
Share-based payment scheme	**–**	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Deferred taxation on share-based payment scheme	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Tax credit in respect of tax losses arising on exercise of share options	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Issue of new shares	**–**	**0.1**	**80.6**	**–**	**–**	**–**	**80.7**
Dividend paid (note 11)	**–**	**–**	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Total transactions with owners of the Company, recognised directly in equity	**–**	**0.1**	**80.6**	**–**	**–**	**(4.1)**	**76.6**
At 30 June 2018	**0.1**	**161.3**	**86.0**	**(0.4)**	**7.6**	**94.9**	**349.5**

(In £m)	Share capital	Share premium account	Merger reserve	Hedging reserve	Foreign exchange reserve	Retained earnings	Total equity
At 1 July 2016	0.1	160.7	5.4	–	0.4	69.9	236.5
Profit for the year	–	–	–	–	–	3.8	3.8
Currency translation differences	–	–	–	–	10.1	–	10.1
Cash flow hedges							
– Effective portion of fair value movements	–	–	–	1.4	–	–	1.4
– Transfers to the income statement (revenue)	–	–	–	(1.1)	–	–	(1.1)
Total comprehensive income	–	–	–	0.3	10.1	3.8	14.2
Share-based payment scheme	–	–	–	–	–	2.0	2.0
Deferred taxation on share-based payment scheme	–	–	–	–	–	0.2	0.2
Tax credit in respect of tax losses arising on exercise of share options	–	–	–	–	–	0.6	0.6
Issue of new shares	–	0.5	–	–	–	–	0.5
Dividend paid (note 11)	–	–	–	–	–	(4.9)	(4.9)
Total transactions with owners of the Company, recognised directly in equity	–	0.5	–	–	–	(2.1)	(1.6)
At 30 June 2017	0.1	161.2	5.4	0.3	10.5	71.6	249.1

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Clinigen Group plc have been prepared in accordance with International Financial Reporting Standards, ('IFRS') as adopted for use in the European Union and IFRS Interpretations Committee interpretations (together 'adopted IFRS') and with those parts of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

The accounting policies set out below have, unless otherwise stated, been applied consistently throughout the year presented in these financial statements. These financial statements are presented in pounds sterling, which is the Group's functional currency. All financial information presented in pounds sterling has been rounded to the nearest £100,000.

Restatements

With effect from 1 July 2017, following the completion of the Link earn-out period, the organisation structure has changed to three operating segments of Commercial Medicines, Unlicensed Medicines and Clinical Trial Services. The reporting to the Group's Chief Operating Decision Maker, the Executive Directors, has changed to reflect the change to three synergistic operations previously being organised as five business units of Specialty Pharmaceuticals, Managed Access, Global Access, Clinical Trial Services and Link Healthcare. The segmental reporting within these financial statements reflects the three segments and the comparative disclosures for 2017 have been restated to the current segmental basis.

Non-underlying items include amortisation on acquired intangibles and other items principally relating to acquisitions. Non-underlying items have been amended and now include £3.7m (2017: £4.4m) of amortisation on acquired products. Amortisation of software and internally developed products and licences remains in underlying results. The prior year has been restated to a consistent basis.

The revolving credit facility element of the Group's borrowings has been restated to reclassify it from current to non-current liabilities. The impact of this restatement is to decrease current liabilities and increase non-current liabilities by £36.9m. There is no impact on the consolidated income statement. The Group has the right to defer settlement of the debt up to the date of maturity of the facility which is greater than one year after the 30 June 2017 balance sheet date and therefore classification as non-current is considered to be the most appropriate presentation.

Going concern

The Group's strategy and forecasts, taking account of sensitivities within the trading projections and possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has further funds available in the undrawn proportion of the bank facility, which combined with the Group's cash balance and positive cash generation from each of its operations, provides funding for future acquisitions in line with the Group's acquisition-based growth strategy. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowing facilities is given in note 19.

Changes in accounting policies

(a) New and amended standards, interpretations and amendments adopted by the Group:
On 1 July 2017 the Group adopted the following new accounting policies to comply with amendments to IFRS, none of which have had a material impact on the Group's consolidated financial statements.

- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'
- Amendments to IAS 7 'Disclosure Initiative'
- Amendments to IFRS 12 'Disclosure of Interests in Other Entities'

The amendments to IAS 7 which requires disclosure of changes in liabilities arising from financing activities has been applied in these financial statements. A reconciliation of movements in net debt is presented in note 19.

There were no other new standards, interpretations or amendments to standards that are effective for the financial year beginning 1 July 2017 that have a material impact on the Group's consolidated financial statements.

(b) New standards, interpretations and amendments not yet adopted:
The following standards and amendments have been published, endorsed by the EU, and are available for early adoption, but have not yet been applied by the Group in these financial statements.

- IFRS 9 'Financial Instruments' (effective for the year beginning 1 July 2018)
- IFRS 15 'Revenue from Contracts with Customers' (effective for the year beginning 1 July 2018)
- IFRS 16 'Leases' (effective for the year beginning 1 July 2019)

In addition to the above, amendments to a number of existing standards have been endorsed by the EU but not yet adopted. These amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9 'Financial Instruments'
IFRS 9 is applicable to financial assets and liabilities, and will introduce changes to existing accounting policies concerning classification and measurement, impairment (introducing an expected-loss method), hedge accounting, and on the treatment of gains arising from the impact of own credit risk on the measurement of liabilities held at fair value

Set out below are the key requirements of the new standard as well as the Directors' assessment of the impact on the Group's consolidated financial statements. This assessment is based on an analysis of the Group's financial assets and liabilities as at 30 June 2018, and on the basis of the facts and circumstances that exist at that date.

Classification and measurement of financial assets and liabilities: All recognised financial assets within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. With regard to the measurement of financial liabilities designated as at fair value through profit or loss (FVTPL), IFRS 9 requires that the change in the fair value of a financial liability which is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The Directors believe that there will be no impact on the classification and measurement of financial assets and liabilities, and they will continue to be measured on the same bases as are currently adopted under IAS 39.

Impairment: In respect of the impairment of financial assets, including trade receivables, IFRS 9 requires an expected credit loss model, as opposed to the incurred credit loss model adopted under IAS 39. The expected credit loss model requires an entity to account for expected future credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by the standard. Based on an assessment of the average recoverability of trade receivables, the Directors believe that there will not be a significant impact on the amount provided for doubtful debt under the expected credit loss model.

Hedge accounting: Under IFRS 9, the general hedge accounting requirements align more closely with risk management practices and establish a more principle-based approach thereby allowing hedge accounting to be applied to a wider variety of hedging instruments and risks. The effectiveness test has been replaced with the requirement for there to be an economic relationship between the hedged item and the hedging instrument, and there is no longer a requirement for the hedge to be 80-125% effective in order to be able to apply hedge accounting. Retrospective assessment of hedge effectiveness is also no longer required. Having assessed the Group's current hedging relationships, the Directors believe that they will continue to qualify as hedge relationships upon application of IFRS 9 and there will be no significant impact on the Group's hedging strategy.

Apart from the factors considered specifically above, the Directors do not anticipate that the application of IFRS 9 will have any other material impacts on the Group's consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

1. ACCOUNTING POLICIES CONTINUED

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The standard establishes a 5 step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services. The Group expects to apply IFRS 15 fully retrospectively, restating the prior year's comparatives as necessary.

It has been determined that there will be no material impact on revenue recognition on transition to IFRS 15 as the timing of the transfer of risks and rewards coincides with the satisfaction of performance obligations and transfer of control.

IFRS 16 'Leases'
IFRS 16 requires all leases to be recognised on the balance sheet. Broadly the Group will recognise leases currently treated as operating leases, disclosed in note 24, as a lease liability and a right-to-use asset, after adjusting for extension periods that are reasonably certain to be taken and discounting using the rate implicit in the lease or the incremental cost of borrowing.

The total operating lease cost, currently expensed to the consolidated income statement as incurred will be split into a financing element and an operating element. The financing element will create a front loaded expense in finance costs. Additional disclosures will be required to support the new accounting requirements.

The Directors are currently assessing the impact of adopting this standard, and are also considering which transitional method will be most appropriate for the Group.

Basis of consolidation
The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Subsidiaries are those entities where the Company has the ability to control the activities of and decisions made by that entity and to receive economic benefits that can be affected by that control.

The results of subsidiaries acquired during the year are included in the Group results from the date on which control is transferred to the Group. Accounting policies of subsidiaries are changed when necessary to ensure consistency with the accounting policies adopted by the Group.

The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Clinigen has assessed the nature of its joint arrangements and determined them all to be joint ventures. Joint ventures are accounted for using the equity method.

Intercompany transactions and balances are eliminated on consolidation.

Business combinations
The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is equal to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Acquisition costs and post-acquisition restructuring costs are recognised as non-underlying costs in the income statement as adjusting items as they do not relate to normal trading activities and to reflect their one-off nature.

Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, being the currency of the primary economic environment in which the Company operates. This is the Group's presentation currency.

(b) Transactions and balances

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign currency monetary assets and liabilities are translated at the exchange rates prevailing at the reporting date. All foreign exchange gains and losses are presented in the income statement within administrative expenses.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate on the date of that balance sheet;
b) Income and expenses for each income statement are translated at average exchange rates for the financial year; and
c) All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal would be transferred to the income statement as part of the profit or loss on disposal.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker ('CODM'). The CODM has been identified as the Executive Directors.

With effect from 1 July 2017, following the completion of the Link earn-out period, the organisation structure has changed to three operating segments of Commercial Medicines, Unlicensed Medicines and Clinical Trial Services. The reporting to the Group's CODM has changed to reflect the change to three synergistic operations previously being organised as five business units of Specialty Pharmaceuticals, Managed Access, Global Access, Clinical Trial Services and Link Healthcare. Management reviews the performance of the Group by reference to the results of the operating segments against budget and the total results against budget.

Gross profit is the key profit measure that is reviewed by the CODM at the segmental reporting level.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

1. ACCOUNTING POLICIES CONTINUED

Non-underlying items

Non-underlying items are material items of income or expense which the Directors consider are not related to the normal trading activities of the Group and are therefore separately disclosed to enable full understanding of the Group's financial performance. These include one-off items relating to acquisitions e.g. acquisition costs and the costs of restructuring post-acquisition; amortisation of intangible assets arising on acquisition and acquired products; changes in contingent consideration; the unwind of discount on contingent consideration; and the release of the fair value adjustment made to inventory acquired through a business combination. The associated tax impact of these items is also reported as non-underlying.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 July 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed after 1 July 2010, goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities including those intangible assets identified under IFRS 3 'Business Combinations'.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement on the acquisition date as a non-underlying item.

Goodwill is not amortised, but is assessed for impairment annually or more frequently if events or changes indicate a potential impairment. Goodwill arising on business combinations is allocated to the associated cash-generating units ('CGUs') based on the particular segment that it relates to. This is then assessed against the discounted cash flows of the CGUs for impairment.

Brand

The brand reflects the cash flows associated with the Idis brand acquired in April 2015; the Link, Homemed and Equity brands purchased in October 2015; and the Quantum brand purchased in November 2017. Each brand was recognised following the associated business combination and is initially recognised at the fair value of the asset at the acquisition date. The carrying value of the brand is calculated as cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the fair value cost of the asset over its estimated useful life. The estimated useful lives range between 10 and 20 years. The amortisation expense is recognised within non-underlying administrative expenses in the income statement.

Contracts

Contracts acquired in a business combination are recognised at fair value on the acquisition date. The contracts recognised as intangible assets relate to those with key suppliers which were identified as important to the trade of the acquired business. The supply of product on a contractual and often exclusive basis is a key value driver and was a key element in the decision to acquire the Idis and Link businesses.

The contracts have a finite life and are amortised over the contractual term. Amortisation is scheduled to follow the expected economic benefits, recognising the fair value cost of acquiring these contracts against the revenues generated from them. This is normally on a straight-line basis over the term of the contract, except for Managed Access Programs which, due to their nature, have a short period of economic benefit i.e. until the product is licensed and becomes commercially available. The economic benefits from Managed Access Program contracts are weighted to the early stages of the contract. The amortisation expense is recognised within non-underlying administrative expenses in the income statement on a reducing balance basis.

Customer relationships

The customer relationships within acquired operating businesses can be separately identified. The customer relationships have been initially recognised following a business combination at the fair value of the asset at the acquisition date.

Amortisation is scheduled to follow the expected economic benefits of each asset over their estimated useful lives, as follows:

- Link – between 6 and 9 years (straight-line)
- CTS – 7 years (straight-line)
- Idis – between 7 and 14 years (straight-line)
- Quantum – 13 years (reducing balance)

The economic benefits from the customer relationships recognised as part of the Quantum acquisition are weighted towards the early years due to a number of exclusivity contracts which end in the next 3-5 years. The amortisation expense is recognised within non-underlying administrative expenses in the income statement.

Trademarks and licences
Separately acquired trademarks and licences are initially recognised at cost, being the fair value of the purchase price of the asset and any directly attributable cost of preparing the asset for its intended use.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the consolidated income statement as an expense as incurred. Internally developed trademarks and licences are held as assets under construction during development and amortisation commences when the development is complete and the asset is available for use.

The carrying value of trademarks and licences is calculated as cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the trademarks and licences over their estimated useful lives of between 5 and 15 years. The amortisation expense is recognised within underlying administrative expenses in the income statement, apart from where the trademarks or licences are acquired as part of a business combination or product acquisition which is recognised within non-underlying administrative expenses.

Computer software
Computer software is capitalised and recognised at cost, being the purchase price of the asset and any directly attributable costs of developing the asset for its intended use including internal staff costs for time spent specifically on development activities. The carrying value of computer software is calculated as cost less accumulated amortisation and impairment losses. Amortisation begins when the computer software comes into use and is calculated using the straight-line method to allocate the cost over its estimated useful life of 3 to 5 years. The amortisation expense is recognised within underlying administrative expenses in the income statement.

Impairment reviews
Impairment reviews are undertaken annually at the end of the financial year or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of individual intangible and tangible assets are compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows (the CGUs). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss. Cost comprises the purchase price and directly attributable amounts to bring the asset into operation.

Depreciation is provided on all items of property, plant and equipment at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life, as follows:

- Land and buildings – 25 years
- Leasehold improvements – remaining term of lease to which the improvements relate
- Plant and machinery – 20%
- Fixtures, fittings and equipment – 20% to 33% straight-line

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

1. ACCOUNTING POLICIES CONTINUED

Investments
Investments in subsidiaries are recorded at historical cost, less any provision for impairment.

Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recorded at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Inventories
Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Individual units of drugs cannot be interchanged as they are determined by the customer's requirements for product name, dosage strength, pack size, batch number and expiry date. In accordance with IAS 2 'Inventories', items are recorded at their individual actual cost. To minimise obsolescence, cost is selected using first expiry, first out method. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price less applicable variable selling expenses. Provisions are made for slow moving and damaged inventories. Inventories which have expired are fully provided for until they are destroyed, when they are written off.

A number of arrangements exist where the Group holds inventories on consignment. Under these arrangements such Inventories are only recognised in the statement of financial position when the risks and rewards of ownership are transferred to the Group.

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments to mitigate its exposure to foreign currency exchange risk on cash flow transactions. Derivative financial instruments are recognised initially at their fair value and remeasured at fair value at each period end. Where appropriate the Group designates hedge relationships for hedge accounting under IAS 39 'Financial Instruments'.

Where hedge accounting has been applied, changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss. The designation is re-evaluated at each reporting date.

The gain or loss on remeasurement to fair value of derivatives that have not been designated for hedge accounting is recognised immediately in the income statement. Foreign forward exchange derivative gains and losses are recognised net.

Trade and other receivables
Trade receivables arise principally through the provision of goods and services to customers in the ordinary course of the business. They are recognised initially at the original invoice value and subsequently original invoice value less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the movement in the provision being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly-liquid cash investments.

Borrowings
Borrowings are initially recognised at fair value net of transaction costs, including facility fees incurred. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Facility fees paid on the establishment of facilities and for the maintenance of the facility are capitalised against the loans and borrowings balance. These are amortised as the loan is repaid with the associated amortisation expense recognised in finance costs.

Trade and other payables
Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Deferred and contingent consideration
Deferred consideration payable in cash in respect of the acquisition of intangible assets is recognised initially at its fair value at the date of acquisition. There is no other form of deferred consideration payable. The difference between the fair value of the deferred consideration and the amounts payable in the future is recognised as a finance cost over the deferment period.

Contingent consideration on business combinations is initially measured at fair value and is payable in cash. The fair value of the contingent liability is remeasured at each period end and the change in fair value is recognised in the income statement as a non-underlying item.

The contingent consideration liability is classified as a current liability if payment is due within one year or less. If not, it is presented as a non-current liability.

Retirement benefits: defined contribution schemes
Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

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, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are discounted if the impact on the provision is deemed to be material.

Leased assets
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders.

Current and deferred tax
The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge, including UK corporation tax and foreign tax, is calculated on the basis of the laws that have been enacted or substantively enacted by the balance sheet date. Provisions are established, where appropriate, on the basis of amounts expected to be paid.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly-controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

1. ACCOUNTING POLICIES CONTINUED

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered, respectively.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Supply of products

Revenue from the supply of products is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer, or on fulfilment of a prescription. Revenue is recognised at the fair value of consideration received or receivable.

Service fees

All services provided in relation to Managed Access Programs and product development contracts are contractually agreed with the product originator. Revenue for these services is recognised in the period when the outcome of the services set out in the contract can be estimated reliably and the stage of completion can be measured reliably.

Contracted program setup fees can be either for the whole project or triggered by milestones being achieved which are laid out in the contract. Revenue is recognised in relation to these fees when the contracted milestones are achieved.

Monthly management fees are recognised as revenue in the month to which they relate and once contractual services have been provided.

Revenue in respect of program management fees is recognised when goods, provided under the program, have been dispatched to the customer for whom the management fee relates. Revenue is recognised at the fair value of consideration received or receivable.

Royalties

Royalty income is earned on product distribution agreements based upon a percentage of sales, the income is recognised on an accrual basis.

Revenue in all years principally arises from the 3 income streams discussed above. Further information is available in note 4.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that 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.

(a) Business combinations

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In particular, some judgement is required in estimating the fair value of inventory with reference to current selling prices and an assessment of obsolescence and demand for inventory; the fair value of trade debtors with reference to the ageing and recoverability of these and judgements in estimating the valuation of intangible assets with reference to forecast future sales under the pre-existing contracts and relationships where legal contracts are not in place. Details concerning acquisitions and business combinations are outlined in note 28.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 12.

(c) Carrying value of intangible assets excluding goodwill

The carrying value of intangible assets is at cost less amortisation and any impairment. Annual impairment trigger reviews are undertaken at the end of the financial year, or more frequently if events or changes in circumstances indicate a potential impairment. Trademarks and licences are not traded in an active market hence the fair value of the asset is determined using discounted cash flows which involves the Group using judgement and assumptions.

(d) Inventory provisioning

The Company's principal activities during the year related to the management, sale and distribution of pharmaceutical products which have associated expiry dates. As a result it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management consider the nature and condition of inventory, the remaining expiry period, as well as apply assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 15 for the net carrying value of inventory and associated provision.

(e) Impairment of trade receivables

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating and age profile of the receivable and historic experience. See note 16 for the net carrying amount of the receivables and the associated impairment provision.

(f) Deferred taxation

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The future taxable profits are based on forecasts and thus actual may vary.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. A change in rate would change these calculations.

The deferred tax asset recognised on share options, not yet exercised, is calculated based on the market price of the shares at the end of the reporting period. The market price at the exercise date would be expected to be different, hence the actual asset recognisable at exercise is likely to differ to the one recognised at the reporting date.

(g) Contingent consideration

Contingent consideration is initially measured at the net present value of the expected future cash flows, discounted using an appropriate discount rate, to be paid pursuant to the relevant agreements. The fair value of the contingent liability is remeasured at each period end utilising the latest financial forecasts. The change in fair value is recognised in the income statement as a non-underlying item.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

3. ALTERNATIVE PERFORMANCE MEASURES

The Group's performance is assessed using a number of financial measures which are not defined under IFRS. These measures are therefore considered alternative performance measures.

Management uses the adjusted or alternative measures as part of their internal financial performance monitoring and when assessing the future impact on operating decisions.

The measures allow more effective year-on-year comparison and identification of core business trends by removing the impact of items occurring either outside the normal course of operations or as a result of intermittent activities such as business combinations and restructuring. The principles to identify adjusting items have been applied to the current and prior year comparative numbers on a consistent basis.

The measures used in the Annual Report are defined in the table below and reconciliations to the IFRS measure are included in note 4.

Alternative performance measure	Related IFRS measure	Definition	Use/relevance
Adjusted gross profit	Gross profit	Gross profit excluding the adjustment for the fair value of acquired inventory sold in the year	Allows management to assess the performance of the business after removing the distortion of large/unusual items or transactions that are not reflective of the routine business operations A reconciliation to the related IFRS measure is set out in note 4
EBITDA	Profit from operations	Consolidated earnings before interest, tax, depreciation and amortisation	Provides management with an approximation of cash generation from operational activities
Adjusted EBITDA	Profit from operations	Consolidated earnings before interest, tax, depreciation, amortisation and adjusting items: – Adjustment for fair value of acquired inventory sold in the year – Acquisition costs and related restructuring costs – Acquisition related income from settlement of contingent legal claim outstanding at acquisition – Including share of joint venture EBITDA	Provides management with an approximation of cash generation from operational activities after removing he distortion of large/unusual items or transactions that are not reflective of the routine business operations It is used in the covenant calculations for the revolving credit facility A reconciliation to profit from operations is included in note 4
Adjusted profit before tax	Profit before tax	Profit before tax excluding adjusting items: – As detailed above for adjusted EBITDA – Amortisation of acquisition related intangible assets – Changes in contingent consideration including related unwind of discount – Joint venture tax charge	Allows management to assess the performance of the business after removing the distortion of large/unusual items or transactions that are not reflective of the routine business operations A reconciliation to the related IFRS measure is set out in note 4
Adjusted profit after tax	Profit after tax	Profit after tax excluding adjusting items: – As detailed above for profit before tax but including joint venture tax charge – Related tax on the adjusting items – Adjustments to tax charges relating to pre-acquisition periods	
Adjusted EPS	Basic EPS	Adjusted profit after tax as defined above divided by the weighted average number of shares in issue during the year, consistent with the number of shares used in the calculation of basic EPS	The growth versus previous periods allows management to assess the post-tax underlying performance of the business in combination with the impact of capital structuring actions on the share base. The components used in the calculation of adjusted EPS are detailed in note 10

Alternative performance measure	Related IFRS measure	Definition	Use/relevance
Net debt		Net debt comprises the carrying value of all bank loans and drawn revolving credit facilities net of unamortised loan issue costs and cash and cash equivalents All amounts are closing balances as at the relevant balance sheet date	Provides management with the level of leverage in the business and is used in the covenant calculations for the revolving credit facility
Constant exchange rate ('CER')		CER is achieved by applying the prior year's average actual exchange rates to the current year's results	Allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements which are outside of management's control
Free cash flow	Cash flow from operating activities	Free cash flow is the cash generated from operating activities excluding the cash impact of adjusting items: – Acquisition costs and related restructuring costs – Acquisition related income from settlement of contingent legal claims outstanding at acquisition	Provides management with an indication of the amount of cash available for discretionary investing or financing after removing the distortion of large/unusual expenditures that are not reflective of the routine business operations A reconciliation to adjusted EBITDA is included on page 41

4. SEGMENT INFORMATION

The Group's reportable segments are strategic operating business units that provide different products and service offerings into different market environments. They are managed separately because each operational business requires different expertise to deliver the different product or service offering they provide.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) during the reporting year. The CODM has been identified as the Executive Directors. The organisation structure of the business has changed to the three reported businesses of Commercial Medicines, Unlicensed Medicines and Clinical Trial Services, and with effect from 1 July 2017 the internal reporting to the CODM was changed to this basis.

Operating segment results

The Group evaluates performance of the operational segments on the basis of gross profit from operations.

	2018		2017	
(In £m)	Revenue	Gross profit	Revenue	Gross profit
Commercial Medicines	**87.9**	**64.0**	66.3	47.3
Unlicensed Medicines	**215.6**	**62.1**	126.1	52.2
Clinical Trial Services	**77.7**	**14.0**	109.9	23.3
Segmental result	**381.2**	**140.1**	302.3	122.8
Adjustment for fair value of acquired inventory sold in the year	**–**	**(1.4)**	–	(0.1)
Reported results	**381.2**	**138.7**	302.3	122.7

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

4. SEGMENT INFORMATION CONTINUED

(In £m)	2018 Underlying	2018 Non-underlying (note 7)	2018 Total	2017 Underlying restated	2017 Non-underlying (note 7) restated	2017 Total
Reconciliation to reported profit						
Segmental gross profit	**140.1**	**(1.4)**	**138.7**	122.8	(0.1)	122.7
Administrative expenses excluding amortisation and depreciation	**(65.2)**	**(8.2)**	**(73.4)**	(58.7)	–	(58.7)
EBITDA	**74.9**	**(9.6)**	**65.3**	64.1	(0.1)	64.0
Analysed as:						
Adjusted EBITDA including joint venture result	**76.0**	**(9.6)**	**66.4**	65.1	(0.1)	65.0
Joint venture EBITDA	**(1.1)**	**–**	**(1.1)**	(1.0)	–	(1.0)
EBITDA excluding joint venture result	**74.9**	**(9.6)**	**65.3**	64.1	(0.1)	64.0
Amortisation	**(0.5)**	**(22.1)**	**(22.6)**	(0.8)	(17.8)	(18.6)
Depreciation	**(1.2)**	**–**	**(1.2)**	(0.6)	–	(0.6)
Profit from operations	**73.2**	**(31.7)**	**41.5**	62.7	(17.9)	44.8
Net finance costs	**(5.3)**	**(1.1)**	**(6.4)**	(2.4)	(29.1)	(31.5)
Share of profit of joint venture	**0.8**	**–**	**0.8**	0.8	–	0.8
Profit before income tax	**68.7**	**(32.8)**	**35.9**	61.1	(47.0)	14.1
Analysed as:						
Adjusted profit before tax excluding share of joint venture tax	**69.0**	**(33.1)**	**35.9**	61.3	(47.2)	14.1
Joint venture tax	**(0.3)**	**0.3**	**–**	(0.2)	0.2	–
Profit before tax including share of joint venture tax	**68.7**	**(32.8)**	**35.9**	61.1	(47.0)	14.1
Income tax	**(14.2)**	**5.7**	**(8.5)**	(13.6)	3.3	(10.3)
Profit after income tax	**54.5**	**(27.1)**	**27.4**	47.5	(43.7)	3.8

Underlying profit after tax has been restated to exclude amortisation on acquired products of £3.7m (2017: £4.4m) and the associated tax credit of £0.7m (2017: £0.8m), but includes software and development amortisation of £0.5m (2017: £0.8m) and the associated tax credit of £0.1m (2017: £0.2m).

(In £m)	2018	2017
Breakdown of revenues by products and services:		
Products	**339.0**	259.8
Services	**33.3**	35.8
Royalties	**8.9**	6.7
	381.2	302.3

Geographical analysis

(In £m)	2018	2017
Revenue arises from the following locations:		
UK	**97.0**	72.2
Europe	**87.9**	101.0
USA	**83.5**	56.5
South Africa	**24.9**	22.3
Australia	**19.9**	21.2
Rest of World	**68.0**	29.1
	381.2	302.3
Gross profit arises from the following locations:		
UK	**38.2**	23.5
Europe	**31.1**	42.0
USA	**36.7**	29.8
South Africa	**11.6**	9.9
Australia	**7.4**	7.3
Rest of World	**15.1**	10.3
	140.1	122.8

Assets and liabilities are reported to the Executive Directors at a Group level and are not reported on a segmental basis.

5. EXPENSES

5.1 Expenses

Profit from operations is stated after charging/(crediting):

(In £m)	2018	2017
Cost of inventories recognised as an expense in cost of sales	**220.8**	167.2
Employee benefit expense (net of capitalised costs of £0.6 m (2017: £0.2m))	**39.8**	37.0
Amortisation and depreciation (notes 12 and 13)	**23.8**	19.2
Loss on disposal of non-current assets	**–**	0.2
Operating lease charges	**2.0**	2.2
Foreign exchange gains	**–**	(0.4)

5.2 Auditors' remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

(In £m)	2018	2017
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**0.5**	0.3
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries	**0.1**	0.1
– Audit related assurance services	**0.1**	0.1
– Other advisory services	**0.1**	0.1
– Tax advisory services	**0.3**	0.3

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

6. EMPLOYEES

6.1 Employee benefit expense

(In £m)	2018	2017 restated
Wages and salaries	**34.0**	30.6
Share-based payments	**2.1**	2.0
Social security costs	**3.2**	3.4
Other pension costs	**1.1**	1.2
Gross expense	**40.4**	37.2
Capitalised labour	**(0.6)**	(0.2)
Net expense	**39.8**	37.0

6.2 Average number of people employed

The average monthly number of people employed by the Group (on an FTE basis) during the financial year amounted to:

Number	2018	2017
Directors	**2**	2
Staff	**725**	496
	727	498

6.3 Directors' emoluments

Details of the remuneration, shareholdings, share options and pension contributions of the Directors are included in the Remuneration Report on pages 58 to 67.

6.4 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This is considered to be the Board of Directors.

(In £m)	2018	2017
Directors' remuneration included in staff costs:		
Wages and salaries	**1.7**	2.0
Share-based payment expense	**0.9**	0.6
	2.6	2.6

7. NON-UNDERLYING ITEMS

Non-underlying items have been reported separately in order to provide the reader of the financial statements with a better understanding of the operating performance of the Group. These items include amortisation of intangible assets arising on acquisition and acquired products, one-off costs including business acquisition costs, restructuring costs, changes in contingent consideration, and unwind of discount on contingent consideration. The associated tax impact is also reported as non-underlying.

(In £m)	2018	2017 restated
Cost of sales		
a) Adjustment for fair value of acquired inventory sold in the year	**1.4**	0.1
Administrative expenses		
b) Acquisition costs	**3.9**	–
c) Settlement of Quantum's legal claim	**(1.0)**	–
c) Restructuring costs	**5.3**	–
d) Amortisation of intangible fixed assets acquired through business combinations and acquired products	**22.1**	17.8
	30.3	17.8
Finance costs		
e) Increase in Link contingent consideration	**–**	27.0
f) Unwind of discount on Link contingent consideration	**1.1**	2.1
	1.1	29.1
Taxation		
g) Credit in respect of tax on non-underlying costs	**(5.7)**	(3.7)
h) Credit in respect of rate differences on deferred tax	**–**	(0.5)
i) Corporation tax adjustments in respect of prior year	**–**	0.9
	(5.7)	(3.3)
Total non-underlying items	**27.1**	43.7

a) Under IFRS 3, inventory acquired in a business combination is valued at fair value on acquisition, which includes the profit margin in the inventory's carrying value. The £1.4m (2017: £0.1m Link business) above represents the profit margin on the inventory sold in the year which was acquired with the Quantum business.
b) The acquisition costs relate to Quantum and IMMC comprising legal, corporate finance and due diligence advice.
c) Following the acquisition of Quantum, a settlement has been agreed in Quantum's favour in relation to a legal claim with the vendors of a business acquired by Quantum in a prior year which has now subsequently been closed. The likelihood and amount of any settlement of the claim was highly uncertain at the time the Group acquired Quantum and therefore a contingent asset was not recognised in the acquisition balance sheet.
d) Restructuring costs have been incurred during the year in respect of the integration of acquired businesses primarily relating to redundancy costs.
e) The amortisation of intangible assets acquired as part of the business combination with Idis, Link, IMMC and Quantum (namely brand, trademarks and licences, customer relationships, and contracts) and acquired products, is included in non-underlying due to its significance and to provide the reader with a consistent view of the underlying costs of the operating Group.
f) The change in the estimate of the contingent consideration payable in relation to Link in the prior year was based on the earnings of the Link group for the year ended 30 June 2017. This was classified as a finance cost as the primary reason for the increase was the depreciation of sterling against the local functional currencies since October 2015, when the contingent consideration was originally calculated.
g) The non-cash unwind of the discount applied to the contingent consideration on Link.
h) The tax credit in respect of non-underlying items reflects the tax benefit on the costs incurred during the year.
i) In the prior year, the reduction in corporation tax rate from 18% to 17% from 1 April 2020, reduced the deferred tax balances expected to unwind in the future creating a credit to the income statement of £0.5m. The credit was recognised in non-underlying items as the associated deferred tax balances related to the fair value of acquired intangible assets.
j) In the prior year, tax computations of acquired entities for periods prior to acquisition identified tax charges/credits which were subsequently recognised during the year.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

8. FINANCE INCOME AND EXPENSE

(In £m)	2018	2017
Bank interest expense	**4.5**	1.6
Borrowing costs	**0.3**	0.3
Amortisation of facility issue costs	**0.6**	0.3
Unwind of discount on Foscavir and Totect deferred consideration	**0.2**	0.4
Underlying finance cost	**5.6**	2.6
Increase in Link contingent consideration	**–**	27.0
Unwind of discount on Link contingent consideration	**1.1**	2.1
Total finance cost	**6.7**	31.7
Bank interest income	**(0.3)**	(0.2)
Net finance expense	**6.4**	31.5

9. INCOME TAX

(In £m)	2018	2017
Current tax expense		
Current tax on profit for the year	**12.0**	13.2
Adjustment in respect of prior years	**(0.4)**	0.4
Total current tax expense	**11.6**	13.6
Deferred tax expense		
Decrease in deferred tax assets (note 21)	**0.9**	0.1
Decrease in deferred tax liabilities (note 21)	**(4.0)**	(3.4)
Total deferred tax benefit	**(3.1)**	(3.3)
Income tax expense	**8.5**	10.3

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK applied to profit for the year as follows:

(In £m)	2018	2017
Profit before income tax	**35.9**	14.1
Expected tax charge based on corporation tax rate of 19.0% (2017: 19.75%)	**6.8**	2.8
Expenses not deductible for tax purposes other than goodwill amortisation and impairment	**0.9**	6.2
Adjustments to tax charge in respect of prior years	**(0.5)**	0.4
Higher rates of taxes on overseas earnings	**1.3**	1.0
Loss arising in year for which no deferred income tax is recognised	**–**	0.4
Remeasurement of deferred tax–change in the UK tax rate	**–**	(0.5)
Total income tax expense	**8.5**	10.3

Amounts recognised directly in equity:
The income tax credited directly to equity during the year is as follows:

(In £m)	2018	2017
Deferred tax: unexercised share options and losses recognised directly in equity	**0.1**	0.8

Tax losses:

(In £m)	2018	2017
Unused tax losses for which no deferred tax asset has been recognised	**2.3**	2.9
Potential tax benefit at 25% (2017: 38%)	**0.6**	1.1

The unused tax losses have been incurred in the US subsidiary, Clinigen Inc. and it is currently uncertain whether these tax losses can be utilised in the future.

Following announcements in the Budget 2017, the UK corporation tax rate will reduce to 17% from 1 April 2020, and so closing deferred tax assets and liabilities have been calculated at this rate.

10. EARNINGS PER SHARE

(In £m)	2018	2017 restated
Profit used in calculating reported EPS	**27.4**	3.8
Underlying profit used in calculating adjusted EPS	**54.5**	47.5
Number of shares (million)		
Weighted average number of shares	**119.9**	115.0
Dilution effect of share options	**1.9**	1.8
Weighted average number of shares used for diluted EPS	**121.8**	116.8
Reported EPS (pence)		
Basic	**22.9p**	3.3p
Diluted	**22.5p**	3.2p
Adjusted EPS (pence)		
Basic	**45.4p**	41.3p
Diluted	**44.7p**	40.7p

EPS is calculated based on the share capital of the Parent Company and the earnings of the combined Group.

Diluted EPS takes account of the weighted average number of outstanding share options being 1,939,501 (2017: 1,738,806).

Underlying profit after tax has been restated to exclude amortisation on acquired products of £3.7m (2017: £4.4m) and the associated tax credit of £0.7m (2017: £0.8m), but includes software amortisation of £0.5m (2017: £0.8m) and the associated tax credit of £0.1m (2017: £0.2m).

11. DIVIDENDS

(In £m)	2018	2017
Final dividend in respect of the year ended 30 June 2017 of 3.4p (2017: 2.7p) per ordinary share	**4.2**	3.1
Interim dividend of 1.76p (2017: 1.6p) per ordinary share paid during the year	**2.1**	1.8
	6.3	4.9

The Board proposes to pay a final dividend of 3.84p per ordinary share on 30 November 2018, subject to approval at the AGM on 8 November.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

12. INTANGIBLE ASSETS

	Acquired intangibles							
(In £m)	Brand	Contracts	Customer relationships	Acquired trademarks and licences	Developed trademarks and licences	Computer software	Goodwill	Total
Cost								
At 1 July 2016	54.1	27.0	45.2	66.8	0.4	2.8	176.0	372.3
Additions	–	–	–	1.3	0.2	4.9	–	6.4
Disposals	–	–	–	–	–	(0.3)	–	(0.3)
Exchange differences	1.3	2.5	0.5	0.2	–	–	6.2	10.7
At 30 June 2017	**55.4**	**29.5**	**45.7**	**68.3**	**0.6**	**7.4**	**182.2**	**389.1**
Acquisition of subsidiaries (note 28)	**9.3**	**–**	**33.7**	**38.0**	**–**	**0.4**	**97.9**	**179.3**
Additions	**–**	**–**	**–**	**2.2**	**2.9**	**6.0**	**–**	**11.1**
Disposals	**–**	**–**	**–**	**(3.4)**	**–**	**–**	**–**	**(3.4)**
Exchange differences	**(0.3)**	**(0.6)**	**–**	**(0.1)**	**–**	**(0.2)**	**(1.6)**	**(2.8)**
At 30 June 2018	**64.4**	**28.9**	**79.4**	**105.0**	**3.5**	**13.6**	**278.5**	**573.3**
Accumulated amortisation								
At 1 July 2016	3.1	8.9	5.1	19.6	–	1.5	–	38.2
Charge for the year	2.7	6.0	4.5	4.6	–	0.8	–	18.6
Disposals	–	–	–	–	–	(0.3)	–	(0.3)
Exchange differences	–	0.1	–	–	–	–	–	0.1
At 30 June 2017	**5.8**	**15.0**	**9.6**	**24.2**	**–**	**2.0**	**–**	**56.6**
Charge for the year	**3.4**	**3.7**	**9.8**	**5.2**	**0.1**	**0.4**	**–**	**22.6**
Disposals	**–**	**–**	**–**	**(3.4)**	**–**	**–**	**–**	**(3.4)**
Exchange differences	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**–**	**(0.1)**
At 30 June 2018	**9.2**	**18.6**	**19.4**	**26.0**	**0.1**	**2.4**	**–**	**75.7**
Net book value								
At 30 June 2018	**55.2**	**10.3**	**60.0**	**79.0**	**3.4**	**11.2**	**278.5**	**497.6**
At 30 June 2017	49.6	14.5	36.1	44.1	0.6	5.4	182.2	332.5
At 1 July 2016	51.0	18.1	40.1	47.2	0.4	1.3	176.0	334.1

Brand

The brands represent the Idis, Link, Equity, Homemed and Quantum brands acquired as part of business combinations. Each brand has been fair valued at the acquisition date by reference to the operating businesses acquired which utilise each brand. The fair value is based on a Relief-from-Royalty-Method which calculates the value of the brand as equivalent to the royalty savings accrued over time, as the brand is owned and royalties are not required to be paid to a third party for the branding of products. The remaining amortisation periods are:

Idis – 16 years 10 months
Link – 17 years 4 months
Equity – 12 years 4 months
Homemed – 7 years 4 months
Quantum – 9 years 4 months

Contracts

Contracts acquired with the Idis business combination related to client contracts within the Idis Managed Access business fair valued at the acquisition date based on the discounted value of future cash flows. These contracts enable the Group to manage the access programs on behalf of large pharma businesses. The remaining amortisation period is 1 year 10 months.

The acquired Link business has a number of supplier contracts which provide for the availability of product to Link on a contractual, exclusive supply basis. This accessibility to product is a key driver in growing the business. These exclusive supply contracts have been fair valued at the acquisition date based on the discounted value of future cash flows. The remaining amortisation period is between 4 and 7 years.

Customer relationships
The nature of the acquired businesses is that there are no contracts with customers, however there are long standing relationships with significant repeat business. These relationships have been fair valued at the acquisition date using a discounted valuation of future cash flows. The customer relationships for each area of the business are being amortised over different useful economic lives (see note 1). The remaining amortisation period is between 4 and 12 years.

Trademarks and licences
A total of 476 (2017: 331) trademarks and licences are held. £3.1m (2017: £0.4m) of internally developed trademarks and licences are assets in the course of development at the year end.

Computer software
The Group is undertaking the development and implementation of a new Oracle ERP system, the costs for which are being recognised as incurred. Amortisation will begin when the first major phase of the new system becomes ready for use.

Goodwill
The goodwill is deemed to have an indefinite useful life. It is carried at cost and is reviewed annually for impairment. Where the recoverable amount is less than the carrying value, an impairment results. During the year, goodwill was tested for impairment, with no impairment charge arising. The additions during the year related to the acquisition of Quantum and IMMC.

The Group allocates goodwill to cash generating units ('CGU's) which are based on the reportable segments as defined by IFRS 8 (see note 4). With effect from 1 July 2017, the organisation structure of the business has changed to the three reported businesses of Commercial Medicines, Unlicensed Medicines and Clinical Trial Services, and these divisions are deemed to be the lowest level at which independent cash flows can be generated. Goodwill has been allocated as laid out in the table below.

(In £m)	2018	2017
Commercial Medicines	**96.4**	15.6
Unlicensed Medicines	**148.5**	133.0
Clinical Trial Services	**33.6**	33.6
	278.5	182.2

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections and a pre-tax discount rate of 13.0% (2017: 12.2%), equivalent to the Group's weighted average cost of capital.

For each CGU, a terminal growth rate of 2.5% (2017: 1.8%) has been used. Assumptions on sales growth have been based on approved budgets for the upcoming year and strategic projections representing the best estimate of future performance. Assumptions on profit margins are based on past experience and cost estimates. The assumptions used in each CGU are laid out in the table below.

	2018		2017	
	Sales growth	Profit margins	Sales growth	Profit margins
Commercial Medicines	**9%**	**75%**	10%	67%
Unlicensed Medicines	**4%**	**27%**	13%	43%
Clinical Trial Services	**8%**	**15%**	10%	17%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

12. INTANGIBLE ASSETS CONTINUED

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions rate could cause an impairment that would be material to these financial statements. Management does not consider any of the downside sensitivities required for an impairment to result, as detailed below, to be probable.

	2018		2017	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Commercial Medicines	**28.0%**	**(86.6%)**	63.7%	n/a
Unlicensed Medicines	**17.8%**	**(7.4%)**	26.5%	(12.5%)
Clinical Trial Services	**34.2%**	**n/a**	46.6%	(417.8%)

13. PROPERTY, PLANT AND EQUIPMENT

(In £m)	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Total
Cost					
At 1 July 2016	–	1.9	0.2	2.1	4.2
Additions	–	0.7	–	0.7	1.4
Disposals	–	(0.2)	–	(0.3)	(0.5)
At 30 June 2017	**–**	**2.4**	**0.2**	**2.5**	**5.1**
Acquisition of subsidiaries (note 28)	**2.0**	**–**	**0.8**	**0.8**	**3.6**
Additions	**0.1**	**0.2**	**0.2**	**0.7**	**1.2**
Exchange differences	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 30 June 2018	**2.1**	**2.6**	**1.2**	**3.9**	**9.8**
Accumulated depreciation					
At 1 July 2016	–	0.3	–	1.2	1.5
Charge for the year	–	0.2	–	0.4	0.6
Disposals	–	(0.1)	–	(0.2)	(0.3)
At 30 June 2017	**–**	**0.4**	**–**	**1.4**	**1.8**
Charge for the year	**0.1**	**0.3**	**0.2**	**0.6**	**1.2**
At 30 June 2018	**0.1**	**0.7**	**0.2**	**2.0**	**3.0**
Net book value					
At 30 June 2018	**2.0**	**1.9**	**1.0**	**1.9**	**6.8**
At 30 June 2017	–	2.0	0.2	1.1	3.3
At 1 July 2016	–	1.6	0.2	0.9	2.7

14. INVESTMENTS IN JOINT VENTURES

(In £m)	2018	2017
At 1 July	**8.7**	7.4
Share of profit	**0.8**	0.8
Dividends received	**(2.9)**	–
Exchange adjustments	**–**	0.5
At 30 June	**6.6**	8.7

On 3 July 2017, the Group sold its investment in Medical Stockings Pty Limited for a nominal amount.

The joint venture listed below has share capital consisting solely of ordinary shares, 50% of which are held directly by the Group. The registered office is also the principal place of business.

Name	Year end	Country of incorporation and registered office	Measurement method
Novagen Pharma Pty Limited	31 March	100 Sovereign Drive, Nellmapius Drive, Irene 0157, Pretoria, South Africa	Equity

The Group has no commitments and there are no contingent liabilities relating to the Group's interest in the joint venture.

Set out below is the aggregated summarised financial information for the Group's joint ventures.

(In £m)	2018	2017
Summarised statement of financial position		
Non-current assets	**1.9**	2.0
Cash and cash equivalents	**0.2**	2.9
Other current assets	**3.6**	5.6
Current liabilities	**(1.7)**	(2.2)
Net assets	**4.0**	8.3
Summarised income statement		
Revenue	**14.7**	16.2
Profit after tax	**1.6**	1.5
Reconciliation of the summarised financial information to the carrying amounts in the joint ventures		
Opening net assets	**8.3**	5.7
Profit for the year	**1.6**	1.5
Dividend paid	**(5.8)**	–
Cumulative currency gains	**(0.1)**	1.1
Closing net assets	**4.0**	8.3
Interest in joint ventures at 50%	**2.0**	4.1
Goodwill	**4.6**	4.6
Carrying value	**6.6**	8.7

15. INVENTORIES

(In £m)	2018	2017
Raw materials and consumables	**3.7**	3.4
Work in progress	**1.0**	1.0
Finished goods and goods for resale	**16.6**	12.3
	21.3	16.7

Inventory acquired in November 2017 as part of the acquisition of Quantum was fair valued at the acquisition date. The fair valuation resulted in an uplift of the carrying value of inventories of £1.4m which has been fully released during the year as all of the inventory has been sold.

The cost of inventories recognised as an expense and included in cost of sales amounted to £220.8m (2017: £167.2m).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

16. TRADE AND OTHER RECEIVABLES

(In £m)	2018	2017
Trade receivables	**75.6**	59.8
Less: provision for impairment of trade receivables	**(2.4)**	(4.0)
Trade receivables – net	**73.2**	55.8
Prepayments and accrued income	**10.7**	6.2
Payments made on account	**4.4**	0.5
Other receivables	**7.6**	3.4
Total trade and other receivables	**95.9**	65.9

When assessing for impairment, the credit risk of the client is taken into account when reviewing specific overdue balances. Due to the short-term nature of trade and other receivables, the book value approximates to their fair value save for where specific provision for impairment has been made. The past payment history with the customer is taken into account, where applicable.

The following table provides information on the movement in the provision for impairment in the year:

(In £m)	2018	2017
At 1 July	**4.0**	5.2
Acquisition of subsidiaries (note 28)	**0.3**	–
Utilised in respect of debts written off	**(0.5)**	(0.6)
Released to the income statement	**(1.4)**	(1.0)
Charged to the income statement	**–**	0.4
At 30 June	**2.4**	4.0

The ageing analysis of the net trade receivables balances is as follows:

(In £m)	2018	2017
Neither past due nor impaired	**61.4**	47.7
Up to 3 months	**11.3**	10.1
3 to 6 months	**2.0**	1.5
More than 6 months	**0.9**	0.5
	75.6	59.8

17. CASH AND CASH EQUIVALENTS

(In £m)	2018	2017
Cash at bank and in hand	**36.3**	27.8

Due to the short-term nature of cash at bank and short-term deposits, and as the credit risk has been adjusted for where required, the carrying value approximates to their value. The credit risk of the banks was very low and therefore the carrying amount has not been adjusted; their S&P credit ratings were RBS: BBB-, HSBC: A, ABSA: AA+ and JP Morgan: A-.

18. TRADE AND OTHER PAYABLES

(In £m)	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Trade payables	**69.6**	**–**	54.8	–
Payments received on account	**0.8**	**–**	1.1	–
Tax and social security	**3.6**	**–**	1.2	–
Other payables	**0.5**	**–**	1.6	–
Accruals and deferred income	**29.1**	**–**	19.5	–
Deferred consideration	**2.9**	**–**	2.9	1.3
Contingent consideration	**–**	**–**	37.6	–
	106.5	**–**	118.7	1.3

Deferred consideration is payable in respect of the acquisition of the Foscavir product extension and is payable in stage payments.

Due to the short-term nature of current trade and other payables, the fair value approximates to their book value. Creditors are unsecured.

19. LOANS AND BORROWINGS

The book value of loans and borrowings are as follows:

(In £m)	2018 Current	2018 Non-current	2018 Total	2017 (restated) Current	2017 (restated) Non-current	2017 (restated) Total
Bank borrowings	**–**	**172.8**	**172.8**	8.6	54.2	62.8

During the year, the Group's bank facility was amended and extended in order to finance the Quantum acquisition. The fixed term loan was fully repaid and the revolving credit facility ('RCF') was increased from £95m to £200m and extended for five years to October 2022. Additionally, the Group exercised its option to further extend this facility by £20m to £220m for a period of 12 months ending October 2018.

The RCF element of the Group's borrowings has been restated to reclassify it from current to non-current liabilities. The impact of this restatement is to decrease current liabilities and increase non-current liabilities by £36.9m. There is no impact on the consolidated income statement. The Group has the right to defer settlement of the debt up to the date of maturity of the facility which is greater than one year after the 30 June 2017 balance sheet date and therefore classification as non-current is considered to be the most appropriate presentation.

At 30 June 2018, £174.7m (2017: £36.9m) was borrowed against the RCF. There were no instances of default, including covenant terms, in either the current or the preceding year.

During the year, interest was payable on a tiered scale based on the level of borrowing. The applicable interest rate on amounts drawn down was up to 2.25% plus LIBOR. The bank facility outstanding at the year end was secured on the intangible fixed assets of the Group.

Subsequent to the year end, the debt facilities have been refinanced as part of the financing arrangements for the acquisition of CSM Parent, Inc. (see note 30). The new financing increases the debt facility from £220m to £300m and is extended to October 2023. The facility includes an unsecured £150m term loan with a single repayment in October 2023 and an unsecured revolving credit facility of up to £150m.

Maturity of loans and borrowings

The maturity profile of the carrying amount of the Group's borrowings at the year end was as follows:

(In £m)	2018 Gross borrowings	2018 Unamortised issue costs	2018 Net borrowings	2017 (restated) Gross borrowings	2017 (restated) Unamortised issue costs	2017 (restated) Net borrowings
Within 1 year	**–**	**–**	**–**	9.0	(0.4)	8.6
In more than 1 year but less than 2 years	**–**	**–**	**–**	9.0	(0.4)	8.6
In more than 2 years but less than 5 years	**174.7**	**(1.9)**	**172.8**	45.9	(0.3)	45.6
	174.7	**(1.9)**	**172.8**	63.9	(1.1)	62.8

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

19. LOANS AND BORROWINGS CONTINUED

Fair value of borrowings

The carrying amount and the fair value of the Group's borrowings are as follows:

	Carrying amount		Fair value	
(In £m)	2018	2017	2018	2017
Bank borrowings	**174.7**	63.9	**174.7**	63.9

The fair values of the Group's borrowings are within Level 2 of the fair value hierarchy.

Reconciliation of movements in net debt

(In £m)	Term loan	RCF	Unamortised issue costs	Total borrowings	Cash and cash equivalents	Net debt
At 1 July 2017	27.0	36.9	(1.1)	62.8	(27.8)	35.0
Increase in cash	–	–	–	–	(8.8)	(8.8)
Acquisition of subsidiaries (note 28)	19.0	–	–	19.0	–	19.0
Proceeds from increase in loan	–	137.0	–	137.0	–	137.0
Loan repayments	(19.0)	(26.0)	–	(45.0)	–	(45.0)
Amendment of facility	(27.0)	27.0	(1.4)	(1.4)	–	(1.4)
Amortisation of facility issue costs	–	–	0.6	0.6	–	0.6
Exchange differences	–	(0.2)	–	(0.2)	0.3	0.1
At 30 June 2018	**–**	**174.7**	**(1.9)**	**172.8**	**(36.3)**	**136.5**

20. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- credit risk;
- foreign exchange risk; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash and cash equivalents;
- trade and other payables;
- loans and borrowings; and
- derivatives.

The Group does not issue or use derivative financial instruments of a speculative nature.

A summary of the financial instruments held by category is provided below:

(In £m)	2018	2017
Loans and receivables		
Cash and cash equivalents	**36.3**	27.8
Trade and other receivables	**85.2**	56.8
Assets at fair value through profit and loss		
Derivative financial instruments	**–**	0.1
Derivatives used for hedging		
Derivative financial instruments	**–**	0.9
Total financial assets	**121.5**	85.6
Financial liabilities measured at amortised cost		
Trade and other payables	**102.9**	118.8
Borrowings	**174.7**	63.9
Derivatives used for hedging		
Derivative financial instruments	**0.5**	–
Total financial liabilities	**278.1**	182.7

Risk management

A description of the Group's treasury policy and controls is included in the Financial Review on page 41.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales and payments made on account to suppliers. It is Group policy, implemented locally, to assess the credit risk of new customers by obtaining credit ratings before entering contracts or offering credit terms. The credit terms are then continually assessed on an individual basis, and amended accordingly, as a trading history is developed with the customer. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Group Financial Controller or Chief Financial Officer.

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding trade and other receivables at the end of the financial year, which are past due but not impaired, are provided in note 16.

(In £m)	2018	2017
Financial assets – maximum exposure		
Cash and cash equivalents	**36.3**	27.8
Trade and other receivables	**85.2**	56.8
Derivative financial instruments	**–**	1.0
Total financial assets	**121.5**	85.6

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Group companies are operating. The Group's overseas subsidiaries contribute approximately 22% (2017: 25%) to the Group's revenue, all of which is transacted in non-sterling currencies. The overseas subsidiaries operate separate bank accounts, which are used solely for that subsidiary, thus managing the currency in that country. The Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains or losses on retranslation into sterling.

Foreign exchange risk also arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group hedges currency transactions internally through currency bank accounts and by managing Group-wide currency requirements centrally. This reduces the currency risk exposure and allows retranslation of these balances into sterling to be planned in order to minimise the exposure to foreign exchange rate fluctuations. The Group uses forward contracts on large transactions where there is adequate visibility and the contract is not naturally hedged. This reduces the risk to fluctuating foreign exchange rates and permits the management better visibility and certainty of gross profit margins.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

20. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

At the reporting date the Group had entered into time option contracts with the bank for US dollars, euros, Japanese yen, Hong Kong dollars and Australian dollars. These options all mature within 12 months of the reporting date. Forward exchange contracts are formally designated as hedges and hedge accounting is applied to the extent that the relationship between the hedged items and the hedging instrument allows it. Derivative financial instruments are carried at fair value. The mark-to-market valuation at the reporting date has been recognised in the balance sheet as a financial instrument asset or liability as appropriate.

The derivative financial instruments held by the Group are summarised as follows.

	2018		2017	
(In £m)	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – cash flow hedges	**–**	**0.5**	0.9	–
Forward foreign exchange contracts – held-for-trading	**–**	**–**	0.1	–
	–	**0.5**	1.0	–

The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2018 were US$36.7m and €7.7m (2017: US$25.8m).

The valuation of financial instruments at the reporting date is impacted by the foreign exchange rate at that date, primarily in respect of the US dollar and euro. At 30 June 2018 if sterling had weakened/strengthened by 10% against both the US dollar and euro with all variables held constant, profit for the year would have been £1.4m (2017: £0.5m) higher/lower as a result of foreign exchange gains/losses on translation of US dollar/euro trade receivables, cash and cash equivalents, and trade payables. The figure of 10% used for sensitivity analysis has been chosen because it represents a range of reasonable fluctuations in exchange rates.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Board receives cash flow projections based on working capital modelling, as well as information regarding cash balances and net debt monthly. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

(In £m)	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
At 30 June 2018				
Trade and other payables	**101.5**	**1.5**	**–**	**–**
Borrowings	**–**	**–**	**–**	**174.7**
At 30 June 2017 (restated)				
Trade and other payables	78.5	40.2	1.5	–
Borrowings	2.2	6.8	9.0	45.9

Valuation hierarchy
The table below shows the financial instruments carried at fair value by valuation method:

(In £m)	2018 Level 1	2018 Level 2	2018 Level 3	2017 Level 1	2017 Level 2	2017 Level 3
Assets/(liabilities)						
Derivative financial instruments – forward foreign exchange contracts	**–**	**(0.5)**	**–**	–	1.0	–
Contingent consideration	**–**	**–**	**–**	–	–	(37.6)

The Level 2 forward foreign exchange valuations are derived from mark-to-market valuations as at 30 June 2018. Fair value losses of £0.8m (2017: gains of £2.0m) relating to the movement on open forward foreign exchange contracts have been recognised in underlying administrative expenses. The Level 3 contingent consideration liability was the discounted amount payable in respect of the Link acquisition. The amount payable was calculated based on reported earnings of the Link Healthcare entities for the year ended 30 June 2017.

Capital management
The Group monitors 'adjusted capital' which comprises all components of equity (i.e. share capital, share premium account, merger reserve, foreign exchange reserve, hedging reserve and retained earnings) as disclosed in the statement of changes in equity and long-term debt as detailed in note 19.

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to ensure the Group has the cash available to develop the products and services provided by the Group in order to provide an adequate return to shareholders.

Pricing, sale and acquisition decisions are made by assessing the level of risk in relation to the expected return.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Net debt is calculated as total borrowings (as detailed in note 19) less cash and cash equivalents.

21. DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

(In £m)	2018	2017
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**(2.6)**	(3.6)
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	**27.0**	17.8
Deferred tax liabilities within 12 months	**4.0**	2.3
	31.0	20.1

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

21. DEFERRED INCOME TAX CONTINUED

The gross movement on the deferred income tax account is as shown below:

Deferred tax liabilities (In £m)	Fair value gains
At 1 July 2016	22.2
Credited to the income statement	(3.4)
Exchange differences	1.3
At 30 June 2017	**20.1**
Acquisition of subsidiaries	**15.0**
Credited to the income statement	**(4.0)**
Exchange differences	**(0.1)**
At 30 June 2018	**31.0**

Deferred tax assets (In £m)	Unexercised share options	Tax losses	Timing differences	Total
At 1 July 2016	0.8	1.2	1.5	3.5
Credited/(charged) to the income statement	0.2	(0.1)	(0.2)	(0.1)
Credited direct to equity	0.2	–	–	0.2
At 30 June 2017	**1.2**	**1.1**	**1.3**	**3.6**
Credited/(charged) to the income statement	**0.3**	**(0.8)**	**(0.4)**	**(0.9)**
Charged direct to equity	**(0.1)**	**–**	**–**	**(0.1)**
At 30 June 2018	**1.4**	**0.3**	**0.9**	**2.6**

Deferred income taxes are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £0.6m in respect of tax losses of £2.3m that can be carried forward against future taxable income.

Deferred tax is calculated in full on temporary differences under the liability method using the enacted tax rate for the period when the temporary difference is expected to reverse. These rates are 19% for the period to 31 March 2020 and 17% thereafter.

22. SHARE CAPITAL

Issued and fully paid	Number of shares ('000s) Ordinary shares of 0.1p each
At 1 July 2016	114,601
Issue of new shares	553
At 30 June 2017	**115,154**
Issue of new shares	**7,132**
At 30 June 2018	**122,286**

(In £m)	2018	2017
Ordinary shares of 0.1p each	**0.1**	0.1

During the year 6,849,264 shares were issued as consideration for the purchase of Quantum (see note 28), and a further 282,702 shares were issued to satisfy share options that were exercised.

23. RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value, except where recognition in merger reserve is used (see below).
Merger reserve	Amount subscribed for share capital in excess of nominal value when shares are issued in exchange for at least a 90% interest in the shares of another company.
Hedging reserve	Gains/losses arising on cash flow hedges.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into sterling.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The issue of new equity share capital on the acquisition of Quantum required the application of merger relief under the Companies Act 2006. As a result, the difference between the nominal value and fair value of shares issued has been recognised in the merger reserve.

Included within the retained earnings reserve as at 30 June 2018 is £4.2m (2017: £3.1m) relating to unexercised share options which is not distributable.

24. OPERATING LEASE COMMITMENTS

The total future value of minimum lease payments under non-cancellable operating leases are:

(In £m)	2018	2017
Land and buildings:		
In 1 year or less	**1.7**	2.3
Between 1 and 5 years	**5.6**	5.3
In 5 years or more	**6.1**	2.0
	13.4	9.6
Other:		
In 1 year or less	**0.2**	–
Between 1 and 5 years	**0.2**	–
	0.4	–

25. POST-EMPLOYMENT BENEFITS

The Group operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Pension costs represent the contributions payable by the Group to the funds and amounted to £1.1m (2017: £1.2m).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

26. SHARE-BASED PAYMENTS

An equity-settled share-based payment charge of £2.1m (2017: £2.0m) has been recognised in the year.

The Company operated the following schemes:

Plan	Tax authority status	Employees	Granting, vesting conditions and exercise of share options
Clinigen Group Long-Term Incentive Plan	Unapproved	All employees	Subject to performance criteria comparing total shareholder return versus the FTSE Small Cap Index (excluding investment companies) over a 3 year period. If the individual leaves earlier than the earliest vesting date, they may, if certain conditions are met, be still entitled to a proportion of the shares.
Clinigen Group Sharesave Plan	HMRC approved	All UK employees	Options are exercisable at a price equal to the average opening price as published in the Financial Times on the date of invitation and the 2 dealing days preceding the date of invitation, less 20%. 3 year vesting period. If options remain unexercised after a period of 6 months from the vesting date the options expire. If monthly contributions are not made for more than 6 months over the 3 year period, the options lapse.
Clinigen Group Company Share Option Plan	HMRC approved for UK employees Unapproved for US employees	All employees	Options granted to employees who have invested in the shares of the Company. Options are granted to match the shares acquired by the employee or those granted through the initial grant under the Sharesave or US Stock Purchase Plan. 3 year vesting period. Options vest if employee still owns shares in 3 years or exercises their options under the Sharesave or US Stock Purchase Plan.
Clinigen Group US Stock Purchase Plan	US tax authority approved	All US employees	Options are exercisable at a price equal to the average opening price as published in the Financial Times on the date of invitation and the 2 dealing days preceding the date of invitation, less 15%. 2 year vesting period.
Clinigen Group Long Term Incentive Plan 2015	Unapproved	All employees	Subject to performance criteria comparing total shareholder return versus the FTSE Small Cap Index (excluding investment companies) over a 3 year vesting period and a performance condition measuring the EPS of the Group against target EPS over a 3 year period. For certain individuals, vesting is also subject to achievement of personal objectives. If the individual leaves earlier than the earliest vesting date, entitlement is at the discretion of the Remuneration Committee.

Clinigen Group All Staff Long Term Incentive Plan	Unapproved	All employees	Subject to performance criteria comparing total shareholder return versus the FTSE Small Cap Index (excluding investment companies) over a 3 year vesting period and a performance condition measuring the EPS of the Group against target EPS over a 3 year period. If the individual leaves earlier than the earliest vesting date, their share option lapses.

Details of the share options outstanding are as follows:

	2018		2017	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at 1 July	**1.26**	**1,831,000**	1.47	1,717,199
Granted during year	**0.27**	**592,171**	0.76	824,147
Forfeited during the year	**0.43**	**(651,562)**	1.56	(168,383)
Exercised during year	**0.56**	**(218,535)**	0.96	(541,963)
Outstanding at 30 June	**1.35**	**1,553,074**	1.26	1,831,000

Of the total number of options outstanding at 30 June 2018, 85,999 share options had vested (2017: 28,081).

The weighted average share price (at the date of exercise) of options exercised during the year was £10.79 (2017: £7.28).

The exercise price of options outstanding at 30 June 2018 ranged between £nil and £9.25 and their weighted average contractual life was 2 years 11 months.

The weighted average fair value of each option granted during the year was £8.77 (2017: £5.82).

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share-based remuneration schemes operated by the Group. A stochastic valuation model is used to value awards with market-based conditions, and the Black-Scholes pricing model is used for all other schemes.

	2018	2017
Weighted average share price at grant date (£)	**£11.09**	£7.54
Exercise price (£)	**£nil to £9.25**	£nil to £7.37
Weighted average contractual life (in years)	**2.9**	2.9
Expected volatility (%)	**31.1**	34.4
Expected dividend yield (%)	**N/A**	0.4 to 0.5
Risk-free interest rate (%)	**0.5 to 0.8**	0.2 to 0.35

Expected volatility was determined by calculating the historical volatility of the Company's share price over the performance period immediately prior to the date of grant.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous year.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

27. RELATED PARTY TRANSACTIONS

Ultimate controlling party

The Company's shares are listed on the Alternative Investment Market ('AIM') and are widely held. There is no one controlling party or group of related parties who have control of the Group.

Transactions with related parties

The remuneration payable to the Directors of the Company is disclosed in note 6.

Novagen Pharma Pty Limited ('Novagen') is a joint venture in which the Group has a 50% interest. During the year the Group charged distribution fees of £0.8m (2017: £0.9m) to Novagen, and recharged costs of £0.4m (2017: £0.4m) for goods and services provided. At 30 June 2018, the Group had a receivable of £0.1m owing from Novagen (2017: £nil).

There were no other transactions with related parties during the year.

28. BUSINESS COMBINATIONS

During the year, the Group settled the final contingent consideration for the acquisition of Link Healthcare of £38.7m in cash.

On 23 October 2017, the Group acquired the entire share capital of International Medical Management Corporation ('IMMC'), Japan's largest supplier of unlicensed medicines. In the period since acquisition, the IMMC gross profit was £1.2m.

On 1 November 2017, Clinigen Group plc acquired the entire diluted share capital of Quantum Pharma Holdings Limited (formerly known as Quantum Pharma plc), a company incorporated in the UK and previously listed on the Alternative Investment Market (AIM). This transaction provides the opportunity to strengthen Clinigen's position as global leader in ethical access to medicines. The Quantum group extends Clinigen's Unlicensed Medicines capability and will accelerate the Group's UL2L global strategy. The acquisition also enables Quantum's portfolio of commercial products to be internationalised through Clinigen's global infrastructure.

The Group paid total consideration of £143.5m being a cash payment of £62.9m and an issue of 6,849,264 shares in Clinigen Group plc which had a fair value of £80.6m representing the market price on 31 October 2017. The consideration was paid in full to Quantum shareholders on the acquisition date. In order to fund the cash element of the consideration, an extension to the Group's borrowing facilities was agreed as detailed in note 19.

The provisional fair value of assets acquired and liabilities assumed on the acquisition of Quantum are as follows:

(In £m)	Quantum
Intangible assets	77.1
Property, plant and equipment	3.5
Inventories	4.8
Trade and other receivables	14.2
Cash	6.8
Trade and other payables	(25.8)
Corporation tax liability	(0.7)
Borrowings	(19.0)
Provision for deferred tax	(13.7)
Net assets acquired	**47.2**
Goodwill arising on acquisition	96.3
Total consideration	**143.5**
Satisfied by:	
Cash consideration paid	62.9
Consideration settled by shares in Clinigen Group plc	80.6
	143.5

The fair value of the acquired identifiable intangible assets in Quantum consists of £9.3m attributable to brand, £29.4m attributable to customer relationships, and £38.0m attributable to trademarks and licences (including developed licences, out-licensing contracts, dossiers and licences under development). A related deferred tax liability of £13.5m has also been recognised. In IMMC, the only identifiable acquired intangible assets are customer relationships which have been valued at £4.3m with an associated £1.3m deferred tax liability. These values have been assessed by an independent third party valuation expert.

A fair value uplift to inventories of £1.4m was recognised on the Quantum acquisition in line with IFRS 3 (revised) together with an associated £0.3m deferred tax liability. This uplift was released in full to the income statement during the year as all of the inventory at acquisition has now been sold.

The loans and other borrowings assumed as part of the acquisition were repaid in full out of the Group's existing facilities.

Goodwill represents the synergies, assembled workforces and future growth potential of the acquired businesses. The goodwill arising in the year of £97.9m is not deductible for tax purposes.

The revenue and loss before tax included in the consolidated income statement contributed by Quantum was £48.4m and £0.6m respectively. The loss in the year is after the charge for amortisation of acquired intangibles and adjustment for fair value of stock sold in the year.

On a pro forma basis, for the year ended 30 June 2018, the revenue and loss before tax of Quantum would be £72.5m and £12.6m respectively. The loss in the year is driven by the purchase of employee share options and other costs relating to the acquisition by Clinigen.

29. CAPITAL COMMITMENTS

At 30 June 2018, the Group had committed £1.6m (2017: £3.6m) of expenditure for the design and implementation of the Oracle ERP system and £4.0m (2017: £nil) in respect of the technical transfers of owned products.

30. POST BALANCE SHEET EVENTS

In July 2018, the Group acquired the global rights to Proleukin outside the United States from Novartis, and the global rights to Imukin from Horizon Pharma plc.

On 26 September 2018, the Group reached an agreement to acquire 100% of the issued share capital of CSM Parent, Inc., a specialised provider of packaging, labelling, warehousing and distribution services from its locations in the US and continental Europe for an initial cash consideration of US$150m. Further contingent consideration of up to US$43m is payable in cash dependent on achieving EBITDA targets in the year ended 31 December 2019.

The Group is funding the acquisition and associated expenses through a refinancing of the Group's existing debt facilities and an equity placing. The equity placing is targeting gross proceeds of approximately £80m.

On 26 September 2018, the Group acquired 100% of the share capital of iQone Healthcare Holding (Suisse) SA, a privately owned specialty pharmaceutical business based in Switzerland. Initial consideration is €7.5m, made up of €5.0m in cash and €2.5m in new Clinigen shares, with additional potential contingent consideration based on the achievement of certain future EBITDA targets.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLINIGEN GROUP PLC

Report on the audit of the Parent Company financial statements

Opinion

In our opinion, Clinigen Group plc's Parent Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Parent Company's affairs as at 30 June 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the 'Annual Report'), which comprise: the company balance sheet as at 30 June 2018 and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall materiality: £2.9m (2017: £0.9m), based on 0.5% of net assets.
- We conducted a full scope audit of the company.
- Our assessment of the risk of material misstatement also informed our views on the area of particular focus for our work which related to the assessment of the carrying value of intangible assets.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Assessment of the carrying value of acquired intangible assets Refer to the critical accounting estimates and judgements in note 2 and note 12 (intangible assets) to the consolidated financial statements. We focused on this area because the Directors' assessment of whether impairment triggers have been identified that could give rise to an impairment charge in relation to intangible assets, involved complex and subjective judgements and assumptions including the progress and future performance of individual products. The Directors' have prepared impairment assessment models which include a number of assumptions. The assumptions which are deemed to be the most significant in respect of these models are the revenue forecasts.	For each separate intangible asset we focused on the key assumptions relating to future revenue forecasts, margin expectations and associated selling costs. We were able to evaluate the reasonableness of the Directors' forecasts and expectations by corroborating evidence and assessing the margin and selling costs expected to be achieved by reference to historical margins realised, selling cost improvement plans and, where relevant, consideration of actual performance against prior year forecasts. As a result of our audit work, we agreed with the Directors' assessment that no impairment triggers for acquired intangible assets were identified. We consider that the associated judgements taken were supportable.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Parent Company, the accounting processes and controls, and the industry in which it operates. The Company is comprised of one component, and the Group engagement team performed a full scope audit over this component.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£2.9m (2017: £0.9m).
How we determined it	0.5% of net assets.
Rationale for benchmark applied	We believe that net assets are an appropriate basis for determining materiality as the Parent Company is not a profit orientated entity.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £105,000 (2017: £45,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Parent Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLINIGEN GROUP PLC CONTINUED

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for 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 to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Parent Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 69, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for 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.

In preparing the financial statements, the Directors are responsible for assessing the Parent 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 the Directors either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 or error, and to issue an auditors' report that includes our opinion. 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 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 further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

OTHER MATTER

We have reported separately on the Group financial statements of Clinigen Group plc for the year ended 30 June 2018.

PAUL NORBURY BSC FCA (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
September 2018

COMPANY BALANCE SHEET AS AT 30 JUNE 2018

(In £m)	Note	2018	2017 (restated)
Assets			
Non-current assets			
Tangible fixed assets	4	**0.7**	0.4
Intangible fixed assets	5	**51.4**	47.9
Investments	6	**444.8**	296.2
Deferred tax assets	11	**1.6**	2.3
Total non-current assets		**498.5**	346.8
Current assets			
Debtors	7	**341.9**	315.3
Cash and cash equivalents		**1.4**	1.8
Total current assets		**343.3**	317.1
Total assets		**841.8**	663.9
Current liabilities			
Creditors: amounts falling due within one year	8	**89.6**	88.3
Loans and borrowings	10	**–**	8.6
Total current liabilities		**89.6**	96.9
Net current assets		**253.7**	220.2
Total assets less current liabilities		**752.2**	567.0
Non-current liabilities			
Creditors: amounts falling due after more than one year	9	**–**	1.3
Loans and borrowings	10	**172.8**	54.2
Total non-current liabilities		**172.8**	55.5
Net assets		**579.4**	511.5
Capital and reserves			
Called up share capital	12	**0.1**	0.1
Share premium account		**161.3**	161.2
Merger reserve		**86.0**	5.4
At 1 July		**344.8**	28.1
(Loss)/profit for the year attributable to the owners		**(8.7)**	318.8
Other changes in retained earnings		**(4.1)**	(2.1)
Retained earnings		**332.0**	344.8
Total equity		**579.4**	511.5

The financial statements on pages 118 to 127 were approved by the Board of Directors on 26 September 2018 and were signed on its behalf by:

S CHILTON
Director

M ABELL
Director

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

(In £m)	Share capital	Share premium account	Merger reserve	Retained earnings	Total equity
At 1 July 2017	**0.1**	**161.2**	**5.4**	**344.8**	**511.5**
Loss for the year	**–**	**–**	**–**	**(8.7)**	**(8.7)**
Share-based payment scheme	**–**	**–**	**–**	**2.1**	**2.1**
Deferred taxation on share-based payment scheme	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Tax credit in respect of tax losses arising on exercise of share options	**–**	**–**	**–**	**0.2**	**0.2**
Dividend paid	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Issue of new shares	**–**	**0.1**	**80.6**	**–**	**80.7**
Total contributions by, and distributions to, owners of the Company, recognised directly in equity	**–**	**0.1**	**80.6**	**(4.1)**	**76.6**
At 30 June 2018	**0.1**	**161.3**	**86.0**	**332.0**	**579.4**

(In £m)	Share capital	Share premium account	Merger reserve	Retained earnings	Total equity
At 1 July 2016	0.1	160.7	5.4	28.1	194.3
Profit for the year	–	–	–	318.8	318.8
Share-based payment scheme	–	–	–	2.0	2.0
Deferred taxation on share-based payment scheme	–	–	–	0.2	0.2
Tax credit in respect of tax losses arising on exercise of share options	–	–	–	0.6	0.6
Dividend paid	–	–	–	(4.9)	(4.9)
Issue of new shares	–	0.5	–	–	0.5
Total contributions by, and distributions to, owners of the Company, recognised directly in equity	–	0.5	–	(2.1)	(1.6)
At 30 June 2017	0.1	161.2	5.4	344.8	511.5

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value, except where recognition in merger reserve is used (see below).
Merger reserve	Amount subscribed for share capital in excess of nominal value when shares are issued in exchange for at least a 90% interest in the shares of another company.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The issue of new equity share capital on the acquisition of Quantum required the application of merger relief under the Companies Act 2006. As a result, the difference between the nominal value and fair value of shares issued has been recognised in the merger reserve.

NOTES TO THE COMPANY BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Parent Company present information about the Company as a separate entity and not about its Group.

The accounting policies, set out in the consolidated financial statements, unless otherwise stated have been applied consistently to the period presented in these Company financial statements.

The Company financial statements have been prepared and approved by the Directors in accordance with FRS 101.

Basis of preparation

The Company financial statements are prepared on the going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), but makes amendments where necessary in order to comply with Companies Act 2006. The financial statements are presented in sterling and all values are rounded to the nearest million pounds ('£m') except when otherwise stated.

No income statement is presented for the Company as permitted by Section 408(2) and (3) of the Companies Act 2006. The loss for the year was £8.7m (2017: £318.8m). Fees paid to PricewaterhouseCoopers LLP and its associates for audit and non-audit services to the Company itself are not disclosed in the individual financial statements of Clinigen Group plc because the Group financial statements are required to disclose such fees on a consolidated basis (see note 5.2 of the consolidated financial statements).

Investments

Investments in subsidiaries are recorded at historical cost, less any provision for impairment.

The Company has elected to apply the exemption in Section 408 of the Companies Act and has not presented its separate statement of comprehensive income and related notes. It has also taken advantage of the exemptions under FRS 101 not to disclose related party transactions entered into between two or more members of the Group and not to prepare a cash flow statement. The Company has elected not to prepare disclosures under IFRS 7 in accordance with the exemptions under FRS 101. The Company's information relating to these disclosures are included within the consolidated financial statements of Clinigen Group plc.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 2 of the consolidated financial statements.

2. STAFF COSTS

(In £m)	2018	2017 restated
Staff costs (including Directors) comprise:		
Wages and salaries	**7.0**	8.2
Social security costs	**1.3**	1.7
Share-based payment expense	**2.1**	2.0
Other pension costs	**0.2**	0.2
Gross staff costs	**10.6**	12.1
Capitalised labour	**(0.4)**	(0.2)
Net staff costs	**10.2**	11.9

Contracts of employment for UK staff across the Group are held by Clinigen Group plc. Employees are allocated to subsidiary companies as appropriate and the cost of the employees' services is charged to the relevant subsidiary. The disclosures for staff costs and employee numbers relate to those employees which are not recharged to subsidiary entities.

Employee numbers

The average monthly number of staff working for the Company during the financial year amounted to:

Number	2018	2017
Directors	**2**	2
Staff	**120**	110
	122	112

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. This is considered to be the Board of Directors.

(In £m)	2018	2017
Directors' remuneration included in staff costs:		
Wages and salaries	**1.7**	2.0
Share-based payment expense	**0.9**	0.6
	2.6	2.6

Total emoluments of directors (including pension contributions) amounted to £2.6m (2017: £2.6m). Information relating to directors' emoluments, share options and pension entitlements is set out in the Remuneration Report on pages 58 to 67.

3. DIVIDENDS

(In £m)	2018	2017
Final dividend in respect of the year ended 30 June 2017 of 3.4p (2017: 2.7p) per ordinary share	**4.2**	3.1
Interim dividend of 1.76p (2017: 1.6p) per ordinary share paid during the year	**2.1**	1.8
	6.3	4.9

The Board proposes to pay a final dividend of 3.84p per ordinary share on 30 November 2018, subject to approval at the AGM on 8 November.

4. TANGIBLE FIXED ASSETS

(In £m)	Leasehold improvement	Plant and machinery	Furniture, fittings and equipment	Total
Cost				
At 30 June 2017	0.6	0.1	0.7	1.4
Additions	0.1	–	0.3	0.4
At 30 June 2018	**0.7**	**0.1**	**1.0**	**1.8**
Accumulated depreciation				
At 30 June 2017	0.2	0.1	0.7	1.0
Charge for the year	0.1	–	–	0.1
At 30 June 2018	**0.3**	**0.1**	**0.7**	**1.1**
Net book value				
At 30 June 2018	**0.4**	**–**	**0.3**	**0.7**
At 30 June 2017	0.4	–	–	0.4

NOTES TO THE COMPANY BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

5. INTANGIBLE FIXED ASSETS

(In £m)	Trademarks and licences	Computer software	Total
Cost			
At 30 June 2017	58.1	4.7	62.8
Additions	2.2	4.8	7.0
Disposals	(3.3)	–	(3.3)
At 30 June 2018	**57.0**	**9.5**	**66.5**
Accumulated amortisation			
At 30 June 2017	14.9	–	14.9
Charge for the year	3.4	0.1	3.5
Disposals	(3.3)	–	(3.3)
At 30 June 2018	**15.0**	**0.1**	**15.1**
Net book value			
At 30 June 2018	**42.0**	**9.4**	**51.4**
At 30 June 2017	43.2	4.7	47.9

6. INVESTMENTS

(In £m)	Investments in subsidiary companies
Cost or valuation	
At 1 July 2016 and 30 June 2017	296.2
Additions	148.6
At 30 June 2018	**444.8**

On 1 November 2017, the Company acquired the entire diluted share capital of Quantum Pharma Holdings Limited (formerly known as Quantum Pharma plc), a company incorporated in the UK and previously listed on the Alternative Investment Market (AIM). The Company paid total consideration of £143.5m being a cash payment of £62.9m and an issue of 6,849,264 shares which had a fair value of £80.6m representing the market price on 31 October 2017. The consideration was paid in full to Quantum shareholders on the acquisition date. In order to fund the cash element of the consideration, an extension to the Group's borrowing facilities was agreed as detailed in note 10. During the year the Company made a capital injection of £5.1m into its subsidiary undertaking Clinigen Asia Pte. Limited in order to fund the acquisition of IMMC.

A full list of the Company's subsidiary undertakings is presented in note 14. The Company directly holds interests in the whole of the issued share capital of the following undertakings.

Name	Country of incorporation	Nature of business
Clinigen Holdings Limited	UK	Holding company
Clinigen Asia Pte. Limited	Singapore	Holding company
Quantum Pharma Holdings Limited	UK	Holding company

All shareholdings in subsidiaries are owned 100% (2017: 100%) through the subsidiaries' ordinary share capital.

7. DEBTORS

(In £m)	2018	2017
Amounts owed by Group undertakings	**339.1**	314.6
Prepayments and taxes receivable	**2.8**	0.7
	341.9	315.3

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

(In £m)	2018	2017
Trade creditors	**2.0**	1.1
Amounts owed to Group undertakings	**77.8**	40.8
Tax and social security	**1.3**	1.1
Other creditors	**0.1**	0.2
Accruals and deferred income	**5.5**	4.6
Deferred consideration	**2.9**	2.9
Contingent consideration	**–**	37.6
	89.6	88.3

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Deferred consideration is payable in respect of the acquisition of the Foscavir product extension and is payable in stage payments.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

(In £m)	2018	2017
Deferred consideration	**–**	1.3
	–	1.3

10. LOANS AND BORROWINGS

The book value of loans and borrowings are as follows:

	2018			2017 (restated)		
(In £m)	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings	**172.8**	**–**	**172.8**	54.2	8.6	62.8

During the year, the Group's bank facility was amended and extended in order to finance the Quantum acquisition. The fixed term loan was fully repaid and the revolving credit facility ('RCF') was increased from £95m to £200m and extended for five years to October 2022. Additionally, the Group exercised its option to further extend this facility by £20m to £220m for a period of 12 months ending October 2018.

The RCF element of the Group's borrowings has been restated to reclassify it from current to non-current liabilities. The impact of this restatement is to decrease current liabilities and increase non-current liabilities by £36.9m. There is no impact on the consolidated income statement. The Group has the right to defer settlement of the debt up to the date of maturity of the facility which is greater than one year after the 30 June 2017 balance sheet date and therefore classification as non-current is considered to be the most appropriate presentation.

At 30 June 2018, £174.7m (2017: £36.9m) was borrowed against the RCF. There were no instances of default, including covenant terms, in either the current or the preceding year.

During the year, interest was payable on a tiered scale based on the level of borrowing. The applicable interest rate on amounts drawn down was up to 2.25% plus LIBOR. The bank facility outstanding at the year end was secured on the intangible fixed assets of the Group.

NOTES TO THE COMPANY BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

10. LOANS AND BORROWINGS CONTINUED

Subsequent to the year end, the debt facilities have been refinanced as part of the financing arrangements for the acquisition of CSM Parent, Inc. (see note 30). The new financing increases the debt facility from £220m to £300m and is extended to October 2023. The facility includes an unsecured £150m term loan with a single repayment in October 2023 and an unsecured revolving credit facility of up to £150m.

Maturity of loans and borrowings

The maturity profile of the carrying amount of the Group's borrowings at the year end was as follows:

	2018			2017 (restated)		
(In £m)	Gross borrowings	Unamortised issue costs	Net borrowings	Gross borrowings	Unamortised issue costs	Net borrowings
Within 1 year	**–**	**–**	**–**	9.0	(0.4)	8.6
In more than 1 year but less than 2 years	**–**	**–**	**–**	9.0	(0.4)	8.6
In more than 2 years but less than 5 years	**174.7**	**(1.9)**	**172.8**	45.9	(0.3)	45.6
	174.7	**(1.9)**	**172.8**	63.9	(1.1)	62.8

11. DEFERRED TAX

The movement on the deferred tax account is as shown below:

Deferred tax assets (In £m)	Losses	Unexercised share options	Total
At 1 July 2016	1.2	0.8	2.0
(Charge)/credit to the income statement	(0.1)	0.2	0.1
Credit recognised in equity	–	0.2	0.2
At 30 June 2017	**1.1**	**1.2**	**2.3**
(Charge)/credit to the income statement	**(0.9)**	**0.3**	**(0.6)**
Charge recognised in equity	**–**	**(0.1)**	**(0.1)**
At 30 June 2018	**0.2**	**1.4**	**1.6**

12. CALLED UP SHARE CAPITAL

Issued and fully paid	Number of shares ('000s) Ordinary shares of 0.1p each
At 1 July 2016	114,601
Issue of new shares	553
At 30 June 2017	**115,154**
Issue of new shares	**7,132**
At 30 June 2018	**122,286**

(In £m)	2018	2017
Ordinary shares of 0.1p each	**0.1**	0.1

During the year 6,849,264 shares were issued as consideration for the purchase of Quantum (see note 6), and a further 282,702 shares were issued to satisfy share options that were exercised.

13. FAIR VALUE MEASUREMENT

The table below analyses the fair value of the Company's assets and liabilities, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(In £m)	2018 Level 1	2018 Level 2	2018 Level 3	2017 Level 1	2017 Level 2	2017 Level 3
Liabilities						
Contingent consideration	**–**	**–**	**–**	–	–	37.5

There have been no transfers between Level 1, Level 2 or Level 3 during the year.

Fair values of financial instruments

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

(In £m)	Fair value 2018	Carrying amount 2018	Fair value 2017	Carrying amount 2017
Loans and receivables				
Cash and cash equivalents	**1.4**	**1.4**	1.8	1.8
Debtors excluding prepayments (note 7)	**339.1**	**339.1**	314.6	314.6
Total loans and receivables	**340.5**	**340.5**	316.4	316.4
Total financial assets	**340.5**	**340.5**	316.4	316.4
Financial liabilities measured at amortised cost				
Loans and borrowings	**(174.7)**	**(174.7)**	(63.9)	(63.9)
Creditors: amounts falling due within one year (note 8)	**(88.3)**	**(88.3)**	(87.2)	(87.2)
Creditors: amounts falling due after more than one year (note 9)	**–**	**–**	(1.3)	(1.3)
Total financial liabilities measured at amortised cost	**(263.0)**	**(263.0)**	(152.4)	(152.4)
Total financial liabilities	**(263.0)**	**(263.0)**	(152.4)	(152.4)
Total financial instruments	**77.5**	**77.5**	164.0	164.0

Management considers that the carrying amount of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair value. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

14. RELATED PARTY TRANSACTIONS

Ultimate controlling party

The Company's shares are listed on the Alternative Investment Market ('AIM') and are widely held. There is no one controlling party or group of related parties who have control of the Group.

Transactions with related parties

The remuneration payable to the Directors of the Company is disclosed in note 2.

There were no transactions with related parties, other than the Company's subsidiaries, during the year or the preceding year.

NOTES TO THE COMPANY BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

14. RELATED PARTY TRANSACTIONS CONTINUED

Subsidiaries

The principal subsidiaries of Clinigen Group plc at each reporting date have been included in these consolidated financial statements.

Subsidiaries at the end of the reporting year were as follows:

Name	Nature of business	Country of incorporation
Clinigen Holdings Limited	Holding company	UK[1]
Clinigen International Holdings Limited	Holding company	UK[1]
Clinigen Healthcare Limited	Supply and distribution of pharmaceutical products	UK[1]
Clinigen Clinical Trials Limited	Holding company	UK[1]
Idis Group Holdings Limited	Holding company	UK[1]
Idis Group Limited	Holding company	UK[1]
Idis Limited	Supply and distribution of pharmaceutical products	UK[1]
Clinigen Inc.	Provision of business development services	USA
Quantum Pharma Holdings Limited	Holding company	UK[2]
Quantum Pharma 2014 Limited	Holding company	UK[2]
Quantum Pharma Group Limited	Holding company	UK[2]
Quantum Pharmaceutical Limited	Manufacture and supply of pharmaceutical products	UK[2]
UL Medicines Limited	Supply and distribution of pharmaceutical products	UK[2]
Colonis Pharma Limited	Development of pharmaceutical and related products	UK[2]
Pern Consumer Products Limited	Supply and distribution of body care products	UK[2]
Protomed Limited	Supply and distribution of pharmaceutical products	UK[2]
Lamda Pharma Limited	Holding company	UK[2]
Lamda UK Limited	Development of pharmaceutical and related products	UK[2]
Lamda Laboratories SA	Development of pharmaceutical and related products	Greece
Lamda Pharma SA	Development of pharmaceutical and related products	Greece
Clinigen Healthcare B.V.	Holding company	Netherlands
Clinigen Asia Pte. Limited	Holding company	Singapore
Link Healthcare Singapore Pte. Limited	Supply and distribution of pharmaceutical products	Singapore
Link Healthcare KK	Supply and distribution of pharmaceutical products	Japan
Clinigen KK	Supply and distribution of pharmaceutical products	Japan
IMMC	Supply and distribution of pharmaceutical products	Japan
Link Healthcare Sdn Bhd	Supply and distribution of pharmaceutical products	Malaysia
Link Healthcare Hong Kong Limited	Supply and distribution of pharmaceutical products	Hong Kong
Link Healthcare (Pty) Limited	Holding company	Australia
Link Medical Products (Pty) Limited	Supply and distribution of pharmaceutical products	Australia
Link Pharmaceuticals Limited	Supply and distribution of pharmaceutical products	New Zealand
Clinigen South Africa (Pty) Limited	Holding company	South Africa
Homemed Pty Limited	Supply and distribution of pharmaceutical products	South Africa
Equity Pharmaceuticals (Pty) Limited	Supply and distribution of pharmaceutical products	South Africa
Equity Medical Technologies (Pty) Limited	Supply and distribution of pharmaceutical products	South Africa

Name	Nature of business	Country of incorporation
Equipharm Specialised Distribution (Pty) Limited	Supply and distribution of pharmaceutical products	South Africa
Quantum Specials Trustee Limited	Corporate trustee	UK[2]
Clinigen Consulting Limited	Dormant	UK[1]
Idis MA Limited	Dormant	UK[1]
Idis GA Limited	Dormant	UK[1]
Clinigen CTS Limited	Dormant	UK[1]
Clinigen GAP Limited	Dormant	UK[1]
Clinigen SP Limited	Dormant	UK[1]
Keats Healthcare Limited	Dormant	UK[1]
Clinigen Pharma Limited	Dormant	UK[1]
Quantum Specials Limited	Dormant	UK[2]
Nupharm Group Limited	Dormant	UK[2]
Nupharm Laboratories Limited	Dormant	UK[2]
Clinigen CTS Inc.	Dormant	USA
Clinigen GAP Inc.	Dormant	USA
PMIP (Pty) Limited	Dormant	Australia
Link Holding 1 (Pty) Limited	Dormant	Australia
Link Holding 2 (Pty) Limited	Dormant	Australia
Plurilinx (Pty) Limited	Dormant	South Africa
Chloromix (Pty) Limited	Dormant	South Africa
Idis Pharma Private Limited	Dormant	India

Country of incorporation	Registered office
UK[1]	Pitcairn House, Crown Square, Centrum 100, Burton-on-Trent, Staffordshire, DE14 2WW
UK[2]	Quantum House, Hobson Industrial Estate, Burnopfield, Co Durham, NE16 6EA
UK[3]	Unit 3, Ardane Park, Phoenix Avenue, Green Lane Industrial Estate, Featherstone, WF7 6EP
USA	790 Township Line Road, Suite 120, Yardley, PA 19067
Singapore	133 Cecil Street, #13-03 Keck Seng Tower, 069535
Japan	1-16-3, Nihonbashi, Chuo-Ku, Tokyo, 103-0027
Malaysia	Upper Penthouse, Wisma RKT, No. 2 Jalan Raja Adbullah, 50300 Kuala Lumpur
Hong Kong	Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay
Australia	5 Apollo Street, Warriewood NSW 2102
New Zealand	RSM New Zealand, Ford Building, 86 Highbrook Drive, Highbrook, Auckland 2013
South Africa	100 Sovereign Drive, Nellmapius Drive, Irene 0157, Pretoria
Netherlands	WTC Schiphol Airport, D Tower, 11th floor, Schiphol Boulevard 359, 1118 BJ Amsterdam Schiphol
Greece	59, Ioannou Metaxa str., 19400 Koropi
India	302, 3rd Floor, A-Wing, Rutu Business Park, Thane West, Mumbai 400606

All shareholdings in subsidiaries are owned 100% (2017: 100%) through the subsidiaries' ordinary share capital.

15. CAPITAL COMMITMENTS

At 30 June 2018, the Company had committed £1.6m (2017: £3.6m) of expenditure for the design and implementation of the Oracle ERP system and £4.0m (2017: £nil) in respect of the technical transfers of owned products.

NOTES TO THE COMPANY BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2018 CONTINUED

16. POST BALANCE SHEET EVENTS

On 26 September 2018, the Group reached an agreement to acquire 100% of the issued share capital of CSM Parent, Inc., a specialised provider of packaging, labelling, warehousing and distribution services from its locations in the US and continental Europe for an initial cash consideration of US$150m. Further contingent consideration of up to US$43m is payable in cash dependent on achieving EBITDA targets in the year ended 31 December 2019.

The Group is funding the acquisition and associated expenses through a refinancing of the Group's existing debt facilities and an equity placing. The equity placing is targeting gross proceeds of approximately £80m.

On 26 September 2018, the Group acquired 100% of the share capital of iQone Healthcare Holding (Suisse) SA, a privately owned specialty pharmaceutical business based in Switzerland. Initial consideration is €7.5m, made up of €5.0m in cash and €2.5m in new Clinigen shares, with additional potential contingent consideration based on the achievement of certain future EBITDA targets.

COMPANY INFORMATION

Clinigen Group plc is a public limited company, incorporated and registered in the UK with company number 06771928.

Directors
S Chilton
M Abell
P Allen (Independent Non-Executive Chairman)
J Hartup (Senior Independent Non-Executive)
I Nicholson (Independent Non-Executive)
A Hyland (Independent Non-Executive)

Company Secretary and registered office
A Miller
Pitcairn House
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Staffordshire
DE14 2WW

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