Improving Transforming Growing

Annual Report and Accounts 2018

Always **improving** productivity, **transforming** our business through our people and **growing** our market leading positions

Key highlights

Group operating profit*

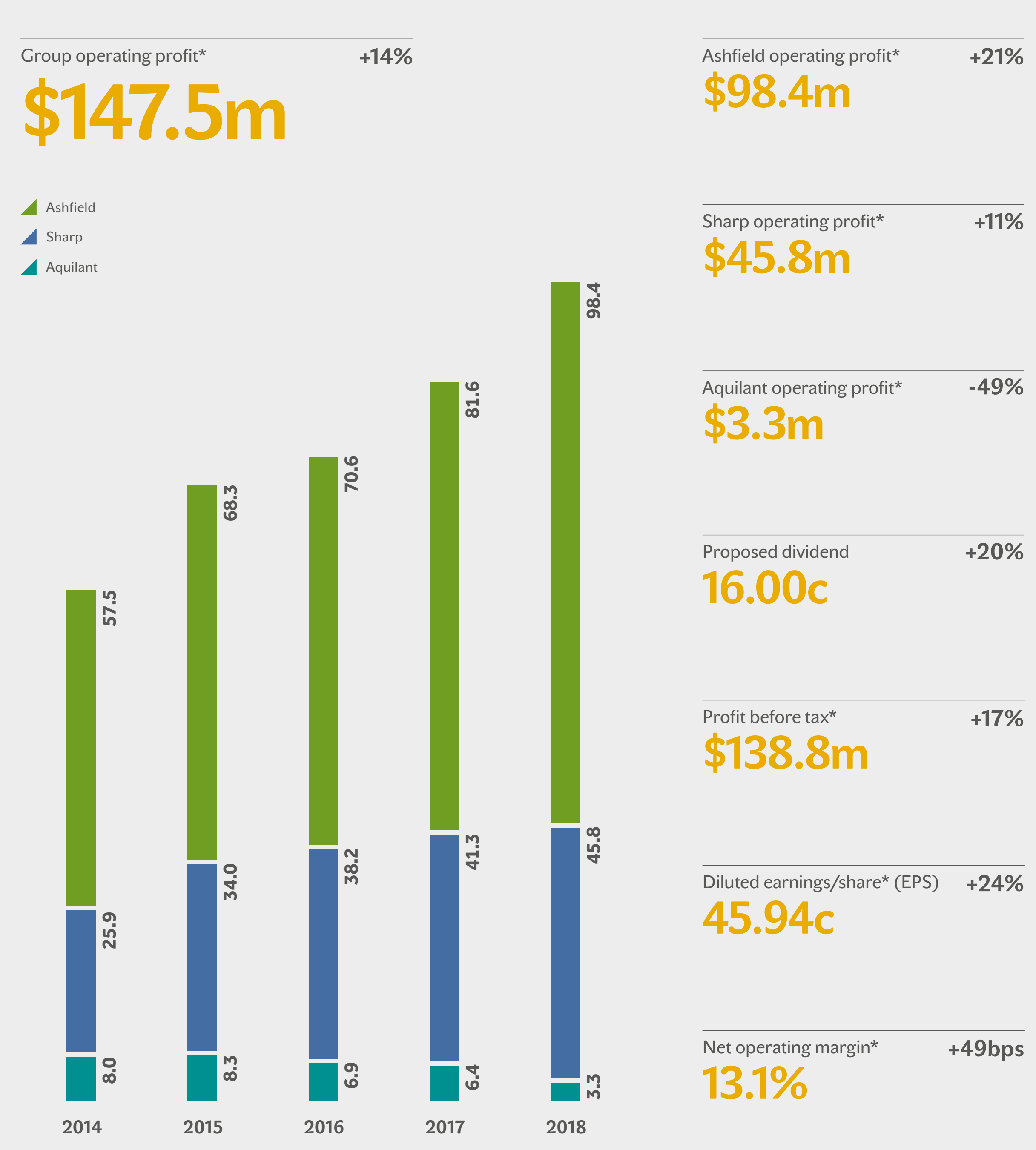
$147.5m

Profit before tax

$138.8m

Read about our **full Highlights** of the Year overleaf →

Highlights of the Year



Read **Our KPIs** on **page 22** →

Forward-looking information
Some statements in this Annual Report are or may be forward-looking statements. They represent expectations for the Group's business, including statements that relate to the Group's future prospects, developments and strategies, and involve risks and uncertainties both general and specific.

The Group has based these forward-looking statements on assumptions regarding present and future strategies of the Group and the environment in which it will operate in the future.

However, because they involve known and unknown risks, uncertainties and other factors including but not limited to general economic, political, financial and business factors, which in some cases are beyond the Group's control, actual results, performance, operations or achievements expressed or implied by such forward-looking statements may differ materially from those expressed or implied by such forward-looking statements, and accordingly you should not rely on these forward looking statements in making investment decisions.

Except as required by applicable law or regulation, neither the Group nor any other party intends to update or revise these forward-looking statements after the date these statements are published, whether as a result of new information, future events or otherwise.

* All references to 'operating profit' and 'earnings per share' included in the Strategic Report are stated excluding the amortisation of acquired intangible assets, transaction costs and exceptional items, and relate to the Group's continuing operations. The Group reports certain financial measures that are not required under International Financial Reporting Standards (IFRS) which represent the generally accepted accounting principles (GAAP) under which the Group reports.

What We Do

UDG Healthcare is a global leader in healthcare advisory, communications, commercial, clinical and packaging services. The Group is organised and managed across two divisions: Ashfield and Sharp, and employs 8,700 people in 26 countries.

A global leader in healthcare advisory, communications, commercial and clinical services

Services:

Advisory
Healthcare advisory, strategic consulting, analytics and benchmarking audit services.

Communications
Scientific and creative communications, digital and patient-centred content, specialised agencies in behavioural science, rare disease, PR and on-demand advertising services.

Commercial & Clinical
Commercialisation and clinical services including sales representatives, patient services, contact centres, medical affairs and meetings and events.

% of Group operating profit*
67%

Net operating margin
13.4%

Employees
7,091

Read more on **page 36** →

A global leader in contract clinical, manufacturing, packaging and technology services

Services:

Clinical
A comprehensive and integrated clinical trial supply and management service, from pre-clinical through to commercialisation.

Manufacturing
Clinical manufacturing services including analytical services, formulation development, over-encapsulation and placebo manufacture.

Packaging
Commercial packaging solutions in multiple formats including bottles, blisters, specialty and secondary packaging of injectables.

Technology
Technology to support both commercial and clinical packaging services including design, serialisation solutions and clinical IRT.

% of Group operating profit*
31%

Net operating margin
14.7%

Employees
1,569

Read more on **page 42** →

*Excluding Aquilant.

Our Mission

To improve the lives of patients around the world by partnering with pharmaceutical clients and healthcare providers.

Our Strategy

Improve productivity

Our experience, capabilities and global scale drive increased productivity and efficiency across our businesses and facilities. Our focus on operational and commercial excellence, measured by our KPIs, are key to our success.

Net operating margin
13.1%

Return on capital employed
12.7%

Read more on **page 14** →

Transform through people

Our people are critical to our success. We deliver our strategy through talented, experienced and motivated people, supported by continuing developmental programmes, effective processes and technology investments.

Response rate to the global engagement survey
78%

Sustainable engagement score
80%

Read more on **page 15** →

Grow and develop market-leading positions

As a global leader in the healthcare industry, we focus on expanding our positions in our core markets through a combination of organic growth and strategic acquisitions. We have a strong track record of acquisitions, which have strengthened our market positions and generated solid returns.

Earnings per share
45.94c

North American revenues
54%

Read more on **page 15** →

UDG at a Glance

Considerable progress has been made on succession and succession-planning during the year.

Nominations & Governance Committee Report on **page 70** →

A year of strategic progress.

Chairman's Statement on **page 4** →

Acquisitions

Two acquisitions completed during the year: Create NYC Smart Analyst.

Focus on Acquisitions on **page 18** →

Ashfield continues its transformation from a tactical provider of field-based sales representatives to delivering a full suite of end-to-end advisory communication, commercial and clinical services.

Read more on **page 8** →

We successfully continue to improve, transform and grow our broad suite of client services.

Chief Executive's Review on **page 6** →

Twelve months, 29 meetings, two new acquisitions and investment in new facilities.

What the Board did on **page 68** →

During 2018, the Sharp division undertook three large-scale redevelopment projects in the US, UK and Netherlands.

Read more on **page 55** →

Our values

Intrinsically linked to our Business Model.

Our Business Model on **page 12** →

Quality

Partnership

Ingenuity

Expertise

Energy

Our Values on **page 12** →

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Chairman's Statement
Peter Gray

A year of further strategic progress with strong growth

Peter Gray
Chairman

Dear Shareholder,

Overview

2018 has been a year of good strategic progress as we consolidated the six acquisitions made in 2017 and added two more. This progress was reflected in our financial performance, with constant currency EPS growth of 22% benefiting from the impact of these acquisitions, US tax reform and continued underlying growth. Some variability within this underlying growth, which we signalled in our third quarter trading update, coupled with market turbulence, has led to share price volatility in recent months. Nonetheless our total shareholder return over the last three years remains in the top quartile of the FTSE 250 and we believe our strategy will continue to deliver good returns to shareholders over the long term.

In achieving our strong EPS performance, we generated 10% net revenue growth and 14% operating profit growth. In constant currency, Ashfield reported 5% underlying operating profit growth (excluding investments in new platform technologies – which we refer to as "Future Fit"), while Sharp reported very strong underlying operating profit growth of 11%, with an outstanding second half more than compensating for a slow first half.

Within Ashfield, the Communications & Advisory business generated strong underlying growth and now accounts for nearly two thirds of Ashfield's profits. However, there were headwinds in the Clinical and Commercial market segment, as evidenced by the setbacks also suffered by our competitors in 2018. However, market research and our own experience and customer interactions continue to point to long term opportunity for integrated marketing support services, including contract sales teams and nurse advisors, particularly as new medications become more specialised and complex to promote and administer.

Our Return on Capital Employed (ROCE) (see page 170 for the basis of calculation) was 12.7% compared to 12.8% last year. Influenced by the rapid pace of new acquisitions made in the last 18 months, and our significant ongoing investments in facilities in Sharp and in software for the Group and for Ashfield, we remain focused on enhancing this metric over time.

Based on the strong earnings growth achieved, the Board is pleased to recommend a 20% increase in dividend for the full year thus confidently continuing our 30-year upward dividend growth trajectory.

Strategy

During the year, the final step in our strategic shift from a distributor for the pharma and medical device industry to a services provider in that industry was achieved when we sold our remaining distribution business, Aquilant, to a private equity buyer. The potential sale of Aquilant had been disrupted by Brexit uncertainty in the UK, which caused the withdrawal of a serious buyer, and which contributed, we believe, to the subsequent loss of some agencies, all of which compromised its value. Nonetheless, we have converted a no-longer-core asset into cash, ensured our management are now focused on our core growth businesses, and placed Aquilant with new owners intent on its development.

In addition to the two further acquisitions made during the year, the new facilities for our Sharp Clinical business in Pennsylvania and in Wales, and that for Sharp's Commercial business in the Netherlands are nearing completion, while further progress was made on the rollout of our new financial platform for the Ashfield division. This activity will continue in 2019 and should underpin future growth.

As is appropriate in a group evolving as we are, adding and sometimes subtracting entities each year, we have undertaken a significant restructuring in 2018 to ensure efficiency, effectiveness and closer alignment of the businesses as we drive synergies between them.

Board and Governance

We discuss the activities of the Board in 2018 and some detail regarding governance in the Corporate Governance Report on pages 62 to 69.

During the year we bade farewell to Alan Ralph who played a major part in the Group for over 20 years, latterly as CFO. He was hugely respected by his Board colleagues and by shareholders and we wish him well as he embarks on a new chapter in his life. We are also bidding farewell to Philip Toomey, who has been on the Board for 10 years and who will not go forward for re-election at our Annual General Meeting (AGM). Philip, who served as chair of the Audit Committee and as Senior Independent Director for many years, will be a much-missed sage voice. We welcome Nigel Clerkin, who has taken over from Alan, and Erik van Snippenberg, who joined us in July. Their bios are available on page 60. We are also currently seeking some further appointees to prepare for the retirement of Chris Brinsmead in 2020 and to add candidates who could succeed me. As I have been on the Board since 2004, and have been Chairman since 2012, good governance demands that we begin to plan for my retirement. See the Introduction to Corporate Governance on page 62.

I mentioned last year that we were carrying out an employee survey in late 2017. The results of this were encouraging in terms of the Group's culture. Strong positive responses were received in terms of the values the Group espouses and our employees buy-in to these values. The Board continues to reinforce culture through its own open and transparent dialogue with management at all levels, in different forums, and in the expectations it sets. As always with such surveys, there were areas highlighted for improvement including, for example, the clarity of our communication to employees about our strategy. The pace at which we have transformed the Group demands continuous communication to ensure our people understand the steps we are taking and the opportunities this creates for them.

Outlook

As a Board, we devoted considerable time throughout 2018 reviewing our strategy with the management team in light of market dynamics, and as new acquisition and capital expenditure opportunities were presented. Now focused on Ashfield and Sharp, we continue to see strong underlying growth potential in both and we remain confident the strategy will deliver in both the near and long terms.

We have very low debt levels and have a good flow of potential acquisition opportunities for both divisions which would add scale and further broaden their range of services. While asset prices continue to be challenging, particularly in Sharp's field, we are confident there are ample opportunities to further enhance shareholder value through strategically aligned acquisitions which integrate well with our current businesses.

In closing, I'd like to take this opportunity on behalf of shareholders and the Board to thank our executive team and all our 8,700 employees worldwide for their hard work and dedication in 2018 and offer them our encouragement and support for 2019.

Key Governance Activities in 2018

Appointment of a new CFO, Nigel Clerkin, and a new non-executive director, Erik van Snippenberg.

29 Board and Committee meetings were held during the year.

Following the external review of the Remuneration Committee in 2017, the Company engaged an independent external consultant, Independent Audit, to review the Risk, Investment & Financing Committee in August 2018. An internal board evaluation was also conducted.

Read **What the Board did** on **page 68** →

Chief Executive's Review
Brendan McAtamney

Delivering through a coherent, consistent strategy

"2018 reflected the continued execution of our strategy and another year of strong growth for the Group. Our two global platforms, Ashfield and Sharp, continued to drive earnings as we leveraged our leading market positions and sector expertise."

Strategic Highlights

1. Completed the acquisitions of Create NYC and SmartAnalyst in July 2018 for a combined consideration of up to $82.4 million.

2. Completed the disposal of Aquilant in August 2018, concluding the Group's exit from its supply chain businesses.

3. Ashfield's offering continues to shift towards more strategic, higher value services with Ashfield Communications & Advisory now accounting for 63% of Ashfield's operating profit, up from approximately 20% five years ago.

4. Three Sharp facilities upgraded in the year, providing a strengthened platform for growth.

5. Restructuring of internal operating structures completed, with a view to achieving greater flexibility, accountability and performance across the Group. An after-tax restructuring charge of $14.4 million has been incurred as a consequence in 2018, with the benefits being reinvested into technology, infrastructure and a *STEM aXcellerate* growth programme.

Read **Our Strategy** on **page 14** →

Dear Shareholder,

I am pleased to report that in 2018 we made continued progress in the delivery of our strategic priorities and this was a contributing factor to the good financial results and solid growth achieved during the year. As a Group we continue to improve, transform and grow our broad suite of client services, and deliver sustainable long-term returns for our shareholders.

Performance

We delivered net revenue growth of 10% and operating profit growth of 14%, which contributed to adjusted diluted (EPS) growth of 24%, or 22% on a constant currency basis. This exceeded the top end of our 2018 guidance range of between 18% and 21%.

Ashfield Communications & Advisory, including the contribution from acquisitions, was the main driver of growth delivering 44% operating profit growth. Sharp delivered a particularly strong underlying performance, especially in the US to deliver operating profit growth of 11%. Offsetting this, the performance of Ashfield Commercial & Clinical was more challenging during the second half of the year and the ramp up of activity with some clients in Sharp Europe was slower than anticipated.

We continued to make good progress from a corporate development perspective completing the acquisitions of Create NYC, an innovative, disruptive communications agency, and SmartAnalyst, a strategic commercialisation consulting and analytics business, in July 2018. Both acquisitions meet our acquisition criteria – strong strategic and cultural fit; delivery of our target financial hurdle rates; and the expansion of our current capabilities.

Global Market Trends

As growth in the global healthcare market continues to accelerate, the main tenet of our strategy continues to focus on capitalising on the increasing trend among pharmaceutical, biotech and medtech companies to outsource specialist and non-core activities. We are increasingly well-positioned to do this with an expanding and agile portfolio of businesses that are closely aligned to our client's needs. This strategy is supported by a sustained increase in FDA product approvals, the continued shift towards the launch of more complex specialty medicines and the significant growth from rare and orphan drugs.

Our latest acquisitions mean that 53% of our revenue is now generated in the US. This brings UDG Healthcare increased opportunity to execute our strategy of capturing market-leading positions in the world's largest pharmaceutical market.

Delivering our Strategy

In August 2018, we completed the disposal of Aquilant to H2 Equity Partners. Aquilant represented approximately 4% of the Group's operating profits at the time of disposal. The disposal of Aquilant is the final step in our journey to exit the supply chain service businesses, following the disposal of our United Drug Supply chain and MASTA businesses in 2016. The proceeds from the transaction will be used to fund the continued development of our two global growth platforms – Ashfield and Sharp. I would like to acknowledge the Aquilant employees and thank them for their commitment. Aquilant is a great fit for H2 Partners and I wish the business and employees well for the future.

We remain ambitious to continue the strong growth and development of the Group following the considerable expansion in recent years, both organically and inorganically. As a result, the Group has implemented a restructuring of its internal operating structures, with a view to achieving greater flexibility, accountability and performance across the Group. Furthermore, it will enable us to capitalise and take further advantage of growing market opportunities in an evolving and highly dynamic healthcare industry.

Aligned with this programme, we have evaluated the strategic growth opportunities for the STEM Healthcare business model and launched an expansion programme, called *STEM aXcellerate*. STEM Healthcare has considerable capacity to continue to grow its core pharmaceutical base, and in tandem expand into other related and unpenetrated healthcare sectors which also offer significant growth potential. We are confident that *STEM aXcellerate* offers the potential for attractive financial returns over the medium and longer term.

Chief Executive's Review (continued)

Divisional Highlights:

Ashfield

Ashfield continued its transformation from a tactical provider of field-based sales representatives, to a business where nearly two-thirds of its offering is strategically focused and delivers a full suite of end-to-end advisory, communication, commercial and clinical services to the global healthcare industry.

Ashfield Communications & Advisory

Communications: During the year, our focus has been on growing our capabilities to enable us to work with clients across different geographies and increasing collaboration between our network of agencies. We have developed a global network of talent driven by a "science first" perspective which is supplemented by strong creative and digital expertise.

In July 2018, we acquired Create NYC which adds innovative, creative services to Ashfield Communications. This is a unique, disruptive model which gives its clients high-impact, on-demand flexible marketing support with a flat fee structure. This approach complements the more traditional agency model. The acquisition of Create NYC is in line with our strategy to expand into areas of differentiated but aligned adjacencies to Ashfield's core scientific communication capabilities.

Advisory: The continued development of Ashfield's Advisory pillar remains a key element of our strategy. Building on the strong progress last year, our two acquisitions in 2017, STEM Healthcare and Vynamic, continued to perform very strongly in 2018 delivering good underlying growth.

Furthermore, the acquisition in July 2018 of SmartAnalyst further expands Ashfield's Advisory capabilities. SmartAnalyst is a US-based strategic consulting and analytics business focused on the pharmaceutical and biotech sector. This acquisition adds new capabilities in strategic consulting and the high-growth area of Health Economics and Real World Evidence. SmartAnalyst also provides Ashfield with access to therapeutic franchise development decision-makers, as well as infrastructure in India. Ashfield will provide leverage and opportunities to grow SmartAnalyst's customer base outside the US through Ashfield's global business footprint.

Ashfield Commercial & Clinical

Commercial & Clinical: The business experienced a challenging year, but our strategy remains unwavering, with service development and differentiation being a core focus for us in 2018 and beyond.

During the year, Ashfield Commercial & Clinical launched new innovative services such as the *Ashfield Solution* which adds data and analytical insights to the core field-based representative offering. We also launched Virtual Medical Science Liaison's and enhanced our multi-channel contact centre capabilities. The Clinical business has continued to see an increase in the number of Patient Support Programmes being launched on behalf of clients and we have rolled out Salesforce's *Health Cloud* – a customer relationship technology platform that enables our clinical educators to put patients at the centre of care with real time, up-to-date comprehensive patient information.

Overall we remain confident in our Ashfield strategy and believe that current market dynamics, such as the growth in specialty medicines and rise in the demand for more sophisticated multi-channel capabilities, will help drive growth over the medium term.

Sharp

2018 marked the tenth anniversary of our acquisition of Sharp packaging US in Allentown and Conshohocken, Pennsylvania. Since 2008, consistent growth has led to a near doubling of available capacity, a doubling of the workforce and a greater than seven-fold increase in operating profit. Sharp US has been an extremely successful acquisition for us and continues to make a strong contribution to the success of UDG Healthcare today.

To further develop the capacity and efficiency of the business, we continued Sharp's capital investment programme in 2018. Three of Sharp's eight facilities were refurbished during the year providing it with an excellent platform for future growth and offering clients an integrated clinical development, packaging and distribution service.

Sharp US: While Sharp US had a challenging start to 2018, the business performed exceptionally well in the second half of the year and continues to gain momentum. We will continue to closely align Sharp US's expansion with current and emerging market opportunities, as well as developing improved operational integration with our strategic client partners. The business' strategic investments in serialisation technologies have also contributed to the positive momentum in the business.

Sharp Europe: The business experienced a slower than anticipated on-boarding of new clients which impacted its financial results during the year. We continue to execute our strategy to focus on targeting and developing new strategic partnerships with clients in the growing biotech market.

Sharp Clinical: In 2018 Sharp Clinical successfully completed phase one of its expansion project in the US by relocating the global logistics business to the newly renovated facility at Bethlehem. This project was delivered on-time and on-budget without a single missed shipment to patients or disruption to our client operations. Phase two of the Bethlehem expansion is scheduled for completion in early 2019.

The second significant investment in Sharp Clinical during 2018 was the construction and fit out of our state-of-the-art manufacturing and packaging facility in Wales, UK. The site was fully operational in November 2018 for packaging and logistics services with analytical, manufacturing and IRT services to follow in 2020. Both investments will allow Sharp Clinical to continue with its clinical supply chain optimisation strategy by offering

end-to-end services, formulation to logistics, all within one facility in both the US and Europe.

Overall I am confident that the improved pipeline of business and increased capital investments leave Sharp well-positioned to generate strong underlying operating profit growth in the medium term.

Infrastructure

Underpinning everything we do is our breadth and depth of expertise, our successful long-term client partnerships and the unique infrastructure we own and operate. Technology is playing an ever-more important role in the delivery of innovative support and sustainable solutions to our clients.

During the year, we continued with our Future Fit programme of investment and the implementation of Oracle finance and Workday HR systems. We also began strategic investments in more front-end client-facing technology such as the aforementioned *Health Cloud*, and the Avature recruitment platform and we are investing in support technologies such as the Concur expense system and various elements to increase IT security. These technologies offer our clients faster, cheaper and safer streamlined business solutions.

These ongoing investments also future-proof the fabric of the organisation and establish a solid foundation for the integration of newly-acquired businesses and the long-term growth of the Group.

Our People

We have a diverse, engaged and energetic group of employees in UDG Healthcare. Their hard work and dedication has helped to deliver another year of continued progress for the Group and I am very grateful for their commitment.

During the year we launched the CEO Awards which celebrated those in the organisation who truly live our values in their everyday work. I am very proud of this CEO recognition programme as it is our people who bring our values to life and ensure we continue to improve, transform and grow as we enter 2019. We also ran two very successful leadership and management development programmes called *Inspire and Drive* with over 1,000 employees participating.

Like every organisation of our size, there were a number of management changes during the year and my confidence in the leadership team continues to strengthen. As previously announced, Nigel Clerkin succeeded Alan Ralph as Chief Financial Officer. I would like to take the opportunity to sincerely thank Alan for his 20 years of dedication and commitment to UDG. On behalf of the Group we wish Alan, Nikki and their family all the very best for the future.

As mentioned earlier, during the year we carried out a review of our Ashfield business structure. As a consequence, Rob Wood was appointed Head of Ashfield Advisory Services & Divisional Business Development. Doug Burcin was appointed Head of Ashfield Communications and Julian Tompkins was appointed Head of Ashfield Commercial & Clinical.

Looking Ahead

In 2018 we made solid progress in the execution of our strategy. We have continued to invest in talent, infrastructure and additional capabilities that are attractive to our global clients as we continue to deliver on our impressive growth record. Looking ahead to 2019, I believe UDG Healthcare is well positioned to exploit the robust market opportunity within the sectors we operate in. We will continue to drive underlying organic growth and supplement it with acquisitions that will transform our breadth of services and geographic diversity. We will also continue to invest in our talent, systems and infrastructure, to ensure we have the right platform for continued future growth. Thank you once again for your support in 2018.

Brendan McAtamney
Chief Executive

Market Opportunity

Transforming our business to capitalise on the growth in the global healthcare market

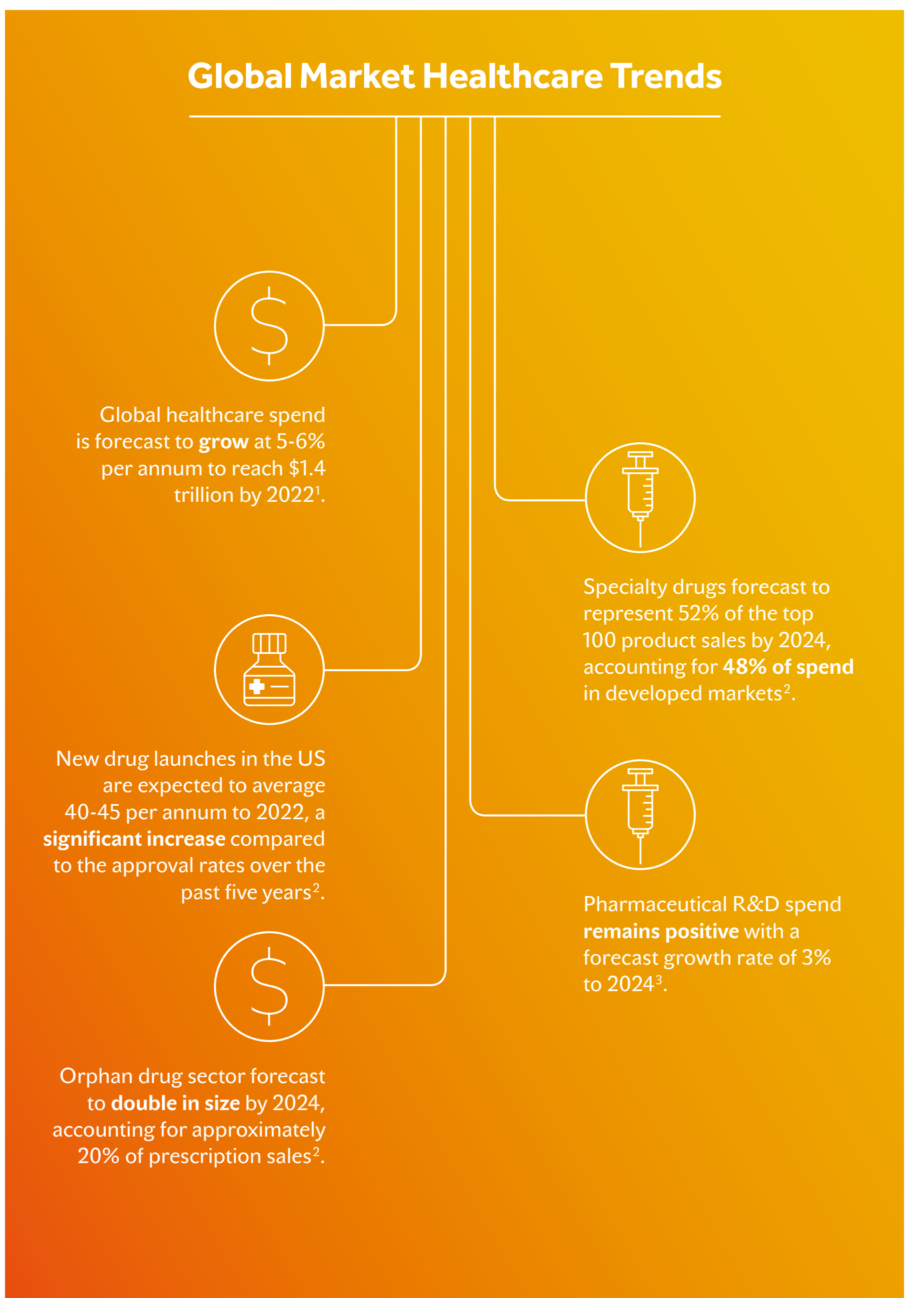
Growth in the global healthcare market is expected to accelerate to approximately 5-6% per annum with the market projected to exceed $1.4 trillion by 2022[1]. The US market is set to account for 45% of this projected spend. Key drivers of this growth include: a sustained increase in FDA product approvals; a continued shift towards the launch of more complex specialty medicines; and the significant growth of orphan drugs as the pharmaceutical industry moves to address smaller patient groups with significant unmet needs.

In addition, rising healthcare and drug costs are driving demand for quality, cost-effective and flexible solutions.

Demand for outsourcing is also increasing as clients seek specialist expertise, services and quality. In particular small and mid-sized pharmaceutical and biotech companies who lack commercial infrastructures when developing specialty medicines seek expert outsourcing solutions.

UDG Healthcare's broad portfolio of skills and services ensures it is uniquely positioned to meet the needs of its clients across all stages of the product lifecycle.

While every outlook involves a degree of uncertainty, including the growth potential of new products and a secondary patent cliff, the overall conditions in the global healthcare market remain positive for the future.



1 2018 and Beyond: Outlook and Turning Points, IQVIAInstitute, March 2018.
2 World Preview 2018, Outlook to 2024, Evaluate Pharma, June 2018.
3 Medicines Use and Spending in the US, A review of 2017 and Outlook to 2022, IQVIAInstitute, April 2018.

Divisional Specific Market Opportunities

Ashfield Advisory

Key growth drivers:

- **Increasing outsourcing penetration**
- **Changes and increasingly complex specialty therapies and launches**
- **Growing demand for data and informed research to improve decision making**
- **Increasing number of molecules in development and positive FDA approval outlook**

Estimated market size*

$2.9bn

Ashfield Communications

Key growth drivers:

- **Increasing outsourcing penetration**
- **Growth of specialty products leading to increased demand for multi-channel and digital communications**
- **Increasing number of molecules in development and positive FDA approval outlook**
- **Migration to direct patient engagement**
- **Growth in orphan drugs for rare diseases**

Estimated market size*

$7.3bn

Ashfield Commercial & Clinical

Key growth drivers:

- **Significant potential for increased outsourcing**
- **Increasing demand for innovative models, multi-channel offerings and multi-country solutions**
- **Growth of specialty products leading to increased complexity and support requirements**
- **Increasing importance of patient adherence**
- **Increasing number of molecules in development and positive FDA approval outlook**

Estimated market size*

$6.1bn

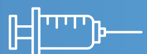
Sharp Commercial Packaging

Key growth drivers:

- **Significant potential for increased outsourcing**
- **Demand for secondary packaging of injectable products**
- **Increasing requirement to access specialist technology solutions and capabilities**
- **Client demand for deeper strategic relationships with contract partners**

US & EU estimated market size*

$5bn–7bn



Sharp Clinical Services

Key growth drivers:

- **Increasing outsourcing penetration**
- **Demand from emerging and mid-size pharma companies for end-to-end integrated service offerings**
- **Greater demand for digital solutions including Clinical IRT and Serialisation**

US & EU estimated market size*

$6bn–8bn

* Sources for market sizes: Derived from BCG, Deloitte and internal analysis.

Our Business Model

UDG Healthcare is a global leader in healthcare advisory, communications, commercial, clinical and packaging services. We are an industry-leading partner of choice for healthcare companies seeking expert outsourcing services. Our business model revolves around continuously improving our core businesses and identifying and acquiring strong businesses that complement and add value.

We benefit from a balanced portfolio, the diversity of our client base and our wide geographic spread. We do all of this while maintaining strong financial discipline and efficient capital deployment which generates consistent and superior returns for shareholders. Our people are at the heart of our business model and our values of quality, partnership, ingenuity, expertise and energy underpin everything we do.

Our values are what sets us apart

Our culture and values influence how we behave and underpin everything we do.

Quality

For us, only the best is good enough. Quality underpins everything we say and everything we do. We set high standards, develop our people and deliver a quality service that will surpass our clients' expectations.

Partnership

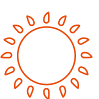
We build on trust through delivering on our promises. We work in partnership with each other and with our clients. This way we build relationships, based on trust, integrity and transparency.

Ingenuity

We are committed to solving problems and resourcefully thinking every day. We build solutions for our clients using creativity and innovation.

Expertise

Together we have a wealth of knowledge and skills built over many years. Through strong business and financial leadership, we deliver excellence and enhance our client experience.



Energy

We achieve our clients' goals with imagination and passion. We are enthusiastic for success, always ensuring we engage, listen and work together to build the best solutions.

Inputs

Employees

We continue to strengthen employee skills, communication and engagement and foster an environment which empowers our people to execute our business model successfully.

Number of employees

8,700+

Capital

Our strong balance sheet supports the delivery of continued growth through M&A, to supplement organic growth. We are continuously identifying and acquiring highly complementary businesses that drive value and generate attractive returns. In 2018, we completed two acquisitions, following the completion of six acquisitions in 2017.

M&A spend

$82.4m

Facilities and Infrastructure

We are well-positioned to execute our business model, having a robust operating platform, a diverse geographical footprint and the capability to consistently improve our client offering through our state-of-the-art facilities.

Capital expenditure

$60.6m

Stakeholders and Relationships

We work as a proactive and long-term business partner with our clients, delivering integrated healthcare services solutions based on market foresight, contributing to better business for our stakeholders.

Number of clients

300+

How we create value

Delivering Sustainable Growth

Profit and Cash Generation
Both Ashfield and Sharp are focused on growing profits organically and through acquisitions, and maximising cash conversion from our operations to support the development and execution of our strategy.

Capital Deployment
Disciplined financial management allows for ongoing reinvestment in the business to sustain our growth model and capitalise on the opportunity to grow our services.

Shareholder Value
Successful delivery of our strategy results in increased shareholder value and progressive dividend growth.

The Group is organised and managed across two separate divisions:

Read more on **page 36** →

Sharp

Read more on **page 42** →

What we deliver for our stakeholders

Clients
Our focus is to be a leading international partner of choice so that, together with our clients, we can help improve the lives of patients.

We partner with the top 30 global pharmaceutical companies
30

Shareholders
Our business model delivers sustainable long-term value for our shareholders and we operate a progressive dividend policy.

Dividend to shareholders
$34.7m

Employees
We are committed to investing in our employees' career development to ensure they can perform in their roles to the highest standards.

Remuneration to employees
$614.2m

Patients
Our service offering provides patients with insights and solutions to help improve their lives.

Number of active patient support programmes globally
70+

Local Communities
In addition to selecting three official charity organisations every year we partner with a significant number of charity groups globally.

Number of charities supported globally
c.70

Our Strategy

Shaping a platform for strategic growth

Our values guide us in delivering on our mission to improve the lives of patients around the world every day.

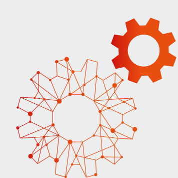
Our strategy is to capitalise on the increasing trend among pharmaceutical, biotech and healthcare companies to outsource specialist and non-core activities on an international basis.

We have defined a clear set of strategic pillars in order to deliver on our strategy. To support this, we need to ensure that we continue to develop leading capabilities to harness UDG Healthcare's global growth potential.

Key to strategic linkage in this report

- Improve productivity
- Transform through people
- Grow and develop market-leading positions

Improve productivity



Our aims

We consistently improve our operating efficiencies across the Group. We measure this through benchmarking our commercial and financial performance against specific KPIs.

Operational Excellence

We are building capability across our business and focusing on the three pillars of our strategy to help drive profitable growth. We monitor our businesses against six financial and three non-financial KPIs. Our KPIs support the execution of our strategy and are important drivers of improved business performance over the short, medium and long term.

Progress in 2018: Continued improvement across KPIs.

Margin Expansion

We aim to continually increase margins to drive improved profitability. Improving productivity and increasing operational efficiencies are a key focus of our organic growth strategy to drive the expansion of business unit, divisional and Group margins.

Progress in 2018: Net margins increased to 13.1%.

Capital Deployment

We have a strong track record of efficient capital allocation and we deploy capital in areas where we identify the greatest strategic benefit and shareholder returns. We continue to invest in scalable infrastructure to support the delivery of sustainable future growth, ensuring there is a robust infrastructure in place to manage the existing business and to integrate future acquisitions.

Progress in 2018: Sharp Clinical successfully progressed the transfer of operations to newly-invested facilities in the US and UK.

Key Performance Indicators:

Net operating margin
13.1%

Return on capital employed
12.7%

For more **KPI** information see **page 22** →

For **Key Risk** information see **page 28** →

Transform through people

Our aims

We are a people-based business operating in dynamic healthcare markets that are highly regulated and demand high quality and compliance standards. We are building our culture and transforming our business by living our values. We are focused on attracting, developing and retaining the best talent so that we support and deliver on our clients' ambitions.

Talent and Leadership

Our people are core to our service delivery; their development is vital to our success. We continuously develop our employees to ensure we have the right people, in the right place, with the right skills.

Progress in 2018: There has been a continued focus on key talent management practices including leadership and management development, succession planning and performance management.

Quality and Compliance

We enable our clients to outsource with confidence by exceeding our clients expectations and providing the highest quality standards possible. We are consistently focused on regulatory compliance and good environmental stewardship.

Progress in 2018: Compliance*Centre* resource has been established to manage all quality and compliance training.

Values-Based Culture

Our values influence our ability to attract and retain customers, employees, investors and suppliers and are key to our long-term sustainability. We continue to work hard to integrate our values in our business processes and are mindful of them in the decisions we make.

Progress in 2018: We received the results of our first global engagement survey which was designed to understand how we embed our values in our culture. All businesses are addressing any action areas identified from the feedback.

Key Performance Indicators:

Response rate to the global engagement survey
78%

Sustainable engagement score
80%

For more **KPI** information see **page 22** →

For **Key Risk** information see **page 28** →

Grow and develop market leading positions

Our aims

We believe scale in major markets, international reach and reputation are key to business development success. We aim to be a leading operator in each of our priority markets and to continue to expand our market positions.

Geographical and Services Growth

We will continue to grow our activities organically across our priority markets of the US, Europe and Japan. Our organic service development and expansion will be enhanced by strategic acquisitions of complementary services and capabilities. The Group has a track record of successfully acquiring and integrating businesses which strengthen our market positions and deliver returns on capital in excess of 15%.

Progress in 2018: Operating profits grew by 14% and North America accounted for 54% of Group revenues.

Client Focus and Commercial Excellence

Working in partnership with our clients and providing bespoke solutions is fundamental to our business. By understanding our clients we become an essential partner, helping them to succeed in a dynamic and increasingly complex operating environment.

Progress in 2018: Launched the Ashfield Solution, an agile, multi-channel commercial model.

Supplementary Sources of Growth

We aim to improve, transform and grow our service offering to capitalise fully on growth opportunities and shifting market trends. This allows us to differentiate our service offering and leverage our market positions by enhancing the range of capabilities we can offer to our clients.

Progress in 2018: Completed the acquisitions of Create NYC and SmartAnalyst.

Key Performance Indicators:

Earnings per share
45.94c

North American revenues
54%

For more **KPI** information see **page 22** →

For **Key Risk** information see **page 28** →

Delivering on Our Strategy

Case study
Improving our service offering

A new, agile, multi-channel, commercial model to improve ROI

"As the pharmaceutical industry continues to evolve, flexibility and scalability underpinned by analytics are essential within the commercial sales model."

Julian Tompkins
President of Ashfield Commercial & Clinical

In February 2018, Ashfield launched the *Ashfield Solution*, a new, agile, multi-channel commercial engagement model designed for maximum impact and to improve return on investment (ROI). This transformational new approach offers tailored targeting and a promotional mix that reflects local market dynamics, formulary changes, physician preferences and behaviours, and the different access situations relevant to our sales representatives. It also helps clients respond to market changes such as margin pressure, loss of exclusivity, new product data and new market entrants.

The *Ashfield Solution* is underpinned by the AshfieldGuide, a sophisticated sales analytics and planning platform. It uses advanced analytics capabilities such as curve modelling and segmentation techniques utilising best-in-class machine learning, artificial intelligence and algorithms. As a result, the *Ashfield Solution* maximises ROI through traditional representative interactions blended with inside sales representative, representative on-demand, field service representative, clinical nurses and medical science liaisons.

This pioneering solution delivers in-depth monthly reporting on ROI, call attainment and performance, allowing the continuous measurement of the impact of each type of engagement. This allows the promotional mix to be flexed at regular intervals to ensure maximum impact.

Read **Ashfield's Operating Review** on **page 36** →

Multi-channel service options

8

Delivering on Our Strategy (continued)

Case study
Transforming through acquisitions

Strengthening our US presence

"The two acquisitions further expand the services we offer to healthcare clients. Create NYC adds innovative creative services within Ashfield Communications and SmartAnalyst expands Ashfield's Advisory offering adding new capabilities in strategic consulting and the high-growth area of Health Economics and Outcomes Research."

Brendan McAtamney
Chief Executive Officer

In July 2018, UDG Healthcare announced the acquisitions of Create NYC and SmartAnalyst continuing the transformation of our organisation and strengthening our presence in the US. Both based in New York and dedicated to the healthcare industry, Create NYC is a disruptive creative communications agency and SmartAnalyst is a strategic commercialisation consulting and analytics business.

Create NYC offers the tactical execution of sales and marketing materials for international pharmaceutical clients. Founded in 2009 by Natalie McDonald, who remains with the company as CEO, it has built a unique, disruptive model which gives clients high-impact, on-demand, flexible marketing support with a flat fee structure. This approach complements the more traditional agency model. The acquisition of Create NYC is in line with Ashfield's strategy to expand into areas of differentiated but aligned adjacencies to its core scientific communication capabilities.

SmartAnalyst is a strategic consulting and analytics business focused on the pharmaceutical and biotech sector. The company was founded in 2001 and has 135 employees based across operations in New York, London and Gurgaon, India. The business provides strategic consulting services to support disease, asset and portfolio-level decisions as well as Health Economics and Outcomes Research (HEOR) services. SmartAnalyst expands Ashfield's Advisory service proposition providing access to commercial development decision makers, as well as infrastructure in India.

Read **Ashfield's Operating Review** on **page 36** →

Ashfield spend on acquisitions in 2018

$82.4m

Delivering on Our Strategy (continued)

Case study
Growing Sharp US

Sharp US: A decade of growth and a thriving partnership with our clients

"I have been with Sharp for over 40 years and it has been fascinating to watch the business and buildings grow from a small company that originally housed printing, packaging and warehousing all in the same building.

I take particular pride in how far we have come technically over those years, from pioneering serialisation solutions in 2008 to exploring the use of robotic automation today."

Stephen Hamaday
Director of Engineering, Sharp Packaging US

2018 marks the 10th anniversary of the acquisition by UDG Healthcare of Sharp Packaging US in Allentown and Conshohocken, PA. Since 2008, UDG has invested more than $100 million in capital expenditure in Sharp US which has resulted in almost a doubling of available capacity, a doubling of the workforce and greater than seven-fold increase in operating profit over that time.

UDG's strategy of investing in people, facilities and infrastructure continues today, as demonstrated most recently by the expansion of Sharp's cold-chain capacity in Allentown. This further supports the specialist handling and distribution demands of pharma clients in the rapidly growing injectables market.

By any standards Sharp US has been a very successful acquisition and continues to make an important contribution to the growth and development of UDG Healthcare today. The energy, expertise and ingenuity of the employees in Allentown and Conshohocken are a vital part of that success. More than 30% of those employees have over ten years of service with Sharp, a fitting testament to a thriving partnership.

Read **Sharp's Operating Review** on **page 42** →

Capex spend since 2008
$100m
Increase in operating profit
since 2008
x7

Key Performance Indicators

The Group has a range of Key Performance Indicators (KPIs) which are used to monitor Group performance, operations and measure progress against our strategy.

Financial KPI #1

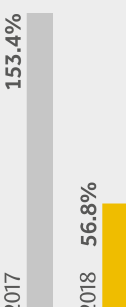
Total Shareholder Return (TSR)

Definition

TSR is the total return to an investor, being the capital gain plus reinvested dividends. The return is measured as an average return over three years.

Strategic Linkage

TSR is a key metric used to ensure the Group is delivering returns on invested capital and maintaining strong cash flows to support the combined development of the Group and its dividend payment. Principally, it is used to tie executive management remuneration to shareholder returns by linking the vesting and quantum of awards under the Long Term Incentive Plan (LTIP) to performance relative to other FTSE 250 companies.



Performance

The Group delivered a three-year average TSR of 56.8% in 2018 compared to 153.4% in 2017.

Link to Remuneration

This is a performance metric for the LTIP, accounting for 50% of any awards made.

Financial KPI #2

Earnings Per Share (EPS) Growth

Definition

Growth in adjusted diluted EPS achieved in the year.

Strategic Linkage

EPS is an important financial measure of corporate profitability and the Group's financial progress.

2017: 37.12c
2018: 45.94c

Performance

The 24% increase in EPS was primarily driven by operating profit growth from the Ashfield and Sharp divisions, as well as the acquisitions during the year. Foreign exchange translation increased EPS growth by 2% from 22% constant currency growth to 24% reported growth.

Link to Remuneration

Adjusted EPS growth is a key measure of growth and a driver of TSR, which accounts for 50% of LTIP awards made.

Financial KPI #3

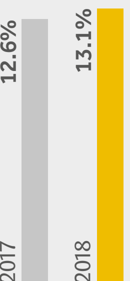
Net Operating Margin

Definition

Measures operating profit as a percentage of net revenue.

Strategic Linkage

Net operating margin is a key metric in measuring operating efficiency across the Group, divisions and business units. Continued improvements in net operating margin demonstrate the successful execution of the Group's strategy.



Performance

The overall Group net operating margin has increased from 2017. The positive margin effect of acquisitions, higher revenue growth in the higher margin businesses and savings from restructuring more than offset the impact of additional Future Fit operating costs.

Link to Remuneration

Net operating margin is a key driver of Profit Before Tax (PBT) which represents a significant element of annual bonus potential.

Key to strategic linkage in this report

Improve productivity	(red)
Transform through people	(purple)
Grow and develop market-leading positions	(green)

Financial KPI #4

Net Revenue

Definition

Comprises gross revenue as reported in the Group Income Statement, adjusted for revenue associated with pass-through costs for which the Group does not earn a margin.

Strategic Linkage

Net revenue is a key metric in measuring growth in operations across the Group, divisions and business units. Continued growth in net revenue demonstrates the successful execution of the Group's strategy.

2017 $1,028.5m
2018 $1,129.7m

Performance

The Group's net revenue increased 10%, benefiting from acquisitions.

Link to Remuneration

Net Revenue is a performance metric which accounts for a portion of annual bonus potential.

Financial KPI #5

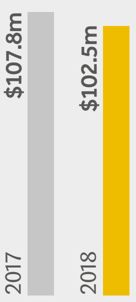
Operating Cash Flow

Definition

Operating cash flow is net cash inflow from operating activities per the Group Cash Flow Statement on page 106.

Strategic Linkage

The generation of cash from operations is a key driver of shareholder returns and also enables the Group to invest in capital expenditure and acquisitions to enhance future growth.



Performance

The Group has achieved operating cash flows of $102.5 million. This has decreased from 2017, driven by an increase in working capital.

Link to Remuneration

The ratio of operating cash flow to operating profit forms the basis of a performance metric for the LTIP, accounting for 50% of any awards made. Operating cash flow is also an annual bonus performance metric.

Financial KPI #6

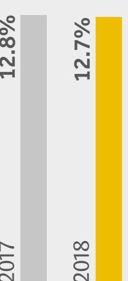
Return on Capital Employed (ROCE)

Definition

ROCE is profit before interest and tax expressed as a percentage of the Group's net assets employed. See page 170.

Strategic Linkage

ROCE is a key financial benchmark which measures both the return from, and performance of, investments in our business. The Group strives to consistently achieve returns well in excess of its cost of capital.



Performance

The Group's ROCE was 12.7% compared to 12.8% in 2017.

Link to Remuneration

ROCE is significantly influenced by PBIT and cash flow performance, both of which are key annual bonus performance metrics.

Key Performance Indicators (continued)

Key to strategic linkage in this report

Improve productivity	
Transform through people	
Grow and develop market-leading positions	

Non-Financial KPI #1

Quality & Compliance

Definition

Our vision and values are underpinned by our desire to maintain the highest ethical standards in everything that we do. We are committed to always meeting our legal and regulatory obligations. Our compliance programme sets out the system we have adopted to help ensure that we meet this commitment.

Strategic Linkage

One of the measures for ensuring that our Quality and Compliance systems and processes are providing a robust basis for our business is through our performance in audits by regulators and professional standards bodies. 25 regulator audits were carried out throughout UDG by regulators in 2018.

100%

Success rate. No material findings were observed.

Performance

All regulatory audits completed this year in both Ashfield and Sharp were successful. ISO 9001 certification was achieved in Ashfield Austria for the first time. There were no regulatory breaches during the year.

Link to Remuneration

A key objective of the Quality and Compliance system is to ensure that when audited by reporting authorities and clients we are compliant with their requirements. This means adhering to both the regulatory requirements and the professional standards applied in our sector. Management all have objectives to ensure successful audit outcomes.

Non-Financial KPI #2

Environmental, Health and Safety (EHS)

Definition

EHS audits comprise of a comprehensive and structured review whereby information is collected relating to the efficiency, effectiveness, and reliability of our businesses EHS management systems.

Strategic Linkage

Compliance with regulation and application of industry standards are essential in the delivery of our strategy.

80%

Since the introduction of our EHS audit programme in 2014, over 80% of UDG Healthcare businesses have been audited.

This year as part of our audit programme we have focused on closing EHS audit actions.

Performance

We are pleased with our performance against our internal standards as a number of our sites have achieved over 70% completion of all EHS audit actions.

Link to Remuneration

The EHS audit programme has an indirect impact on business revenue. Both internal and external client audit results demonstrate our compliance with EHS regulatory requirements and industry best practice, supporting business development and retention.

Non-Financial KPI #3

Living Our Values

Definition

How we embed UDG's values into our people processes and the method of measurement for how we live the values in our organisation.

Strategic Linkage

Our values define our culture for all employees and enable our strategy. By demonstrating the behaviours underpinning our values, our leaders continue to build a values based culture for the benefit of our clients, our people and the success of our business.

79%

The percentage of employees who see our values lived throughout the Group.

Performance

Our global employee engagement survey provided valuable feedback on culture. Our Global CEO Awards reinforce recognition of employees who demonstrate the values.

Link to Remuneration

Businesses have implemented action plans to address local opportunities for improvement identified in the survey.

Embedding our Enterprise Risk Management programme throughout the business

Our employees understand the benefits of identifying, assessing and managing both risks and opportunities, and see the value in managing these proactively.

Risk Management Process
As the Enterprise Risk Management Process evolves it become increasingly important to ensure that risks impacting the organisation's growth strategy are anticipated and communicated to the senior executives and to the Board along with the corresponding mitigation strategies. It is not intended to eliminate all risk from the business but to ensure that the risks taken are appropriate, well managed and well communicated.

The process of reviewing the risks within each business unit involves both a bottom-up and a top -down approach. The risk registers are developed and maintained within each business unit and communicated to the Head of Compliance at least twice per year. Reviews with the divisional leads have continued and good progress is being made in raising awareness of risks and also in using risk assessment as an operations management tool. Risks are also reviewed at a divisional level and by the Risk, Investment and Financing Committee at least twice per year. Any changes to the risk rating are reviewed in line with the Board's risk appetite and any required changes to the risk mitigations are fed back into the operations through the Group Head of Compliance.

The UDG Healthcare Code of Conduct which was issued in December 2017 was circulated for training Group-wide on the Compliance*Centre* during 2018.

Risk Management (continued)

Risk Management Process (continued)

As technological developments continue to advance, the Group placed a greater focus on cyber security during the year. October 2017 was designated cyber security month and a series of workshops, communications, screensavers and brochures were distributed focusing on employee behaviour to reduce the risk and to promote safe use of electronic access and data controls. Specific training was developed and rolled out to the extended finance teams throughout the organisation to ensure that they were made aware of the risks related to impersonation and phishing. Significant investment in technology to combat the ever-increasing risks related to data security have also been included in the Future Fit workstream.

The GDPR legislation came into force in May 2018 and the required policies, training, gap analyses and road map have been implemented to mitigate GDPR risk across the Group. A thorough audit schedule is planned for FY2019 to support compliance both with EU requirements but also other local requirements outside of the EU.

Viability Statement

In accordance with the relevant provisions set out in the UK Corporate Governance Code, the Board has carried out a robust assessment of the principal risks facing the Group, including those which would threaten its business model, future performance, solvency or liquidity. The nature of, and the strategies, practices and controls to mitigate those risks are addressed in the Principal Risks and Uncertainties section on pages 25 to 31.

Using the Group's Long Term Strategic Plan, which is reviewed and approved by the Board annually, the prospects of the Group have been assessed over the three-year period to 30 September 2021. The Strategic Plan considers the market opportunities within the healthcare sector, the Group's cash flows, committed funding and liquidity positions, forecast future funding requirements, banking covenants and other key financial ratios.

The Strategic Plan is built on a business by business basis and the model is subjected to sensitivity analysis. Appropriate stress testing of certain key performance, solvency and liquidity assumptions underlying the Strategic Plan has been conducted taking account of the principal risks and uncertainties faced and possible severe but plausible combinations of those risks and uncertainties. The sensitivity analysis focused on five scenarios where changes to the economic environment or compliance issues could have an impact. These scenarios have been incorporated into the Risk Management Framework and are reviewed and managed in line with the Group's risk appetite.

These scenarios can be summarised as follows:
1. the largest site by profit generation becomes inoperable for an extended period of time and produces no contribution in 2019 and slowly recovers to 50% of expected 2018 profitability by 2021;
2. a large-scale acquisition of approximately $300 million produces no profit in year one post-acquisition and recovers to a profit level of only $10 million by 2021;
3. there is significant, defined as 20%, weakening of euro and sterling foreign exchange rates relative to the US dollar;
4. there is an imposition of price controls or price reductions in the US healthcare market; and
5. a combination of both scenarios two and four above occurring simultaneously.

As a result of this assessment, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the next three years to 30 September 2021.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review on page 32. In addition, Note 31 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, currency, cash flow and liquidity risks.

The Group has considerable financial resources and a large number of customers and suppliers across different geographic areas and industries. Having assessed the relevant business risks, the Directors believe that the Group is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Managing risks and opportunities is integral to the delivery of the Group's strategic objectives. The three strategic pillars remain the same in 2018 as they were in 2017 and in the Principal Risk and Uncertainties listed overleaf, the link to the strategy is given through the strategy icons.

High Level Summary

All of the Principal Risks and Uncertainties are listed in the follow pages but the section below provides a high level summary of those key risks impacting directly on the business strategy.

Strategic Pillars	Key Considerations	Key Risks
Improve productivity	Operational efficiencies are enhanced by a continued investment in infrastructure through Future Fit and major software projects. Combined and supported by the application of operational excellence methodologies across the Group we are making progress on margin expansion.	IT systems and cyber security Contract management Business continuity Financial controls
Transform through people	In order to attract, develop and retain the talent needed to transform our business we are emphasising our values -based culture as the basis for behaviour. People are key to delivering on our targets and the continuous focus on how results are delivered ensures compliance with all requirements and a right first time expectation.	Talent management Regulatory compliance
Grow and develop market leading positions	To develop and establish scale in major markets both acquisitions and organic growth are key. Continued client focus, both on service and on diversification supports organic growth. Acquisition activity remains focused on synergies with existing businesses and diversifying our offering to match the outsourcing requirement of our clients.	Acquisitions including integration Client management

Principal Risks and Uncertainties (continued)

Key to strategic linkage in this report

- Improve productivity
- Transform through people
- Grow and develop market-leading positions

Strategic Risks

Risk	Impact	Mitigation	Progress
Value Generation from Acquisitions	Acquisitive growth remains a core element of the Group's strategy. A failure to execute and properly integrate acquisitions may impact the Group's projected revenue growth and its ability to capitalise on the synergies they bring and/or to maintain and develop the associated talent pool.	All potential acquisitions are assessed and evaluated to ensure the Group's defined strategic and financial criteria are met. A discrete integration process and post integration review is developed for each acquisition. This process is supported by experienced management with a view to achieving identified benefits, cultivating talent and minimising general and specific integration risks.	— No Change
Lack of Client Diversification	As the Group's activities consolidate and further acquisitions are completed, the Group's client base may become more concentrated, making the Group more susceptible to competitive, client merger or procurement led threats.	In individual business units where there is a high dependence on a small number of key clients, the threats and opportunities are reviewed by divisional management at each business review. The impact that any potential acquisition may have on client concentration is considered as part of the acquisition assessment process.	↓ Decreased Risk **The dependence of each business unit on a single client has reduced.**
Client Outsourcing Strategy	Changes to pharma company outsourcing strategy such as a reduced roster of preferred vendors, or a wholesale move to outsource to holding companies that meets all of their service requirements.	In order to maintain or develop into a preferred vendor for our target clients, acquisitions can be used to fill any key gaps in service offering. The key is to maintain client relationships and to keep abreast of potential changes in their business strategy. We have developed an agile business development strategy to maximise our value to clients.	○ New Risk
Talent Management	The success of the Group is built upon effective management teams that consistently deliver superior performance. If the Group cannot attract, retain or develop suitably qualified, experienced and motivated employees, this could have an impact on business performance.	Talent requirements of the Group are monitored to ensure businesses meet prevailing and future requirements in terms of skills, competencies and performance. There is a strong focus on key talent management practices, including leadership and management development, succession planning and performance management.	— No Change
Brexit	The trading uncertainty associated with Brexit may result in some UDG Healthcare clients reducing the size of their UK operations or have a negative impact on our ability to conduct business profitably in the UK.	The impact of Brexit on movement of people and distribution of goods is not yet clear and this is generating increased uncertainty, affecting exchange rates and client willingness to develop business in the UK. The overall Group exposure to the UK as a proportion of our total profitability is expected to decline as we acquire businesses with greater exposure to markets other than the UK.	↑ Increased Risk **There is significant uncertainty around reaching an agreement on Brexit.**

Strategic Risks (continued)

Risk	Impact	Mitigation	Progress
Economic and Political Risk	The global macroeconomic and geopolitical environment may have a detrimental impact on our client base. Price controls and price reductions are prevalent in the pharmaceutical industry therefore we may have certain exposures to any weakening market segments.	The Group continues to review its portfolio of investments through the annual strategic review process and through constant challenge at a senior executive and Board level. Acquisitions and new service offerings are sought which improve the balance of our investments and give greater exposure to innovative and growing market segments. The overall strategy is to increase market share in the US.	— No Change
Innovation and Insight	The continued success of the Group has been dependent upon the delivery of innovative solutions to our clients. Examples include serialised packaging, and multichannel CSO. An inability to predict and deliver such innovation would be a risk to the maintenance of our market leading positions in the various sectors in which we operate.	Innovation and insight is at the fore of all business strategies set down by the senior executive team (SET). At a divisional level each management team has a responsibility to identify current and projected client demand for new service offerings and market changes and have designated roles within their business units tasked to deliver on this.	○ New Risk

Operational Risks

Risk	Impact	Mitigation	Progress
Patient Risk	Throughout the Group medicines and medical devices can be packaged, supplied or administered directly to patients. The risk of inappropriate advice, packaging, supply or administration could lead to a negative patient experience.	Packaging and supply activity is carried out under licence from local health regulators and a contract with the marketing authorisation holder (MAH). Serialisation is being introduced as a global solution to falsified medicines and to improve MAH product traceability. Administration of medicines to patients or providing patient support is covered by a detailed client contract with the MAH, fully approved scripts, and a divisional clinical governance framework. The introduction this year of *Health Cloud* has brought additional assurance to the patient support programmes.	— No Change

Principal Risks and Uncertainties (continued)

Key to strategic linkage in this report

Improve productivity	(red)
Transform through people	(purple)
Grow and develop market-leading positions	(green)

Operational Risks (continued)

Risk	Impact	Mitigation	Progress
Regulatory Compliance	The Group has many legal and regulatory obligations, including in respect of: (a) protection of patient information (such as HIPAA and GDPR); and (b) patient and employee health and safety. In addition, many of the Group's activities are subject to stringent licensing regulations, for example, FDA, EMEA and national agency manufacturing, packaging and promotional regulations and more recently the serialisation requirements under the FMD. A failure to meet any of these could result in regulatory restrictions, financial penalties, the inability to operate, or products and services being defective, harming patients and potentially giving rise to very significant liability.	Maintenance of legal, regulatory and quality standards is a core value of the Group. The Sharp Division and Ashfield Pharmacovigilance are subjected to routine FDA, EMEA and national agency inspections and so are required to be 'audit ready' at all times. Patient education and information programmes are reviewed to ensure compliance with regulation and codes of practice and are subject to regular assessment by Quality and Compliance. Following the introduction of GDPR, regular data protection auditing has now commenced across EU locations in 2018 while data protection training and gap analyses have commenced outside the EU to focus on local data protection law compliance.	— **No Change**
IT Systems Risk	The ability of the Group to provide its services effectively and competitively is dependent on technology and information systems that are appropriately integrated and that meet current and anticipated future business, regulatory and security requirements.	The Group's technology and information systems and infrastructure are the subject of an ongoing programme to ensure that they are capable of meeting the Group's strategic intent and future requirements. Collectively this initiative is referred to as Future Fit IT.	— **No Change**
Contract Risk	The underlying terms of the Group's commercial relationships drive the profitability of the Group. The nature of the Group's business means that the Group could be exposed to undue cost or liability if it agrees inappropriate terms.	The Group has adopted processes for identifying and mitigating against undue risks in all prospective commercial relationships, supported by personnel with expertise and/or experience in key commercial risk areas.	↓ **Decreased Risk** **The process of identifying and mitigating undue contractual risks has continued during FY2018.**
Cyber Security	The global threat sophistication is increasing due to support from criminal organisations and nation states targeting valuable information including impersonation. These are advanced persistent threats targeted at both business-critical data and using ransomware for financial gain.	As part of Future Fit IT, the Group is implementing multi-layered information security defences to identify vulnerabilities and protect against attacks. To meet the increasing cyber threat procedures are being developed and resources are being hired to detect and respond effectively to any cyber security events that may occur. Specific training has been delivered throughout the global finance organisation to alert staff to the risks. A month long communication campaign 'Think before you dive in' was carried out. Cyber security insurance is now in place.	— **No Change**
Business Continuity	The Group is exposed to risks that, should they arise, may give rise to the interruption of critical business processes that could adversely impact the Group or its clients.	The Group has developed a business continuity template based on risk and is currently re-working its operational business continuity plans in line with this. Mitigation strategies and continuity plans are part of a structured risk review process. There have been no significant business interruptions to date.	— **No Change**

Financial Risks

Risk	Impact	Mitigation	Progress
Financial Controls	The Group's resources and finances must be managed in accordance with rigorous standards and stringent controls. A failure to meet those standards or implement appropriate controls may result in the Group's resources being improperly utilised or its financial statements being inaccurate or misleading.	The financial controls of the Group, as well as their effectiveness, are monitored by the Board in the context of the standards to which the Group is subject and the expectations of its stakeholders. This monitoring is supported by a dedicated Internal Audit function. The Group's financial function, systems and controls are also subject to periodic review to ensure that they remain robust and fit for purpose.	— **No Change**
Liquidity	The Group is exposed to liquidity, interest rate, currency and credit risks.	The management of the financial risks facing the Group is governed by policies reviewed and approved by the Board. These policies primarily cover liquidity risk, interest rate risk, currency risk and credit risk. The primary objective of the Group's policies is to minimise financial risk at a reasonable cost. The Group does not trade in financial instruments.	— **No Change**
Foreign Exchange	UDG Healthcare plc's reporting currency is the US dollar. Given the nature of the Group's businesses, exposure arises in the normal course of business to other currencies, principally sterling and euro.	The majority of the Group's activities are conducted in the local currency of the country of operation. As a consequence, the primary foreign exchange risk arises from the fluctuating value of the Group's net investment in different currencies. Our strategy is to proportionally grow the US as a source of earnings at a faster rate than other markets which will lower the foreign exchange risk for the Group.	— **No Change**

Finance Review

A strong performance during 2018 increases revenue by 8% to $1,315.2m

The combination of good underlying growth and acquisition activity generated 22% constant currency EPS growth. Net debt at the end of the year was $60.8 million.

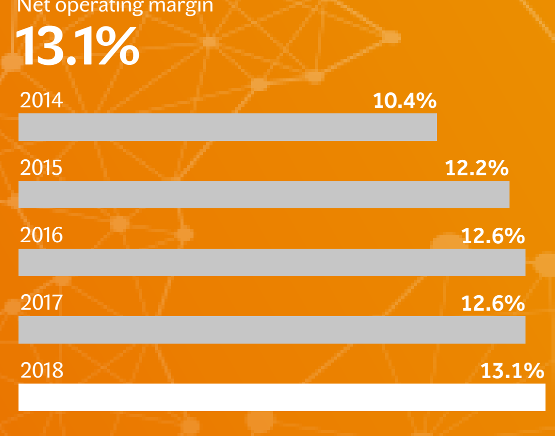
Revenue
Revenue of $1,315.2 million for the year was 8% ahead of 2017 (5% on a constant currency basis). Ashfield increased revenue by 12% and Sharp increased revenue by 3%. Group underlying revenue declined by 2%, excluding the impact of foreign exchange, acquisitions and disposals.

Adjusted Operating Profit
Adjusted operating profit of $147.5 million is 14% ahead (12% on a constant current basis) of 2017.

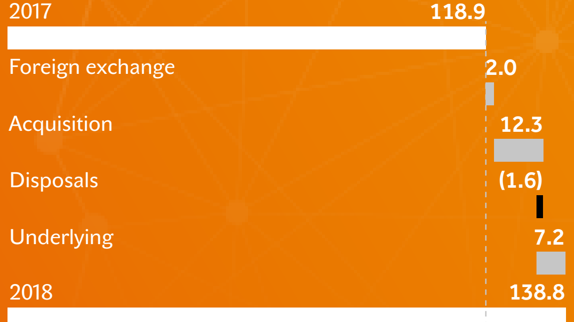
Adjusted Net Operating Margin
The adjusted net operating margin for the year of 13.1% was an increase on the 12.6% margin reported in 2017. The positive margin effect of acquisitions and higher revenue growth in the higher margin businesses more than offset the impact of additional Future Fit operating costs.

Adjusted Profit Before Tax
Net interest costs, pre-exceptional items, for the year of $8.7 million are 16% lower than 2017, which is as a result of the repayment of guaranteed senior unsecured notes in September 2017. This delivered an adjusted profit before tax of $138.8 million which is 17% ahead of 2017 (15% on a constant currency basis).

Net operating margin
13.1%



2018 Adjusted profit before tax ($'m)
Group PBT +17%
(15% constant currency)



Earning per share **+24%**

45.94c

(22% constant currency growth)

Dividend per share ($) **+20%**

16.00c

"During 2018, we continued to deliver strong growth, with adjusted earnings per share up 24% (22% on a constant currency basis). Our two divisions, Ashfield and Sharp, both demonstrated good growth, supported by the benefit of recent acquisitions and investments."

Nigel Clerkin
Chief Financial Officer

Finance Review (continued)

Overview of Results

The Group delivered an adjusted profit before tax of $138.8 million in 2018, the details of which are disclosed in the table below. This is a 17% increase on 2017 (15% on a constant currency basis).

Continuing operations	IFRS based $'m	Adjustments[1] $'m	Adjusted $'m	Increase on 2017 %	Constant currency increase on 2017 %
Revenue	1,315.2	–	**1,315.2**	**8**	**5**
Net revenue[2]	1,129.7	–	**1,129.7**	**10**	**6**
Operating profit	5.5	142.0	**147.5**	**14**	**12**
Profit before tax	8.4	130.4	**138.8**	**17**	**15**
Diluted earnings per share (EPS) (cent)	1.52	44.42	**45.94**	**24**	**22**
Dividend per share (cent)	16.00	–	**16.00**	**20**	**20**

1 Adjusted operating profit, profit before tax and diluted EPS are stated before the amortisation of acquired intangible assets ($31.0m, pre-tax), transaction costs ($2.4m, pre-tax) and exceptional charges (operating charge $108.6m, pre-tax $97.1m and post-tax $85.8m) relating to the disposal and impairment of Aquilant ($90.7m charge),the Group's restructure of internal operating structures ($18.0m charge), deferred contingent consideration adjustments ($11.6m gain), net of tax effect of these items ($1.5m gain) and an exceptional credit to deferred tax liabilities ($9.7m).

2 Net revenue represents gross revenue adjusted for revenue associated with pass-through costs, for which the Group does not earn a margin.

Taxation

The effective taxation rate has decreased from 22.2% in 2017 to 17.1% in 2018 following the enactment of the US Tax Cuts and Jobs Act, along with the benefit of a number of other gains during the second half of the year.

Adjusted Diluted Earnings Per Share

Adjusted earnings per share (EPS) is 24% ahead (22% on a constant currency basis) of 2017 at 45.94 $ cent. Underlying EPS increased by 11% excluding the benefit of acquisitions completed in 2017 and during the year and favourable currency movements.

Exceptional Items

The Group incurred an exceptional charge of $85.8 million after tax for the year.

A goodwill impairment charge of $57.6 million was recognised in the six month period to 31 March 2018 in relation to Aquilant, partially offset by an exceptional gain of $8.9 million relating to the exit of two Aquilant clients in the year. A tax charge of $1.0 million was incurred in relation to these items. On 8 August 2018 the Group completed the disposal of Aquilant which resulted in a loss on disposal of $41.9 million.

A charge of $18.0 million was incurred in relation to restructuring costs. The charge primarily relates to redundancy and onerous lease costs incurred as part of the restructuring of the Group's internal operating structures. A tax credit of $3.6 million was incurred in relation to these items.

Following the enactment of the US Tax Cuts and Jobs Act, the Group recognised an exceptional tax gain of $9.7 million in the income statement arising on the one-off remeasurement of certain US tax liabilities.

Deferred contingent consideration of $11.6 million in respect of Cambridge BioMarketing, MicroMass Communications and Sellxpert was released in the year following review of expected performance against earn out targets. A tax charge of $1.0 million was incurred in relation to these items.

Disposal of Aquilant

On 8 August 2018 the Group completed the disposal of Aquilant which resulted in a loss on disposal of $41.9 million. The total proceeds receivable by the Group is expected to be $23.0 million and related costs of disposal were $1.7 million. In line with the Group's strategy, proceeds from the transaction will be used to fund the continued development of the Group's higher growth and higher margin divisions, Ashfield and Sharp.

Aquilant contributed $82.7 million of revenue (full year 2017 $96.3 million) and $3.3 million of operating profit (full year 2017 $6.4 million) to the Group for the year.

Foreign Exchange

The Group operates in 26 countries, with its primary foreign exchange exposure being the translation of local income statements and balance sheets into US dollars for Group reporting purposes. The re-translation of overseas profits to US dollars has increased constant currency EPS growth of 22% to a reported EPS growth rate of 24%, which is primarily due to the strength in Sterling in 2018 versus 2017.

The average 2018 exchange rates were $1: £0.7436 and $1: €0.8403 (2017 $1:£0.7891 and $1:€0.9047).

Cash Flow

The table displayed includes cash flow information for the years ended 30 September 2018 and 2017.

Net cash inflow from operating activities

Working capital increased by $50.4 million (2017: $19.3 million). The increase in working capital was due to the growth in the business, the reversal of favourable timing inflows during 2017, and temporary cash flow delays arising from the implementation of *Oracle* under the Future Fit programme. Other cash outflows of $1.1 million relates to transaction costs paid of $5.3 million, partially offset by an exceptional items inflow of $4.2 million. This consisted of a $8.9 million inflow relating to Aquilant receipts from agency terminations, offset by a $4.6 million outflow relating to the Group's restructuring.

Net cash outflow from investing activities

Net cash outflow from investing activities was $76.3 million, compared to $262.9 million in 2017. This decrease was principally due to reduced outflows on acquisitions. During 2018, $39.6 million was invested in property, plant and equipment. This included investment in Sharp's facilities, in particular the investments in Sharp Clinical's sites in the US and UK, and its commercial packaging

facility in the Netherlands. Computer software outflows of $21.0 million included investments in Future Fit, which will enable our businesses to grow in an efficient manner. The Group invested $33.5 million on the acquisition of subsidiaries, which represented the initial consideration for the acquisitions of Create NYC and SmartAnalyst, while additionally $5.9 million was paid in deferred contingent consideration associated with prior year acquisitions. Offsetting these outflows, a net cash inflow of $21.0 million was received on the disposal of Aquilant.

Net cash outflow from financing activities decreased by $58.3 million to $33.1 million, from $91.4 million in 2017, principally due to the repayment of guaranteed senior unsecured notes in September 2017. During 2018, dividend payments of $34.7 million were made relating to the final 2017 dividend and the 2018 interim dividend.

Balance Sheet

Net debt at the end of the year was $60.8 million ($180.1 million cash and $240.9 million debt). The net debt to annualised EBITDA ratio is 0.34 times debt (2017: 0.32 times debt) and net interest is covered 22.0 times (2017: 16.3 times) by annualised EBITDA. Financial covenants in our principal debt facilities are based on net debt to EBITDA being less than 3.5 times and EBITDA interest cover being greater than three times.

The Group has retained its long-term private placement debt as it expects to make acquisitions and other capital investments in the coming years. At 30 September 2018, the Group also had $255.7 million of undrawn overdraft and loan facilities.

Return on Capital Employed (ROCE)

The Group's ROCE was 12.7%, down from 12.8% at the end of 2017. Details on how this was calculated are on page 170.

Dividends

The directors are proposing a final dividend of 11.75 $ cent per share representing an increase of 21% on the 2017 final dividend of 9.72 $ cent per share. This represents 20% growth in the total dividend for the year to 16.00 $ cent per share. This continues the Group's 30 year history of consistently increasing dividends.

Subject to shareholder approval at the Company's AGM, the proposed final dividend of 11.75 $ cent per share will be paid on 4 February 2019 to ordinary shareholders on the Company's register at 5.00 p.m. on 11 January 2019.

Cash flow

	2018 $'000	2017 $'000
Net cash inflow from operating activities	**102,516**	107,778
Net cash outflow from investing activities	**(76,323)**	(262,864)
Net cash outflow from financing activities	**(33,063)**	(91,373)
Net change in cash and cash equivalents	**(6,870)**	(246,459)
Effect of exchange rate changes on cash and cash equivalents	**(500)**	5,199
Cash and cash equivalents at beginning of year	**187,469**	428,729
Cash and cash equivalents end of year	**180,099**	187,469

Net cash inflow from operating activities

The net cash inflow from operating activities was $102.5 million (2017: $107.8 million).

	2018 $'000	2017 $'000
Adjusted EBITDA	**181,790**	156,886
Interest paid	**(9,682)**	(10,608)
Income taxes paid	**(18,107)**	(14,522)
Working capital increase	**(50,350)**	(19,269)
Other cash outflows	**(1,135)**	(4,709)
Net cash inflow from operating activities	**102,516**	107,778

Investor Relations

UDG Healthcare's executive management team spend a significant amount of time meeting with shareholders and the international financial community. We have invested in dedicated investor relations resources and are focused on increasing the awareness of the Company among the investor and analyst community.

The Group maintains continuous engagement with its shareholders during the year (apart from when the Group is in a close period), specifically following the release of our interim and preliminary results, and at the time of major developments including M&A transactions. The Group continues to ensure that a broad geographic base of institutional investors is reached through participation in roadshows, attendance at conferences and investor events. During 2018, the UDG Healthcare senior management team conducted over 220 institutional investor one-on-one meetings and participated at 12 investor conferences, including five in the US.

Additionally, the Group hosted a successful two day Capital Markets event at its US facilities in Fort Washington, PA (Ashfield) and Allentown, PA (Sharp) in February 2018. In addition to various presentations during the event, attendees were given tours of the facilities and met with the wider Ashfield and Sharp senior management teams. The event was attended by the Group's CEO, CFO and Chairman.

The number of independent equity analysts covering the Group increased to 13 during the year (from ten) reflecting the continued growing interest in UDG Healthcare from the equity markets.

The Board of Directors considers it important to understand the views of shareholders and receive regular updates on investor perceptions.

Our website www.udghealthcare.com, is the primary method of communication for the majority of our shareholders. We publish our Annual Report, preliminary results and other public announcements on our website. In addition, details of our conference calls and presentations are available through our website.

Our investor relations department provides a point of contact for shareholders and full contact details are set out in the investor relations section of our website. Shareholders can also submit an information request through the shareholder services section of our website.

Operational Review
Ashfield

Transforming our service offering, improving our market-leading positions and delivering outstanding results for our clients

Ashfield is a global leader in healthcare advisory, communication, commercial and clinical services for the pharmaceutical and healthcare industries. Our focus is on supporting patients, healthcare professionals and payers at all stages of the product life cycle.

Ashfield Commercial & Clinical Net Revenue	Ashfield Communications & Advisory Net Revenue
$448.2m	**$287.7m**

What we offer

Advisory
Healthcare advisory, strategic consulting, analytics and benchmarking audit services.

Communications
Scientific and creative communications, digital and patient-centred, specialised agencies in behavioural science, rare disease, PR and on-demand advertising services.

Commercial & Clinical
Commercialisation and clinical services including sales representatives, patient services, contact centres, medical affairs and meetings and events.

Rob Wood
President of Advisory Services

Doug Burcin
President of Ashfield Healthcare Communications

Julian Tompkins
President of Ashfield Commercial & Clinical

Operational Review
Ashfield (continued)

About Ashfield

Ashfield is an international provider of services to the healthcare and pharmaceutical industry. As the largest division of UDG Healthcare, Ashfield has over 7,300 employees based in 25 countries. In the last year, Ashfield has made good progress through strategic acquisitions and organic growth by increasing market share and consolidating market-leading positions in many of its markets. Ashfield operates in three broad areas of activity: Advisory, Communications and Commercial & Clinical services, working with a range of global healthcare clients to deliver services across 50 countries. We provide strategic consulting, audit, advisory, healthcare communications, field and contact centre sales teams, in-home and contract centre nurse educators, medical information, pharmacovigilance (drug safety) and event management services.

In August 2018, UDG Healthcare announced a review of the Ashfield business structure. Rob Wood was appointed President of Ashfield Advisory, Doug Burcin was appointed President of Ashfield Communications and Julian Tompkins was appointed President of Ashfield Commercial & Clinical. All three leaders report directly to UDG Healthcare Group CEO, Brendan McAtamney.

Ashfield Advisory comprises STEM Healthcare, Vynamic and our recent acquisition SmartAnalyst. Our services now include healthcare brand advisory, strategic consulting, analytics and commercial audit services.

Ashfield Communications is a global micro-network which works with clients at the centre of science, data and creativity to commercialise molecules, markets and brands. Our experts support the expanding role of medical affairs, brand commercialisation and activation from the rarest diseases to the blockbuster brands and large disease franchises.

Ashfield Commercial & Clinical provides multi-channel (field-based and contact centre) sales and nurse education solutions, focusing on educating healthcare professionals on prescription products and medical devices and educating patients about their disease and its treatment options.

Performance Review

Ashfield delivered a robust financial performance during the year, driven by the benefit of acquisitions and good underlying momentum in Communications & Advisory, offset by challenges in the Commercial & Clinical business. Net revenue was up 17% to $735.9 million and operating profit was up 21% to $98.4 million.

Ashfield's underlying net revenue and underlying operating profit were broadly flat year-on-year, after adjusting for the impact of currency translation movements and the contribution of acquisitions. As expected, Ashfield incurred approximately $3.5 million additional operating costs during the year related to the Future Fit investments – the business generated approximately 5% underlying operating profit growth during the year before these additional costs.

Net operating margin increased to 13.4% from 12.9% reflecting the continued strong momentum from the higher margin Communications & Advisory business, driven by a combination of underlying growth and the benefit of acquisitions.

Ashfield

	2018 $'m	2017 $'m	Actual Growth	Underlying Growth[2]
Gross revenue				
Commercial & Clinical	**597.5**	604.7	(1%)	(7%)
Communications & Advisory	**323.9**	216.7	49%	8%
Total gross revenue	**921.4**	821.4	12%	(3%)
Net revenue[1]				
Commercial & Clinical	**448.2**	442.3	1%	(6%)
Communications & Advisory	**287.7**	187.8	53%	10%
Total net revenue	**735.9**	630.1	17%	(1%)
Operating profit				
Commercial & Clinical	**36.3**	38.6	(6%)	(10%)
Communications & Advisory	**62.1**	43.0	44%	10%
Total operating profit	**98.4**	81.6	21%	0%
Operating margin				
Operating margin (on gross revenue)	**10.7%**	9.9%		
Net operating margin (on net revenue)	**13.4%**	12.9%		

1 Net revenue represents gross revenue adjusted for revenue associated with pass-through costs, for which the Group does not earn a margin. There are no pass-through costs in Sharp.
2 Underlying growth adjusts for the impact of currency translation movements and any acquisition or disposal activity.

Strategic alignment: **Improving**

Improving lives by delivering personalised healthcare

By harnessing digital technologies, Ashfield is now leading the way in personalised healthcare to help maximise the benefits of patient support programmes and prescribed medications. We develop tailored patient support programmes with a goal of improving outcomes not just for patients, but the entire ecosystem of stakeholders in a patients care.

Ashfield has provided patient support programmes for 16 years across a range of conditions and diseases. By implementing Salesforce's *Health Cloud*, the patient relationship platform, we have empowered > 1,000 clinical educators globally, improving visibility and delivering a more seamless patient experience.

With *Health Cloud*, Ashfield is centralising all patient information in one place, ensuring that caregivers and healthcare providers get a complete view of each patient and their unique needs. It is a groundbreaking mobile solution to underpin our support programmes and ultimately improve people's lives.

Strategic alignment: **Transforming**

Transforming a traditional service to get better results

Ashfield developed and delivered an oncology virtual Medical Science Liaison (MSL) programme that increased the reach of scientific exchange and gained valuable insights. Our client was looking for a comprehensive, scalable and innovative model to reach hyper-targeted Healthcare Professionals (HCPs).

The goal was to supplement the current field-based team of MSLs to provide national coverage. Ashfield recruited, trained and executed a virtual MSL programme in support of the targeted HCPs. The results we achieved include 97% of completed calls, 683 insights obtained versus the programme target of 100 and 98% of customers agreed to a follow up. Our cost-effective approach increased the reach and frequency of scientific exchange, while enabling a field MSL team to focus on highest priorities.

Operational Review
Ashfield (continued)

Ashfield Communications & Advisory accounted for 63% of Ashfield's operating profit in 2018, up from 53% in 2017. Net revenue increased by 53%, 10% on an underlying basis and operating profit increased by 44%, 10% on an underlying basis. Underlying operating profit increased by 13%, excluding the impact of additional Future Fit costs. Growth was driven by a combination of good underlying growth and the benefit of acquisitions completed in 2017 and 2018. While the Group expects these strong underlying growth dynamics to continue in 2019, reported growth will be tempered by planned investments, including *STEM aXcellerate*.

Ashfield Commercial & Clinical experienced a challenging year with underlying net revenues declining by 6% and underlying operating profit declining by 10% (5% decline excluding Future Fit costs). The decline was driven by a combination of factors including the timing of contract activity levels and fewer new business development opportunities during the second half of the year. As previously indicated, we expect these challenging conditions to continue in 2019. The market continues to evolve with a clear shift from the development of primary care products towards specialty care. Ashfield's diversified geographic and service mix leaves it well placed to benefit from the growth in specialty medicines and rise in the demand for more sophisticated multi-channel solutions.

The outlook for Ashfield over the medium term remains positive, as the business diversifies its service offering and adds complementary capabilities to meet the evolving needs of its client base.

Ashfield Advisory

In 2018, Ashfield has continued to make strong progress in the Advisory space. In order to ensure the growth of the Advisory businesses, Rob Wood, founder of STEM Healthcare, was appointed as President of the Advisory Services business unit. As a result of this, STEM Healthcare promoted Jason McKenna, who founded STEM Healthcare in the US, to CEO.

Both STEM Healthcare and Vynamic have also made significant organic growth progress. Vynamic used the Ashfield network to expand into the UK in their first move outside of the US and in Boston, US, they have moved into a new office, shared with Cambridge BioMarketing. STEM Healthcare celebrated its tenth year of benchmark data in July. This means that STEM Healthcare offers the most comprehensive industry-wide benchmarks, covering 48 countries and giving them the widest and deepest market penetration in pharmaceutical benchmarking. In 2018, STEM Healthcare also embarked upon an expansion programme called *STEM aXcellerate* focused on growing its core pharmaceutical customer base and in tandem to expand its unique model into other adjacent healthcare markets which offer significant growth potential. The programme will be undertaken on a phased basis.

In July 2018, we announced the acquisition of SmartAnalyst, a New York-based strategic commercialisation consulting and analytics business, focused on the pharmaceutical and biotech sector. The company was founded in 2001 and has 135 employees based across operations in New York, London and Gurgaon, India. SmartAnalyst provides strategic consulting services to pharmaceutical and biotech companies to support disease, asset and portfolio-level decisions. SmartAnalyst also provides Health Economics and Outcomes Research (HEOR) services, which uses evidence-based data and analytics to demonstrate the value of products and to support market access and reimbursement with payors. HEOR is a high-growth area, driven by market dynamics such as the increasing complexity of drugs, the changing landscape of market access, cost and regulatory pressures, and the increased scrutiny of real world outcomes.

The acquisition of SmartAnalyst is in line with Ashfield's strategy to expand its Advisory service proposition for its healthcare clients. SmartAnalyst provides Ashfield with access to commercial development decision-makers, as well as infrastructure in India. Ashfield will provide leverage and opportunities to grow SmartAnalyst's customer base outside the US through its global business.

Ashfield Communications

Following on from the retirement of Viv Adshead in February 2018, Ashfield Communications was delighted with the appointment of Doug Burcin, formally Chief Growth Officer at Klick Health and Global CEO of Havas Health, as President of Ashfield Communications. Overall Ashfield Communications had a good year in 2018 with both organic growth and the benefit of acquisitions.

In 2018, our focus has been on growing our capabilities to enable us to work with clients in a global capacity across the medical and commercialisation continuum and in increasing collaboration between agencies for functional and subject matter expertise. In August 2018, Cambridge BioMarketing moved into a new office with Vynamic in Boston, US and in September 2018, Ashfield Communications opened a new office in the centre of Manchester, UK to expand the recruitment talent pool.

Furthermore, in line with this focus, in July, we acquired Create NYC to significantly strengthen Ashfield Communication's creative offering. Create NYC is an innovative New York-based healthcare disruptive communications agency, offering the tactical execution of sales and marketing materials for its international pharmaceutical clients. Create NYC's offering comprises a unique model which gives its clients high-impact, on-demand flexible marketing support with a flat fee structure. This approach complements the more traditional agency model.

The acquisition of Create NYC is in line with Ashfield's strategy to expand into areas of differentiated but aligned adjacencies to its core scientific communication capabilities. For Create NYC, Ashfield provides the opportunity to diversify its client base and expand internationally.

Ashfield Commercial & Clinical

2018 has been a challenging year for Ashfield Commercial & Clinical which is consistent with the cyclical nature of this market. We remain confident in the market dynamics such as the growth in specialty, importance of the patient, rise in multi-channel and focus on medical affairs. As a result of this, service development has been a core focus for us in the last year. The Commercial business has launched new innovative services and enhanced our multi-channel contact centre capabilities. The Clinical business has continued to see an increase in the number of Patient Support Programmes (PSPs) being launched on behalf of clients and we have rolled out the Salesforce's *Health Cloud* – an innovative patient relationship platform.

Launched in February 2018, the *Ashfield Solution* is an agile, multi-channel commercial engagement model designed for maximum impact and to improve return on investment. Ashfield already has several top pharma companies utilising the *Ashfield Solution* and seeing the results come to life. To see the *Ashfield Solution* in action, refer to the case study on page 16. Separately, and in response to the ever increasing demand for Medical Science Liaisons (MSLs), Ashfield's new virtual MSL offering addresses field capacity

limitations, bringing an innovative, cost-effective approach to executing scientific engagement plans. This innovative model gives the field MSL team a strategic partner, enabling the field to focus on its highest priorities.

As well as introducing new services, Ashfield Commercial is also focused on delivering and expanding our fully-integrated contact centre solutions. Ashfield now have 12 contact centres with over 750 employees, 65 supervisors covering over 100 client accounts and 238 ongoing projects delivered in over 20 languages.

With expertise in designing and delivering a wide range of patient support programmes, Ashfield Clinical has been supporting pharmaceutical and healthcare companies for over 15 years across a large range of therapeutic areas. With the launch of *Health Cloud*, Ashfield is centralising all patient information in one place, ensuring that caregivers and healthcare providers receive a complete view of each patient and their unique needs. With five clients already utilising the patient relationship platform, it will enable care providers collaborate more efficiently, better understand their patients and build stronger relationships across their entire care teams. Ashfield is further advancing its offering by using *Health Cloud* for its Patient Support Programmes in the US and Europe.

Ashfield Meetings & Events have experienced a strong year with its reputation for high-quality, innovative events resulting in continuous growth for the organisation.

The Outlook for Ashfield

The current environment that Ashfield is operating within is strong, however there are some challenges that the organisation faces in particular within the Commercial and Clinical space. We are confident that the work that has taken place during 2018 will strengthen the trajectory for 2019 and beyond.

The focus over the next five years will continue to be on organic growth and strategic acquisitions to diversify the service offering, add complementary capabilities and expand the geographical reach to meet the evolving needs of our clients.

Ashfield's offering continues to shift towards more strategic, higher value services with Ashfield Communications & Advisory. In Ashfield Advisory, our organic growth focus will be on growing our core pharmaceutical customer base and expanding into other adjacent healthcare markets. Whilst Ashfield Communications is now positioned to work with clients in a global capacity across the medical and commercialisation continuum, which has set us up for growth in 2019 and beyond.

In Ashfield Commercial & Clinical, as the market continues to evolve with a clear shift from the development of primary care products towards specialty care, we will strive to further diversify and differentiate including new innovative services and using technology to enhance our offering.

Our people remain core to our success at Ashfield. We are constantly working to nurture and attract the right talent to join us and take our organisation forward.

Strategic alignment: **Growing**

Growing awareness of mental health

Pegasus, an Ashfield Healthcare Communications agency has produced an award-winning campaign encouraging the public to play a greater role in preventing suicides on the railway. At the heart of the campaign, 'Small Talk Saves Lives' is a filmed public service announcement with a twist. It tells the real life story of a woman whose life was saved by a passer-by who took time to stop and talk.

Pegasus seeded this emotional video through social media, mainstream news, outdoor advertising and even on train concourses. It has achieved more than five million views to date and most importantly, there have been stories of those who have intervened on platforms… and potentially saved more lives.

Operational Review
Sharp

Driving innovation in our operational and technical infrastructure to broaden our reach and deliver our strategic goals

Sharp delivered solid growth in 2018, balancing the achievement of financial targets with the management of significant infrastructural transformations in the division. In Europe there was a slower than anticipated on-boarding of new clients. However, the successful completion of the construction phases of the building projects in Rhymney in the UK and in Heerenveen in the Netherlands are significant milestones in our development strategy for the division. Overall our US packaging business saw good growth, driven by a particularly strong performance in the second half of the year.

US Revenue	EU Revenue
$267.7m	**$43.4m**

US
United Kingdom
Republic of Ireland
Netherlands
Belgium

"We are delighted to report that both of our clinical facility construction projects were completed on time and on budget, which will give that business the platform necessary to achieve strategic goals in the years ahead."

Mike O'Hara
Sharp Managing Director

What we offer

Clinical
A comprehensive and integrated clinical trial supply and management service, from pre-clinical through to commercialisation.

Manufacturing
Clinical Manufacturing services including analytical services, formulation development, over-encapsulation and placebo manufacture.

Packaging
Commercial Packaging solutions in multiple formats including bottles, blisters, specialty and secondary packaging of injectables.

Technology
Technology to support both commercial and clinical packaging services including design, serialisation solutions and clinical IRT.

Operational Review
Sharp (continued)

About Sharp

Sharp provides clinical trial management and contract packaging to the pharmaceutical and life science industries. With 1,800 people working from eight different locations, together we have a shared vision of delivering world-class contract services in clinical, manufacturing, packaging and technology services for our global pharma clients.

Sharp supports clients from the early Phase 1 stage of drug discovery through to full commercial launch and delivery. We have earned a reputation for the quality and flexibility of our services, built on a solid strategy of investment in people, facilities, equipment and technology supported by a culture of continuous improvement.

Our clinical services business offers a complete range of clinical trial supply and management solutions from formulation, development and analysis, clinical manufacturing through to clinical supplies packaging, labelling, distribution and clinical Interactive Response Technology (IRT). These services are supported by expert commercial services and project management teams, who together have many years of experience in the delivery of global clinical trials.

Our contract packaging business supports the full range of pharma packaging formats, with particular emphasis on blisters, bottles, injectables and specialty. Underpinning the successful delivery of our packaging services is our specialist project management team that encompasses packaging design and engineering, pre-production, implementation and serialisation services.

Working in long-term partnership with our clients and using the very latest technology, we collaborate to develop packaging solutions that offer the optimal balance between regulatory compliance, usability and that also ensure production efficiencies.

Having begun serialising drug product in 2008, Sharp continues to lead the pharma packaging industry in the implementation of serialised solutions today. By leveraging our technical infrastructure, a deeply experienced cross-functional team and our ongoing collaborations with industry-leading technology partners, we are already looking to the future potential of a fully serialisation-enabled supply chain.

Sharp Performance Review

Sharp delivered a strong financial performance for the year, driven by improving momentum in Sharp US during the second half, offset by a lower than anticipated performance in Sharp Europe. Revenue was up 3% to $311.1 million and operating profit was up 11% to $45.8 million. Operating margins increased to 14.7% from 13.7%.

After a challenging start to 2018, Sharp US generated substantial underlying operating profit during the second half of the year to deliver underlying operating profit growth of 15% for the full year. This has been driven by growth in demand for the secondary packaging of biotech injectable products, as well as with traditional packaging formats (bottles, blister packs, etc.).

Sharp Europe generated an operating loss of $1.1 million during the year due to activity levels with some clients being lower than previously anticipated.

Sharp Clinical successfully completed phase one of its expansion project in the US by relocating to its newly-renovated facility at Bethlehem. The second significant investment in Sharp Clinical was the construction and fit out of our state-of-the-art facility in Wales, UK. The site is now fully operational for packaging and logistics services with analytical, manufacturing and IRT services to follow by 2020. These investments will allow Sharp Clinical to continue its clinical supply chain optimisation strategy by offering end-to-end services, formulation to logistics, all within one facility in both the US and Europe.

Based on the current activity levels and the strong pipeline of new business, Sharp remains well positioned to deliver double-digit underlying operating profit growth over the medium term.

Sharp Packaging US

During 2018, Sharp Packaging saw continued growth in demand for the secondary packaging of injectables, in line with market trends for parenteral and injectable drug products. Our Centre of Excellence for injectables in Allentown, PA, which offers services and capacity to address this specific

Sharp

	2018 $'m	2017 $'m	Actual Growth	Underlying Growth[1]
Revenue				
US	**267.7**	254.0	5%	5%
Europe	**43.4**	48.1	(10%)	(17%)
Total revenue	**311.1**	302.1	3%	1%
Operating profit/(loss)				
US	**46.9**	40.9	15%	15%
Europe	**(1.1)**	0.4	–	–
Total operating profit	**45.8**	41.3	11%	11%
Operating margin %	**14.7%**	13.7%		

1 Underlying growth adjusts for the impact of currency translation movements and any acquisition or disposal activity.

Strategic alignment: **Improving & Transforming**

Developing a modern, digital supply chain platform to improve visibility and planning

Supply chain improvements and client integration programmes have been a key focus for IT enterprise planning in 2018. Numerous QAD-related process improvements have been completed, under programme of 'planning modernisation'.

A multi-disciplined, cross-functional team continue to work together to build and develop a digital supply chain platform that will allow Sharp to exchange ERP data with our key strategic partners. This initiative is seen as critical by a number of our clients, who are actively contributing to improve planning and visibility for their future packaging projects.

"Supply chain is at the heart of the service we deliver in Sharp and our operational efficiency has a critical impact on our clients experience and expectations. We will continue to look for opportunities to improve and innovate. By providing an integrated digital platform to link Sharp and our strategic clients, we can offer them better visibility, improved planning and ultimately a more rewarding partnership."

Mike Owens
VP Supply Chain, Sharp US

Operational Review
Sharp (continued)

segment of our market, experienced increased demand in particular for vial labelling, multi-component kitting, cold-chain products and injectables packaging and assembly. Other traditional packaging formats, including bottles, blisters and speciality, from our facilities in Allentown and Conshohocken, continued to deliver solid growth for Sharp during 2018.

2018 also marked the ten-year anniversary of the acquisition of the Sharp US business – an acquisition that remains to date one of the most successful for UDG Healthcare. That ten-year period has seen significant growth and transformation in Sharp US.

Most recently the Group supported additional cold-chain capacity at our Allentown campus, with a $1.5 million investment into DEA-approved caged cold storage to support client demand in the injectable device and biologics markets.

Early in 2018, after an evaluation of existing business development opportunities, Sharp US refocused efforts on winning and developing clients with whom Sharp could build long-term strategic partnerships. This client portfolio assessment will remain a focus, as we closely align our business development activity with emerging market opportunities as well as developing improved operational integration with our strategic client partners.

Sharp Clinical

During 2018 Sharp Clinical successfully completed Phase one of its expansion project in the US by relocating the global logistics business from the existing site at Phoenixville, PA to the newly-renovated facility at Bethlehem. This relocation project, which involved transitioning over 350 clinical protocols and 156 Sharp clients, was delivered on time and within budget without a single missed shipment to patients or disruption to our client operations.

Phase two of the Bethlehem expansion includes the construction of eight new primary manufacturing suites, 12 new secondary packaging suites, a formulation development lab and expansion of the analytical lab. This second phase is scheduled for completion by the end of Q1 FY2019.

The second significant investment in Sharp Clinical during 2018, was the construction and fit out of our state-of-the-art manufacturing and packaging facility in Wales, UK. The site is on target to be fully operational in November 2018 for packaging and logistics services with analytical, manufacturing and IRT to services to follow in 2020.

Both investments will allow Sharp Clinical to continue with its clinical supply chain optimisation strategy by offering end-to-end services, formulation to logistics, all within one facility (also know as 'single-site solutions') in both the US and Europe. This coupled with our IRT technology platform will assist large and small pharmaceutical companies to reduce costs and decrease development times that will enable their products to reach global markets more quickly.

The clinical supplies outsourcing market is expected to grow in the 6-7% range over the next three to five years. Our two aforementioned investments along with our innovation in IT will allow us to take advantage of the growing market and optimise the supply chain for large, virtual and biotech pharmaceutical companies around the world.

Sharp Commercial Europe

Sharp Europe has continued with its strategy to focus on targeting and developing new strategic partnerships with clients in the injectables market, which is characterised by high-value, low-volume drug product and where Sharp now has significant experience and expertise.

During 2018 Sharp Belgium won additional new business that will involve the installation of new technology and equipment that further supports the success of this injectables-focused market strategy.

In the Netherlands, Sharp's European management team have overseen the restructuring and consolidation of their product portfolio as they managed the relocation of the existing equipment and client projects to other Sharp sites.

The transformation of the Heerenveen site to become a dedicated, state-of-the-art packaging facility is well underway, with the building refurbishment project complete on time and within budget. The equipment installation and validation is underway and the first commercial product from that facility is anticipated to be produced in early 2019.

Looking ahead, the implementation of the Electronic Batch Record system is scheduled in Heerenveen for Q2 FY19 and it is anticipated it will be rolled out to the other European sites soon afterwards. These investments in our infrastructure will put Sharp Europe in a very strong position for winning new business in 2019 and beyond.

The Outlook for Sharp

Underlying market trends bode well for Sharp, as both the US and EU packaging and clinical supplies markets are expected to grow at 6% CAGR over the next five years and market research indicates that the strategic intent of our pharma clients is to continue outsourcing.

We also expect to see increased complexity in the market due to the growth of specialty and biologics – by 2021 35% of spending is expected to be on specialty medicines. Mid-sized biologics companies are a fast growth area of opportunity for secondary packaging and FDA approval of new drugs is expected to remain high, following a strong year in 2017 for approvals.

Technology and service innovation will also remain a strong focus for Sharp, as we make further investments in the technical infrastructure to allow us to participate fully in the digitally connected supply chain. By offering a client portal platform, Electronic Batch Record and a digitised customer experience, Sharp aims to differentiate itself to clients in the contract services market.

Both serialisation and clinical IRT are anticipated to drive new business for our clinical business. Sharp is now also positioned to offer a broader scale and breadth of clinical services to larger pharma clients from our US and European sites, which will set us up for growth in 2019 and beyond.

Strategic alignment: **Growing**

Expanding scale and services portfolio in Clinical services

Sharp Clinical is entering an exciting chapter of growth and development in Europe, as it completed the relocation and expansion of its new facility in Rhymney, Wales. This new facility, which is scheduled for validation and MHRA approval in early FY2019, will allow Sharp to offer significantly greater capacity, scalability and automation to service the demands of larger global pharma companies.

"With an additional 1,100m^2 in capacity and a much broader range of services, we now have a really compelling proposition for winning new business for Sharp Clinical."

Dave Wilson
Head of Operations, Sharp Clinical Europe

Strategic alignment: **Transforming**

Technology and innovation will transform Sharp Packaging in Europe

The redevelopment of Sharp's packaging site in Heerenveen began in early 2018 and through a shared investment with our strategic partner Santen, we are taking the opportunity to build a facility that will become a showcase for the industry in Europe. We will be implementing EBR and MES to improve our performance, reduce operational costs and transform the way we interface with our pharma clients.

"The technical infrastructure we are putting in place here in Heerenveen represents some of the most innovative available in our industry today. It is very exciting for me to be a part of the team that is realising that vision for Sharp."

Liesbeth Callars
Key Account Project Manager, Sharp Packaging Europe

Sustainability

Building a culture that creates a sustainable organisation for the benefit of our clients, our people and our environment

In this section

Environment

Environment

In UDG Healthcare we recognise our responsibility to the environment through the implementation of, and adherence to, policies that enable us to carry out our business in a sustainable manner.

Read more on **page 50** →

Social

People

Our people are at the core of the sustainable success of UDG Healthcare. Our values underpin our culture and we strive to live these values every day. We are committed to listening to our people and enacting changes.

Read more on **page 51** →

Community Involvement

We want to make a difference to the communities in which we operate. Through local fundraising and employee involvement, we recognise, encourage and demonstrate our commitment.

Read more on **page 56** →

Economic Contribution

We have a responsibility to our shareholders who trust us and benefit from our success. We recognise this important relationship and we rely on their support and commitment to achieve our long-term goals.

Read more on **page 57** →

Governance

Quality and Compliance

Through our values we build a culture that encourages ethical behaviour, high quality and compliance from our people. We operate ethically and have systems in place to ensure this is the case.

Read more on **page 58** →

Overview

We are committed to building an organisation and a culture that is based on our values and where our people work in partnership with each other and with our clients to build success and excellence in everything we do.

In creating a successful company we want to ensure that we behave ethically at all times, with integrity and with responsibility. We use Economic, Social and Governance (ESG) principles to create the framework to embed the five core elements of our sustainability agenda.

We are also committed to building an organisation where people are valued and where our employees can work in a safe, respectful environment that embraces difference and inclusivity. This is combined with a knowledge that their views are sought, heard and acted upon.

In summary, people are at the core of our business and we are committed to providing our own people with the opportunity to build careers, enjoy purposeful work and in doing so understand that every one of us has a responsibility to each other, clients, community and our environment.

"Having a values based culture is not just about being able to show a set of values on a page, it is about living those values every day."

Brendan McAtamney
Chief Executive Officer

Sustainability (continued)

Environment

Environmental Performance

UDG Healthcare is a growing business with an expanding geographical footprint, therefore our environmental performance remains a key pillar of our organisational sustainability. It is important to us to leave a world, for future generations, in which we have done a responsible job of protecting the environment.

We are committed to identifying and controlling the environmental impact of our activities and services whilst continually improving our environmental performance. We have adopted a systematic approach to setting environmental objectives, to achieving these and to demonstrating that they have been achieved.

Environmental KPI programme

In response to our review of environmental risk we launched an Environmental KPI programme across the organisation. The objectives of this are to: improve the quality and consistency of environmental data, establish business specific environmental initiatives, and to deliver savings through reduced consumption and resource efficiency. The initial focus is to reduce electricity consumption intensity per FTE by 10%, using 2017 as a base year and reduce paper consumption across all sites. The environmental team have chosen and shared energy efficiency and paper reducing initiatives and have been using these to work towards our target. We expect this process will generate financial savings and facilitate case study driven shared learning.

Some environmental initiatives adopted by the businesses:

Energy	Paper
Energy use surveys	Reduced printing/ double sided printing
Energy reduction education	Follow me printing
Energy efficient office equipment	Paper type replacement
Energy audit treasure hunt	

Our commitment to environmentally responsible operations is apparent throughout our organisation. In addition to our Environmental KPI programme our businesses have been proactive in implementing other local initiatives ranging from replacement of paper coffee cups with reusable cups to providing environmental education to our employees.

In addition, this year two sites in the Aquilant business became accredited to the new ISO14001:2015 standard.

World Environment Day

Each year we recognise world environment day throughout our global business, this year's theme was to reduce plastic use by taking the pledge at www.cleanseas.org/take-action. A communication was circulated to the global business on the day encouraging people to take the pledge to reduce plastic use.

CDP

The CDP is an investor led global disclosure system, that enables companies to measure and manage their environmental impacts. UDG Healthcare have supported and participated in this initiative for seven years. For CDP 2018, UDG Healthcare disclosed emissions and environmental data across the Group covering 13 countries. Incremental improvements in our data collection process increased the transparency and robustness of our corporate carbon footprint. The focus for 2019 will be the capturing and sharing of best practice across the business, and benchmarking our environmental performance against our peers.

In 2018 the CDP aligned their questionnaires with the TCFD recommendations.

-20% CO_2

3.87 tCO_2e per FTE – decrease by 20% on 2017

-30% CO_2

.000002912 tCO_2e per unit of revenue – decrease by 30% on 2017

1, 2, 3

Scope 1, Scope 2 and Scope 3 emissions reported across the business

13

Emissions reported in 13 countries across the Group

Tailored

UDG Healthcare separately responded to a key clients request for CDP Supply Chain Data

Social

People

Listening to Our People

In January 2018 we received the results of our first global engagement survey which gave employees an opportunity to voice how they felt about working within our organisation, our values and our culture. Valuable feedback was received which was shared with all employees and action plans are underway to address the relevant areas for each business. There were some consistent global themes that we will be addressing, including creating greater awareness of global career opportunities, and improving communications.

Developing and Empowering our People

Developing and empowering our leaders is paramount for our success and in 2018 we continued to invest in our people. Managing Performance Excellence, an extension of the Inspire curriculum, was launched across our businesses.

Ashfield Meetings & Events, welcomed its largest intake of students to its highly successful University Placement Scheme. The programme, now in its seventh year, provides undergraduates with the opportunity to blend their educational theory with vocational insight and experiences through a year-long work placement at the company.

Diversity and Inclusion

Our commitment to building a respectful workplace for all was acknowledged by our employees worldwide, in our engagement survey. 88% of respondents said our organisation provides a working environment that treats people with respect regardless of age, gender, ability, ethnic origin and sexual orientation. We will continue to reinforce this agenda in 2019 to ensure we better reflect the demographic of our markets and society as a whole.

In September 2018 we established a Diversity and Inclusivity Network to progress our commitment to the diversity and inclusivity agenda.

Human Rights

In UDG Healthcare plc we are committed to acting ethically and with integrity in all our business dealings. Our business model is intended to fully comply with applicable human rights legislation in the countries in which we operate. We align our sustainability programme with the United Nations Sustainable Development Goals and we have detailed on page 57 those goals which are most relevant to our activities within the Group.

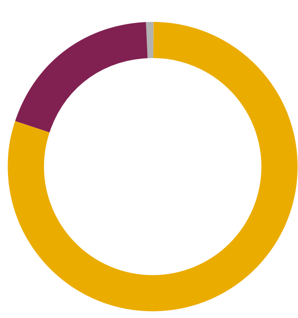
UDG Healthcare plc is completely opposed to slavery and human trafficking and will not knowingly support or conduct business with any organisation involved in such activities. A copy of our Anti Modern Slavery Policy is available on our website at www.udghealthcare.com. On an annual basis our Quality and Compliance department reviews progress of all training on this Policy.

Sustainability (continued)

Social (continued)

UDG Healthcare head count by division

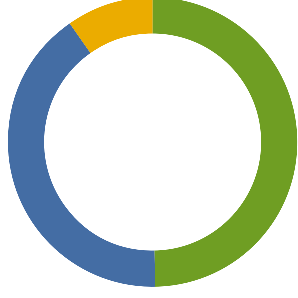
8,700



- Ashfield **6,971**
- Sharp **1,678**
- UDG Head Office **51**

UDG Healthcare head count by location

8,700



- Europe **4,332**
- Americas **3,527**
- Australasia **841**

Gender Composition – all employees

Male **39%**

Female **61%**

Gender Composition – all leaders and managers

Male **44%**

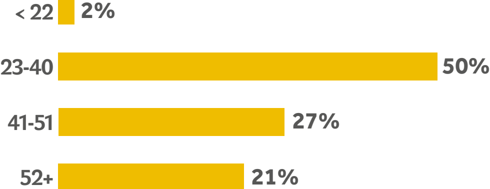
Female **56%**

Gender Composition – senior leadership

Male **68%**

Female **32%**

Age distribution of employees



Strategic alignment: **Living Our Values**

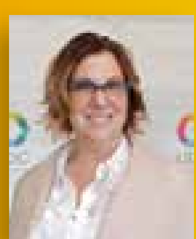
A focus on culture

Living our values is a consistent theme across the organisation. The CEO awards were launched to provide recognition for great people doing great work and doing so in a way that demonstrates our values. Earlier this year we were delighted to welcome the winners of the first annual UDG Healthcare CEO awards to Dublin for an evening of recognition and celebration with the CEO and his SET. These awards are aligned to our five values and we had an excellent response to this initiative globally.

And the winners of the first CEO Awards were ...

Murray Edmunds (Quality Award)

Laura Brown (Expertise Award)



Rhonda Levinson (Energy Award)

Physicians Online Team (Ingenuity Award)

Sharp Europe Team (Partnership Award)

The 2018 nomination process has been completed and we are once again delighted to see some fantastic examples of our values being put into action across the Group.

Keeping Our People Safe

At UDG Healthcare our people are important, and we are determined to provide a workplace where their health and safety is integral to everything we do. Our aim is that everyone who works for or with us benefits from this commitment to health and safety.

We demonstrate this commitment by regularly monitoring performance, completing due diligence on potential mergers and acquisitions and ensuring our health and safety programme is appropriate for each of our businesses. To progress our programme, we continuously engage with our stakeholders and identify areas for improvement.

Incident Management

Our Incident Management Process allows us to monitor, analyse and reduce incidents, whilst demonstrating our commitment to continuous improvement.

It allows our organisation to prioritise health and safety activities and prevent the recurrence of adverse incidents.

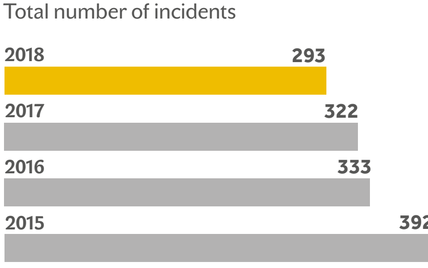
The accuracy of our incident reporting across our business has consistently improved reflecting the success of regular communication to the business on the value of proactive incident management.

1. Total number of incidents

The total number of incidents includes near miss reporting, minor injury, lost time accidents and fatalities. There have been zero fatalities to date.

The data shows a decrease in the number of incidents since 2015, demonstrating continued success with our global incident management programmes. This is a particularly positive result as we have undertaken three large-scale redevelopment projects at three different locations this year.

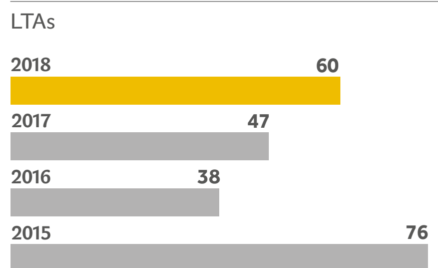
Total number of incidents



2. Lost Time Accidents (LTAs)

Between 2017 and 2018 there was an increase in the number of LTA's recorded. We believe that this can be attributed to continued communication to the business on correct categorisation of incidents.

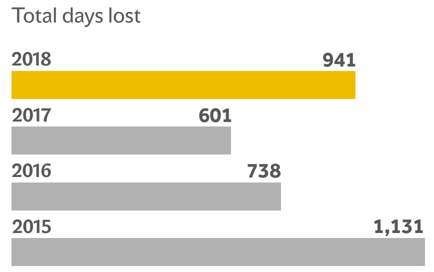
LTAs



3. Total days lost

Between 2015 and 2017 there was a decrease in the number of days lost as a result of LTA's. We believe that this is predominantly linked to advances in our incident investigation practices. In 2018 we saw an increase in the total days lost which may be linked to our continued education on how we accurately record lost time.

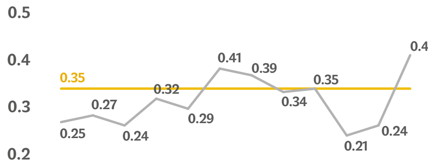
Total days lost



4. Incident rate

Our incident rate is a measurement against pharmaceutical industry average of 0.35. Positively, we saw a reduction in our incident rate for most of this year.

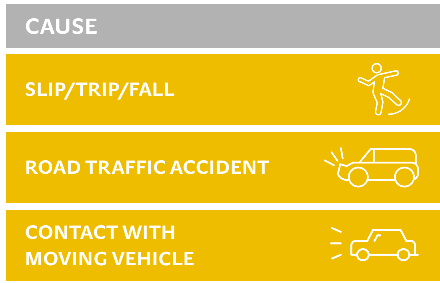
Total Incident Rate by month in FY2018 (Per 100 colleagues)



Near miss reporting

A near miss is an unplanned event that did not result in an incident but had the potential to do so. For us identifying and investigating near misses is a key element to finding and controlling risks before employees are injured. Near miss incidents are leading indicators which help us to be proactive rather than reactive in incident management.

The top three causes of incidents during 2018 were:



We actively monitor our causes of incidents which enables us to develop and implement targeted safety programmes.

Clinical Incident Reporting Tool

As part of our incident management evolution we have developed and adopted a Clinical Incident reporting tool for all businesses within our portfolio which deliver a clinical programme.

This tool allows us to take steps to minimise the risk of such an incident occurring again, by recording the incident and reporting it to external agencies if necessary whilst enabling us to provide our employees with any support they may require following an incident.

Lone Working

We have completed a review of lone worker risk across our organisation. Based on this review we have adopted a technology solution for our nursing employees who engage in lone working. This solution is a discreet device which allows our nurses to activate an alert to emergency services should an incident occur.

Sustainability (continued)

Social (continued)

Culture

A positive Environmental, Health and Safety (EHS) culture is not achieved by merely addressing the work environment, equipment, EHS systems and procedures. We also consider the interplay between these elements and the beliefs, behaviours and attitudes of our employees.

To us good EHS culture generally has three main elements:

- Clear working practices and rules to effectively identify and control risks.
- A positive attitude towards risk management and employee compliance with processes at all levels.
- A willingness to learn from EHS performance indicators to achieve continual improvement.

We use the Hudson culture ladder* to check in at regular intervals to understand where we are now, where we want to go and what else we need to put in place in order for us to get there.

We are confident that by being culturally intelligent across our locations and with our advances in EHS management we are moving towards the proactive stages of EHS culture management.

Our ultimate aim is to reach the generative level and we will continue to work towards this goal.

Wellbeing of our Employees

Our employees' wellbeing is important to us. We are committed to providing a healthy working environment which fosters a culture where healthy lifestyles are encouraged, and the quality of working lives for our employees improved.

Our global EHS group invest in the wellbeing of our employees by ensuring the health aspect of our health and safety responsibilities is taken seriously.

This year our annual UDG Healthcare EHS week focused on workplace wellbeing. Each day information videos were sent to the whole organisation on a range of topics from nutrition to balancing parenting with work. The aim of the week was to offer employees across the Group key tips to enhance their wellbeing and to encourage them to implement these tips and messages into their day-to-day working life.

In addition, our people told us how much wellbeing mattered to them in our global engagement survey and in response to this several of our businesses have introduced new initiatives to provide more flexibility to employees to balance their personal lives with working life. Initiatives like these empower people to work in a way that helps them maintain a healthy and balanced approach to working life.

Several other successful events have been run across all geographies, including step challenges, healthy snacks, weekly yoga, mindfulness and mental health awareness sessions.

EHS Audit

Our EHS audit programme has been in place since 2014. This programme helps us to identify weaknesses in our EHS management whilst enabling us to suggest improvements.

Our audits facilitate the provision of advice that can have real benefits, such as identifying areas of priority and how improvements can be achieved. In addition, our audits provide assurance to our people that looking after their safety and our environmental performance in our communities is important to us.

*Hudson Model for Culture

Pathological	Reactive	Calculative	Proactive	Generative
Why waste our time on Health and Safety?	We do something after an incident.	We have systems in place to manage all like risks.	We are always on alert for risks that may emerge.	Risk management is integral to everything we do.

Increasingly Informed → Increasing Trust

In 2018, we completed four new corporate EHS audits and completed audit action reviews at 15 sites. Similar to last year, all sites scored higher in the health and safety element than the environmental element of the audit.

Furthermore, this year we have undergone seven client- led EHS audits. Completion of these audits supports and enhances our EHS programme and our people whilst demonstrating to our clients our commitment to the continuous improvement of EHS management.

Travel Emergency Response Process
Since the introduction of our travel emergency response process in 2016, we have had to activate this process 12 times in response to the increased frequency of terrorism attacks and natural disasters. To date we have not had any employees significantly impacted during these events.

Driver Safety
Driving safely remains one of our key areas of focus. Our ever-evolving driver safety programme is designed to give our drivers tools to help prevent adverse driving incidents.

Our driver safety KPI programme introduced in 2017 is now well established across our organisation allowing us to record and monitor our driver safety performance. This year we have submitted our first set of KPI data to NETS. This submission allows us to benchmark our driver safety performance against similar industries.

NETS is a collaborative group of companies dedicated to road safety. The organisation was founded by the National Highway Traffic Safety Administration (NHTSA) as an employer-led road safety organisation.

Strategic alignment: **Improving**

Safety success during facility redevelopments

During 2018 and with the support of UDG Healthcare, Sharp undertook large-scale redevelopment projects at three different locations; Bethlehem PA, Rhymney in Wales and Heereveen in the Netherlands. By any standards this was a particularly challenging year for employee health and safety.

Heerenveen interior fit-out

In April 2017, Sharp acquired a pharmaceutical packaging facility from Daiichi Sankyo in Bethlehem, PA.

The facility, which will replace the existing clinical services site in Phoenixville, has been renovated and extended to include additional warehousing, primary and secondary production rooms as well as new office and meeting spaces.

During the redevelopment project there was one minor injury and two near misses (both contractor-related) associated with the project and no environmental issues.

DEA cage in Sharp Bethlehem

New warehouse in Rhymney

In the UK Sharp undertook the complete reconstruction of a brownfield site for its European clinical business at Rhymney in the South Wales Valley's. The principal contractor began the first phase of the rebuild in September 2017. With the new facility being nearly four times larger than the existing clinical site at Crickhowell, the scale of construction was significant and the EHS objective of the programme was to ensure an efficient, secure and safe facility for all Sharp staff and its customers.

From the beginning, stringent systems were put in place to ensure all construction work was carried out in a safe manner with monthly EHS audits undertaken throughout the project. There were no reportable accidents and only two minor accidents recorded for the entire construction period.

The construction programme was a complete success and the new clinical facility was handed over to Sharp's General Manager Ian Morgan on schedule in July 2018.

In the Netherlands Sharp began a third redevelopment project to transform an existing packaging site into a dedicated packaging facility for Santen. Construction began in March 2018 and was completed in August, ready for equipment installation and validation.

The entire project was completed on time and without a single safety incident throughout the build – another significant safety success in 2018.

Sustainability (continued)

Social (continued)

Community Involvement

As part of our commitment to living our values, UDG Healthcare actively encourages employees to support their local communities through fundraising and/or donating their time to worthy causes. Sometimes the activity is led by the organisation but on many occasions it is our employees who instigate projects and initiatives.

Since 2012, UDG Healthcare has supported various charities across the globe, donating in excess of €400,000.

Our main corporate fundraising event is our Annual Golf Day which is held in September each year. In Ireland, the three charities of choice for 2018 were LauraLynn Foundation, Pieta House and The Alzheimer's Society of Ireland.

Charities of Choice

LauraLynn is Ireland's only Children's Hospice. The charity cares for children with life-limiting conditions and their families through their hospice in Dublin and through their homecare team. LauraLynn focuses on enhancing quality of life, physical comfort and wellbeing, as well as the emotional, social and spiritual aspects of care.

Pieta House was established in 2006 to provide freely accessible, professional services to anyone in suicidal crisis or engaging in self-harm. Since 2016, the charity also provides suicide bereavement counselling. Pieta House has eight centres across Ireland and has seen over 30,000 clients to date.

The Alzheimer Society of Ireland works across the country in local communities providing dementia-specific services and support. The charity advocates for the rights and needs of all people living with dementia and their carers.

There are approximately 55,000 people living with dementia in Ireland and this number is expected to treble in the next 35 years.

Employee Initiatives

For the third consecutive year, UDG Healthcare continued its support of employee initiatives across the globe by making donations out of the UDG Healthcare CSR Fund to support our employees in their charitable endeavours. Employees submitted applications for support to the Fund as they themselves completed multiple activities including marathons, abseiling, coffee mornings, etc.

UDG Healthcare also chose to give more back to the community by encouraging employees to donate toys to the children's toy appeal at Christmas, completing the 'Shoebox Appeal' in aid of children in Africa and Syria and by taking part in a food drive aiming to donate over 10,000 non-perishable food items to families in need.

All initiatives are well received by employees who enjoy the opportunity to donate their time and energy to charitable causes.

Ashfield Cares

Since the launch in June 2016 the Ashfield Cares initiative has gone from strength to strength. Through time, skills and fundraising activities Ashfield Cares looks to support charitable and non-charitable causes in the areas of healthcare, education and community development.

Ashfield Cares is led by local committees that organise activities for the charities of their choice. These committees join together for three global campaigns throughout the year.

Spirit of Giving 2018

As in previous years, Ashfield came together over two weeks in December 2017 to strive towards a common mission of donating 10,000 food items across the globe. We surpassed our target of 10,000 items and reached an incredible 16,034. Hunger touches every community, every nation and every region of the world. The contributions that were made to the local causes will have helped a number of families and individuals.

Ashfield Cares teams throughout the group managed collections for numerous food banks around the world.

Employees in Ashfield Clinical & Commercial UK who raised funds for local air ambulance charities.

Sharp Community Support

At Sharp we support many local and national charities that we believe in, both directly through financial donations as well as by supporting our employees as they contribute their time and skills.

At the beginning of 2018, Sharp employees raised funds for the US Veteran Appeal directly supporting Fisher House Foundation and the Intrepid Fallen Heroes Fund.

Sharp US for MuckFest Philadelphia 2018.

Sharp also once again supported the March of the Dimes Foundation during 2018. The Foundation focuses on research that addresses problems such as premature births and polio in children.

Sharp US employees participate in March of Dimes 2018.

Other charities Sharp supports include:

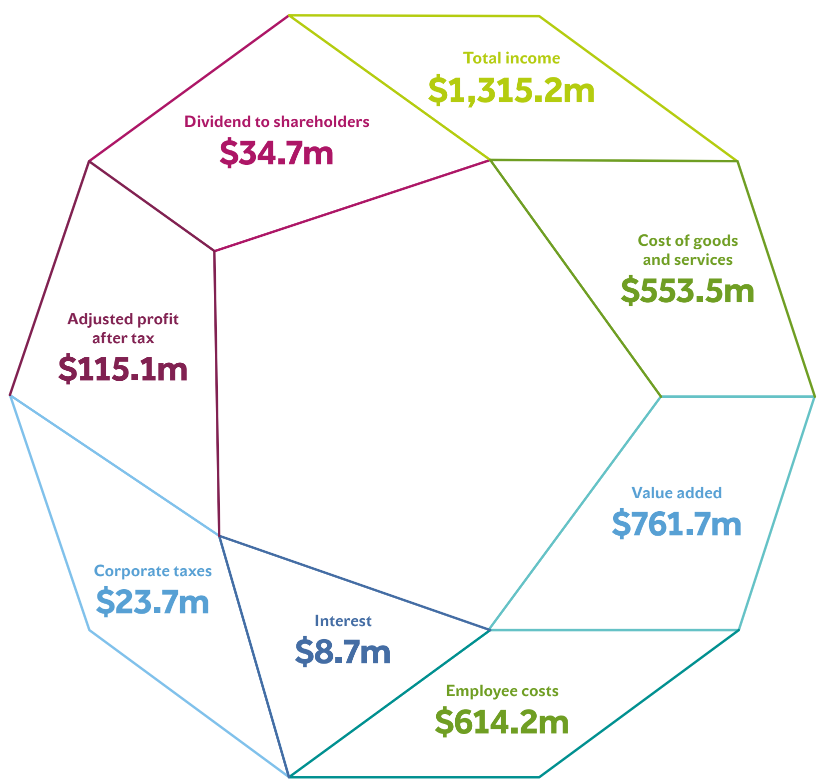
- United Way;
- American Cancer Society;
- MacMillan Cancer Support;
- American Red Cross – hurricane relief.

MacMillan coffee morning hosted by Sharp UK in September.

Economic Contribution

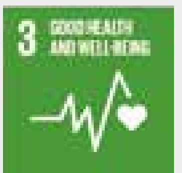
An integral part of the Group's sustainability is the economic value generated from our operations. We are cognisant that our continued growth and economic performance are crucial to our many stakeholders and to each of the communities in which we operate.

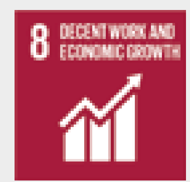
In the financial year to 30 September 2018, UDG Healthcare added economic value of $761.7 million (being revenue of $1,315.2 million less $553.5 million of input costs paid to suppliers). Remuneration to employees of $614.2 million, corporate taxes of $23.7 million, net interest paid to lenders of $8.7 million and dividends paid to shareholders of $34.7 million resulted in 89% of total value generated being redistributed to our economic community.



Aims for the Future

Our aim is to continue to align our sustainability programme to the relevant UN Sustainable Development Goals. We consider that the following seven such goals are the most relevant to our activities within UDG Healthcare:





Sustainability (continued)

Governance

Quality and Compliance

Our quality and compliance processes and systems underpin governance. We are constantly changing and improving these processes in line with the continued diversification of the Group. The Quality Management System launched last year has been taken on by all of the new acquisitions post the integration period and progress against all six workstreams is tracked quarterly. The Compliance*Centre* was relaunched in December with the Code of Conduct and in May with the training program for GDPR and data protection.

All employees can access the centre and it is housed in the company wide learning centre, Campus. The strategy for quality and compliance is to establish generic ***controls*** and measures in all of the business units to underpin the development of a Quality focused compliance ***culture.*** This in turn allows for ***continuous improvement*** and streamlining of our business processes using the knowledge derived from measuring performance and looking at trends.

Many of the business units in UDG Healthcare are regulated by health authorities who audit on a regular basis. In addition many of the business units have sought ISO9001 certification as an external validation of their Quality Management Systems. All regulator audits carried out this year have been successful. The internal quality, compliance and safety audits are now combined in many cases in order to get a complete picture of the governance fundamentals of the businesses. The frequency and scope of the audits are based on a risk review of previous audit outcomes and the level of change in the business.

This year the Compliance Programme included a relaunch of the Anti-bribery and Corruption Policy with its accompanying training and communication. The training consists of reality-based scenarios and it poses questions to the trainee to ensure understanding of the Policy.

There are many legal definitions of bribery and corruption. The principles we have adopted reflect the underlying nature and purpose of bribery and corruption which is the giving of an advantage to get someone to do something they shouldn't do or are not allowed to do.

The Policy and the accompanying training materials are designed to be straightforward and direct so that it is clear to all employees what they may or may not do as part of normal business transactions. The Policy applies to everyone in UDG Healthcare equally. It is written to ensure that legitimate and honest business transactions can be distinguished from improper and dishonest transactions. This Policy and the accompanying training will be tracked as part of the quarterly Group compliance tracking process.

Regular reminders and retraining reinforce our business ethics and ensure that all employees understand our commitment to doing the right thing for our organisation, our clients and our suppliers.

In future, auditing by Group Compliance will target understanding and adherence to the Policy.

Control

Developing and using effective monitoring and control mechanisms for process streamlining and performance.

Using data and governance to improve decision making.

Ensuring the right people are in place to deliver on the compliance and quality mandate.

Culture

Developing a compliance led quality culture throughout all levels of the organisation led from the top.

Actively promoting, driving and role modelling a right first time approach.

Clearly articulating accountabilities and responsibilities for business deliverables.

Continuous Improvement

Using data and risk management methodologies to drive improvement where it is most critical.

Developing expertise in continuous improvement methodology and implementation.

Innovating and sharing best practice, partnering with clients to bring about sustainable improvements.

5S – the results

Strategic alignment: **Improving**

Bringing 5S to Sharp Belgium

5S is a disciplined workplace organisation tool that aims to achieve a safe and orderly workplace regardless of whether you work in an office, production floor, warehouse or anywhere else. Sharp Belgium describe how 5S was introduced to their business during 2018.

Production Department applying Lean Principles: 5S and Visual Management

The organisation of the workspace had less priority and was sometimes left to chance while improvement initiatives did not last because of a lack of structure. Generally, it was perceived as only intermittently important.

The project goal was to organise workspaces around the needs of operators according to the 5S principle and improve the engagement and communication. By starting a workgroup with operators on a weekly basis and by actively consulting the entire production department on a monthly basis, an optimal result was achieved. The status of each improvement action is visualised on the Plan-Do-Check-Act board in the canteen.

Project deliverables

- Prevent mistakes.
- Reduce search times.
- Minimize tools and supplies.
- Reduce space requirements.
- Improve safety.
- Visualisation of processes.
- Reduce frustration and thus improve performance.
- Involvement of employees (for improvement proposals).
- Involvement of management.
- Improve customer satisfaction.

The 'good vibe' is already clearly visible and the methodology will be considered as standard in setting up new workspaces.

Sort

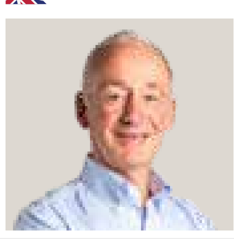
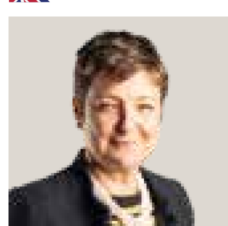
Set in order

Sweep

Standardize

Sustain

Board of Directors

	Peter Gray	Brendan McAtamney	Nigel Clerkin	Chris Brinsmead CBE	Linda Wilding
	Chairman (64)	Chief Executive Officer (56)	Chief Financial Officer (45)	Senior Independent Director (59)	Non-Executive Director (59)
					
Biography	Peter Gray is Chairman and non-executive director of UDG Healthcare plc. Peter formerly held senior executive positions in a number of Irish public companies, the most recent being that of Vice Chairman and Chief Executive of ICON plc, the Irish based multinational pharmaceutical development services company.	Brendan McAtamney was appointed Group Chief Executive Officer on 2 February 2016, having previously served as the Group's Chief Operating Officer since 1 September 2013. Before joining UDG Healthcare, Brendan held various senior management positions with Abbott, latterly as Vice President Commercial and Corporate Officer within the Established Pharmaceuticals division.	Nigel Clerkin joined UDG Healthcare plc as Chief Financial Officer on 1 May 2018. Prior to this, Nigel held the position of CFO with ConvaTec Group plc where he worked for three years. Before this, he worked with Elan Corporation plc both in the US and Europe, holding the position of Executive Vice President and CFO. Nigel started his career at KPMG and is a fellow of the Institute of Chartered Accountants of Ireland.	Chris Brinsmead CBE was formerly Chairman of AstraZeneca Pharmaceuticals UK, President of AstraZeneca UK and Ireland and President of the Association of the British Pharmaceutical Industry (ABPI). Chris succeeded Philip Toomey as Senior Independent Director on 1 July 2017.	Linda Wilding's career includes 12 years at Mercury Asset Management where she held the position of Managing Director in the Private Equity division. Prior to this, Linda qualified as a chartered accountant while working with Ernst & Young.
Term of office	Peter was appointed Chairman of the Board on 7 February 2012 having served as a non-executive director since 28 September 2004.	Brendan was appointed to the Board of UDG Healthcare as an executive director on 16 December 2013.	Nigel was appointed to the Board of UDG Healthcare as an executive director on 15 May 2018.	Chris was appointed to the Board of UDG Healthcare as a non-executive director on 12 April 2010.	Linda was appointed to the Board of UDG Healthcare as a non-executive director on 16 December 2013.
Independent	Not applicable	No	No	Yes	Yes
External appointments	Peter is currently a non-executive director of Jazz Pharmaceuticals plc and a director of two venture capital backed private companies.	Brendan is currently a non-executive director of Scapa Group plc.	Not applicable.	Chris is currently a non-executive director of the Wesleyan Assurance Society and Collagen Solutions plc. Chris will join Consort Medical plc as a non-executive director in February 2019, and will become Chairman in April 2019.	Linda is currently a non-executive director of Electra Private Equity plc and Skagen Conscious Capital Limited.
Committee membership					

Committee Membership Key

- (A) Audit Committee
- (N) Nominations & Governance Committee
- (R) Risk, Investment & Financing Committee
- (R) Remuneration Committee
- ☐ Indicates Committee Chair

Myles Lee
Non-Executive Director (65)

Myles was Group Chief Executive of CRH plc, a FTSE 100 and Fortune 500 company, prior to retiring in December 2013. With more than 30 years' experience at senior financial and managerial level, Myles has extensive global experience in management, M&A and finance. He is a qualified civil engineer and a Fellow of the Institute of Chartered Accountants in Ireland.

Myles was appointed to the Board of UDG Healthcare as a non-executive director on 1 April 2017.

Yes

Myles is currently a non-executive director of both Ingersoll-Rand Inc. and Babcock International Group plc.

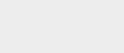
Philip Toomey
Non-Executive Director (65)

Philip was formerly Global Chief Operating Officer for the financial services industry practice of Accenture. Philip has wide ranging international consulting experience and was a member of the Accenture Global Leadership Council. Philip held the position of Senior Independent Director of UDG Healthcare plc from 14 June 2013 until 30 June 2017.

Philip was appointed to the Board of UDG Healthcare as a non-executive director on 27 February 2008.

Yes

Philip is currently Chairman of Kerry Group plc.



Lisa Ricciardi
Non-Executive Director (58)

Lisa Ricciardi is currently the Chief Executive Officer of Suono Bio Inc. Prior to this, Lisa was Senior Vice President of Foundation Medicine, Inc. and formally Senior Vice President of US and International Business Development at Medco Health Solutions. Lisa also held multiple senior roles in Pfizer, first in operations then leading business development for over a decade.

Lisa was appointed to the Board of UDG Healthcare as a non-executive director on 14 June 2013.

Yes

Lisa is currently Chief Executive Officer of Suono Bio Inc. and a Member of the Advisory Council for Humania Capital (DIFC) Limited.

Nancy Miller-Rich
Non-Executive Director (59)

Nancy Miller-Rich was formerly Senior Vice-President, Business Development & Licensing, Strategy and Commercial Support for Global Human Health at MSD, known as Merck in the US and Canada, until her retirement in September 2017. With more than 35 years' experience in the healthcare industry, Nancy's background includes roles in sales, marketing and business development for MSD, Schering-Plough, Sandoz (now Novartis) and Sterling Drug.

Nancy was appointed to the Board of UDG Healthcare as a non-executive director on 20 June 2016.

Yes

Nancy is an adviser with the Gerson Lehrman Group, a director of Intercept Pharmaceuticals Inc and Executive Chairman of Altum Pharma.

Chris Corbin
Non-Executive Director (63)

Chris Corbin retired as executive Chairman of the Ashfield division in July 2018 but has remained on the board in a non-executive director capacity. Chris founded Ashfield Healthcare Limited. Prior to this he held sales management positions with Parke Davis, Fisons, Astra and May & Baker. Chris was formerly Patron for SETPOINT Leicestershire, Chairman of Leicestershire Business Awards and a member of Derbyshire Magistrates Bench.

Chris was appointed to the Board of UDG Healthcare as an executive director on 20 June 2003.

No

Chris is a director of a number of privately held companies.

Erik van Snippenberg
Non-Executive Director (54)

Erik van Snippenberg spent almost 30 years with GlaxoSmithKline (GSK). More recently, Erik held the position of Senior Vice President and Area Head for Europe and Canada and was a member of GSK's Global Pharmaceutical Management Team. Prior to this, Erik held a number of senior executive roles such as Senior Vice-President and Director of UK and Ireland.

Erik was appointed a non-executive director of UDG Healthcare on 2 July 2018.

Yes

Erik is currently a non-executive director of Eurovite Group.

Chairman's Introduction to Corporate Governance

"Board succession planning continues while we prepare to adopt the latest corporate governance guidance."

Peter Gray
Chairman

Dear Shareholder,
I am pleased to report that for the year ended 30 September 2018, UDG Healthcare is again fully compliant with the requirements of the UK Corporate Governance Code. We have set out on the following pages the important details of our work during the year.

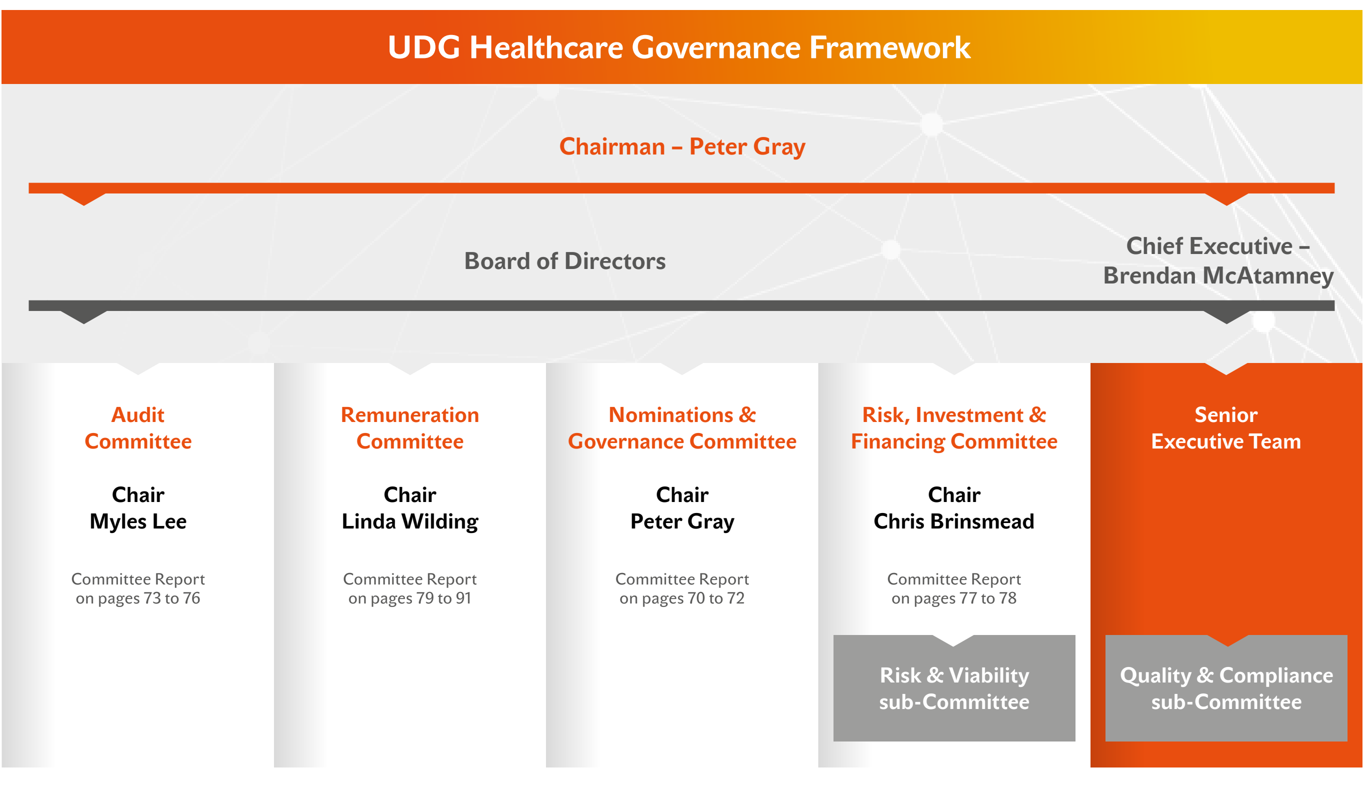
As previously announced, Gerard Van Odijk stepped down at our 2018 AGM, and we were delighted to welcome Erik van Snippenberg, another Dutch national and retired pharmaceutical industry executive, to the Board in June. Similarly, Alan Ralph retired as CFO and as a director during the year and Nigel Clerkin was appointed to replace him. As also previously noted, Philip Toomey has served on the Board for over nine years and will step down at our upcoming AGM, while Chris Brinsmead will have served nine years on the Board in April 2019. Chris Corbin has served on the Board since 2003, and I myself have served on the Board since 2004, and as Chairman since 2012. Thus, succession planning is important.

The Board currently comprises 11 members; myself, two executives and eight other non-executives, three of whom are female. Four board members are resident in Ireland (two executives and two non-executives), four are resident in the UK, two are resident in the US and one is resident in mainland Europe, while eight have pharmaceutical company and/or pharma services experience, and three come from other industries. To ensure our Committees are appropriately staffed and have adequate diversity in gender, geography and background, we believe a Board of between nine and 11 individuals is ideal. We therefore conducted two further searches during 2018, one by PwC and one by Korn Ferry. We expect to make at least one new appointment in the coming months to replace Philip Toomey, to plan for Chris Brinsmead's retirement in 2020 and to broaden the pool of candidates for my succession, which will need to be considered in due course and in the light of the new 2018 UK Corporate Governance Code, which comes into effect for the Group from 1 October 2019.

During 2018 we engaged Independent Audit, an external independent consultant that we have used previously, to review the Risk, Investment and Finance Committee. Some good recommendations materialised including that there could be some improvements made to the risk oversight process and greater clarity on the remit of the Committee. The Board itself again conducted a self-evaluation in 2018, using an online questionnaire mediated by the Company Secretary, which raised no significant or new issues. An independent external review will be carried out in 2019.

We remain committed to the highest standards of corporate governance. As I said last year, the essence of good governance is a state-of-mind, not a set of rules. We strive to ensure that we focus on the important issues for the business and its stakeholders, using good sense, transparency, openness, and honesty.

Peter Gray
Chairman



Compliance with the UK Corporate Governance Code

The 2016 UK Corporate Governance Code (the 'Code') applies to companies with a listing on the London Stock Exchange and sets out key principles and specific provisions which establish standards of good governance practice in relation to leadership, effectiveness, accountability, remuneration and relations with shareholders. The Board considers that UDG Healthcare has continued to comply with the provisions set out in the Code throughout the year to 30 September 2018.

Copies of the Code can be found on the Financial Reporting Council's website (www.frc.org.uk). This Corporate Governance Report sets out details of how the Company has applied the key principles of the Code.

Leadership

Board

The Board, led by the Chairman, sets the Group's strategic direction and is responsible to UDG Healthcare's shareholders for the leadership, oversight and long-term success of the Group. The Board also has ultimate responsibility for corporate governance, which it discharges either directly, or through its Committees and structures as further described in this report. The Board has, in particular, reserved certain items for its review including the approval of:

- Group strategic plans;
- Financial statements and budgets;
- Significant acquisitions and disposals;
- Significant capital expenditure;
- Dividends; and
- Board appointments.

The roles of Chairman and Chief Executive are separate with a clear division of responsibility between them. The Chairman is responsible for the leadership and governance of the Board as a whole, and the Chief Executive for the management of the Group and the successful implementation of Board strategy. The Board has delegated some of its responsibilities to Board Committees, details of which are set out overleaf.

Corporate Governance (continued)

Board Committees

The Board has established four Committees to assist in the execution of its responsibilities. An overview of these Committees is provided in the Governance Framework diagram on page 63 and further details are also included in each Committee report.

Each Board Committee has specific terms of reference under which authority is delegated to it by the Board. These terms of reference are reviewed annually and are available on the Group's website. The Chair of each Committee reports to the Board regularly on its activities, attends the AGM and is available to answer questions from shareholders.

The current membership of each Committee, details of attendance and each member's tenure are set out in each individual Committee report.

Meetings

The Board met nine times during the year. Details of directors' attendance at these meetings are set out below. In the event that a director is unavailable to attend a Board meeting, he or she can communicate their views on any items to be raised at the meeting through the Chairman.

Directors	Number of meetings held during the year when the director was a member	Number of meetings attended
Chris Brinsmead	9	9
Chris Corbin	9	9
Nigel Clerkin[1]	5	5
Peter Gray	9	9
Myles Lee	9	9
Brendan McAtamney	9	9
Nancy Miller-Rich	9	9
Gerard van Odijk[2]	3	3
Erik van Snippenberg[3]	3	3
Alan Ralph[4]	5	5
Lisa Ricciardi	9	9
Philip Toomey	9	9
Linda Wilding	9	9

1 Joined the Board on 15 May 2018.
2 Stepped down from the Board on 30 January 2018.
3 Joined the Board on 2 July 2018.
4 Retired from the Board on 15 May 2018.

Roles and Responsibilities

Chairman

The Chairman leads the Board, ensuring its effectiveness by:

- providing a sounding board for the Chief Executive;
- setting the agenda, style and tone of Board meetings;
- promoting a culture of openness and debate ensuring constructive relations between executive and non-executive directors;
- demonstrating ethical leadership and promoting the highest standards of integrity throughout the Group;
- ensuring that directors receive accurate, relevant, timely and clear information;
- ensuring the effective operation, leadership and governance of the Board; and
- ensuring effective communication with shareholders.

Chief Executive

The role of the Chief Executive is to maintain a close working relationship with the Chairman, shareholders, potential shareholders and major external bodies to promote the culture and values of the Group. The Chief Executive is responsible for and accountable to the Board for:

- the management and operation of the Group;
- the development of strategic proposals and annual plans for recommendation to the Board;
- the resourcing of the Group to achieve its strategic goals, including development of the required organisational structure, process and systems; and
- the implementation through the SET of the Group's strategy and plans as agreed by the Board.

Non-Executive Directors

The role of the non-executive directors is to:

- constructively challenge and debate management proposals;
- bring external perspectives and insight to the deliberations of the Board and its Committees;
- examine and review management performance in meeting agreed objectives and targets;
- assess risk and the integrity of financial information and controls;
- determine the appropriate levels of remuneration of executive directors and ensure appropriate succession plans are in place; and
- input their knowledge and experience in respect of any challenges facing the Group, and in particular, to the development of strategy and strategic plans.

Effectiveness

Board Composition

We believe that the Board's composition gives us the necessary balance of diversity, skills experience, independence and knowledge to ensure we continue to run the business effectively and deliver sustainable growth.

Directors' Appointments, Induction and Development

Non-executive directors are engaged under the terms of a Letter of Appointment, a copy of which is available on request from the Company Secretary. For details of executive directors' service contracts and termination arrangements, please refer to our Remuneration Policy on our website.

As both Nigel Clerkin and Erik van Snippenberg were appointed during the year, they will offer themselves for election at the AGM on 29 January 2019. All other Directors are required to seek re-election on an annual basis unless they are retiring from the Board. Details of the Directors' length of service are set out on page 71.

On appointment, directors receive a formal induction and are given briefing materials tailored to their individual requirements, in each case, to facilitate their understanding of the Group and its operations. New directors meet with Board members and the SET as part of the induction process. Visits to the Group's main locations are scheduled to provide the director with an opportunity to meet divisional management and to get further insight into the businesses. During the year, the Board visited Cambridge BioMarketing and Vynamic's offices in Boston which provided an excellent opportunity for the Board to meet with senior managers from the Ashfield Advisory and Ashfield Healthcare Communications businesses.

Non-executive directors also receive additional training and presentations from across the businesses to update their knowledge and develop their understanding of the Group. During the year, the Board received refresher training on the EU Market Abuse Regulation, changes to the UK Corporate Governance Code and data protection. In addition to this, members of the Board Committees also receive regular updates on technical developments at scheduled Committee meetings.

Independence

At least half the Board, excluding the Chairman, is comprised of independent non-executive directors. All of the non-executive directors are considered to be independent, with the exception of the Chairman and Chris Corbin who was appointed a non-executive director of the Board in July this year, following his retirement as Executive Chairman of Ashfield.

Company Secretary

The Company Secretary assists the Chairman in ensuring the effective operation of the Board, is a member of the Group's SET and has the following responsibilities:

- to ensure good information flows between the Board and its Committees, senior management and non-executive directors;
- to ensure that Board procedures are followed;
- to facilitate director induction and assist with professional development; and
- to advise the Board on corporate governance obligations and developments in best practice.

Senior Independent Director (SID)

The SID's role is to:

- provide a sounding board for the Chairman;
- conduct an annual review of the performance of the Chairman;
- make himself available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Chief Financial Officer; and
- be available to act as an intermediary for directors, if necessary.

Changes to the Board

During the year to 30 September 2018 and since the year end, the following changes to the Board occurred:

Gerard van Odijk stepped down from the Board following the 2017 AGM.

Alan Ralph retired as Chief Financial Officer on 1 May and stepped down from the Board on 15 May 2018 but remained with the Company until November 2018.

Nigel Clerkin joined the Group as Chief Financial Officer on 1 May 2018 and was subsequently appointed an executive director of the Board on 15 May 2018.

Erik van Snippenberg joined the Board as a non-executive director and member of the Audit Committee with effect from 2 July 2018.

Chris Corbin retired as Executive Chairman of Ashfield on 2 July but remained on the Board in a non-executive director capacity from that date.

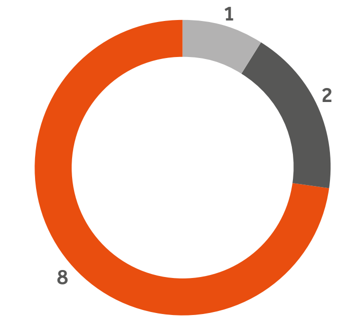
As previously announced, Philip Toomey will step down from the Board at the 2019 AGM.

Corporate Governance (continued)

Time Commitment of the Non-executive Directors

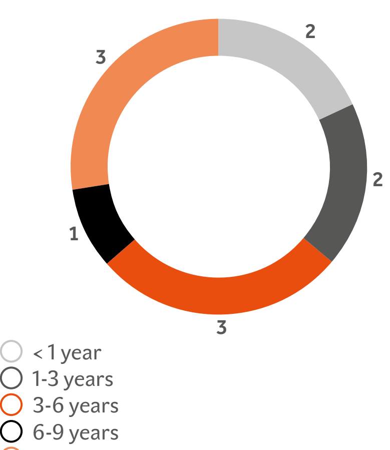
Non-executive directors are required to set aside sufficient time to prepare for meetings, and to regularly refresh and update their skills and knowledge. Each director's other significant commitments are disclosed to the Board at the time of their appointment and they are required to notify the Board of any subsequent changes. The Chairman has reviewed the availability of the non-executive directors and considers that each of them is able to, and in practice does, devote the necessary amount of time to the Group's business.

Board composition



Chairman
Executive directors
Non-executive directors

Years of service



< 1 year
1-3 years
3-6 years
6-9 years
> 9 years

2017 Board Evaluation – progress update

The 2017 Board Evaluation resulted in a number of recommendations and below is a summary of the progress made in addressing the issues raised:

Recommendations	Actions taken/progress
Group strategy sessions – provide scene-setting and background information in briefing materials, allowing more focus on future strategic planning during the sessions.	The recommended approach is being adopted resulting in greater focus on strategic planning.
Increasing governance – that the Group take steps to provide more training to the directors on certain identified areas of interest given increased levels of governance regulation.	Training sessions on a number of topics were arranged during the year, some of which addressed specifically the areas of governance particularly where there were impending changes in the landscape.
Communication – that the Group continue to regularly review means of communication with the Board to ensure that these remain up-to-date, appropriate and effective.	Introduced new video conferencing software to enable easier communications with directors in between face-to-face meetings.

2018 Board Evaluation

For this year's Board evaluation, a questionnaire was circulated to the directors in August on the following aspects of Board effectiveness:

- Board responsibilities and oversight;
- Board composition and meeting dynamics;
- Board information, including improvements during the year;
- Board support, administration and logistics;
- Board strategy day
- Use of video technology for some meetings
- Board Committees;
- The Board's relationship with management; and
- the Board's satisfaction with the progress made in responding to the recommendations of the previous year's evaluation.

The output from this review was presented to the Board at its September meeting and it indicated that, consistent with the previous year's findings, the Board and Committees continue to operate effectively and no significant issues of concern were raised. The agreed actions from the 2018 review are summarised below:

1. Training on the changes to the UK Corporate Governance Code and its impact on the Board and the wider Group; and

2. Board focus on ensuring that capital expenditure and M&A opportunities continue to align with the Group's strategy.

The Company Secretary in conjunction with the Chairman of the Board will follow up on these action items and work to address them throughout FY 2019.

The performance of individual directors was primarily assessed through discussions held by the Chairman with directors on an individual basis. During May 2018, the performance assessment of the Chairman was led by the SID and reviewed by the Board in the absence of the Chairman. Feedback was communicated by the SID to the Chairman following the review.

The Board will continue to review its performance on an annual basis.

Board Policy on Diversity

The Board believes that diversity is an essential foundation for building long-term sustainability in business and it introduces different perspectives into the Board debate. Whilst it is the Board's policy to ensure the best candidate for the position is selected, we recognise the importance of diversity in all forms (including age, gender, ethnicity, educational and progressional backgrounds), and we confirm that diversity will continue to be taken into account when considering all new appointments to the Board.

The results of our Board Policy on Diversity is set out on pages 60 and 61 which details our directors' gender, age, and professional background.

Accountability

The Board is committed to providing a fair, balanced and understandable assessment of the Company's position and prospects.

Responsibility for reviewing the Group's internal financial control and financial risk management systems and monitoring the integrity of the Group's financial statements has been delegated by the Board to the Audit Committee. Details of how these responsibilities were discharged are set out in the Audit Committee Report on pages 73 to 76.

Responsibility for reviewing the Group's risk management and risk evaluation procedures has been delegated by the Board to the Risk, Investment & Financing Committee. Details of how these responsibilities were discharged are set out in the Risk, Investment & Financing Committee Report on pages 77 to 78.

The Quality & Compliance Committee oversees the Group's performance in Health and Safety, Quality and Compliance, and ensures that a culture of continuous improvement is encouraged and measured throughout the Group.

The Board receives regular updates from the Chair of each Committee.

Remuneration

Consistent with past practice, the Board has adopted remuneration policies that are considered appropriate to promote the long-term success and viability of the Group whilst ensuring that the performance related elements are both stretching and rigorously applied. The current Directors' Remuneration Policy Report was approved by shareholders at the 2017 AGM with the remuneration policy to be put forward to shareholders again in 2020.

The Group again presents the Directors' Remuneration Report for FY2018 in accordance with the requirements of the UK Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'). Details of directors' remuneration and share ownership, as required by the Regulations, are set out in the Directors' Remuneration Report on pages 79 to 91.

The Company's current share plans expire in 2020. We have reviewed these share plans to reflect many factors, including current corporate governance guidelines, established best practices and also to provide the Company with sufficient flexibility to compete effectively for talent now and in the future. These share plans will be put forward for approval by shareholders at the 2019 AGM.

Board gender diversity

27%

73%

Female directors
Male directors

Relations with Shareholders

Shareholder Engagement

The Board recognises the importance of regular dialogue with shareholders and accordingly, the Group and its SET maintains an ongoing investor relations programme. While the Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board and that all directors are made aware of major shareholders' issues and concerns, contact with major shareholders is principally maintained by the Chief Executive, the Chief Financial Officer and the Group Head of Investor Relations. Our Group website also contains information on the business of the company, corporate governance, all regulatory announcements, key dates in the financial calendar and other important shareholder information.

A programme of meetings with institutional shareholders, fund managers and analysts takes place each year. There is regular dialogue with institutional shareholders, as well as general presentations at the time of the release of the annual and interim results and during major developments including M&A transactions.

In 2018, the UDG Healthcare senior management team conducted over 220 institutional investor one-on-one meetings and participated in 12 investor conferences, including five in the US. The Group also hosted a successful two day Capital Markets event at its US facilities in Fort Washington, PA (Ashfield) and Allentown, PA (Sharp) in February 2018. In addition to various presentations during the event, attendees were given tours of the facilities and met with the wider Ashfield and Sharp senior management teams. The event was attended by the Group's Chief Executive, Chief Financial Officer and Chairman.

Notwithstanding our investor relations programme throughout the year, the key means of communicating with the company's shareholders is through the AGM. The company's AGM is an opportunity for the Board to meet with shareholders, hear their views and answer their questions about the Group and its business. The Notice of AGM, the Form of Proxy and the Annual Report are issued to shareholders at least 20 working days before the meeting. At the meeting, resolutions are voted on by a show of hands of those shareholders attending, in person or by proxy. If validly requested, resolutions can be voted by way of a poll. Details of proxy votes received are also made available on the company's website following the meeting.

A quorum for a general meeting of the company is constituted by three or more shareholders present in person or by proxy and entitled to vote. The passing of resolutions at a meeting of the company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

The company specifies record dates for general meetings, by which date shareholders must be registered on the company's Register of Members to be entitled to attend. Record dates are specified in the Notice of AGM. Shareholders may exercise their right to vote by appointing a proxy, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are also set out in the Notice of AGM.

The 2019 AGM will be held at 12 noon on Tuesday, 29 January 2019 at the Westbury Hotel in Dublin 2, Ireland.

Corporate Governance
What the Board did in 2018

In 2018, the Board focused on strategy, succession and operational performance.

The Board continued to oversee the evolution of the long-term strategy of the Group during FY2018. It evaluated no less than ten potential acquisitions in some detail (several of which did not proceed for commercial reasons) and supported the acquisition of both Create NYC and SmartAnalyst. For Ashfield, these acquisitions helped develop its communications offering, adding talented management teams which enhanced its capabilities and extended its geographic reach.

Investment in capital assets continued with the phased fit out and development of the newly acquired Sharp Clinical facility in Bethlehem, Pennsylvania, further investment to complete development of the new greenfield site for Sharp's Clinical EU business in Rhymney, Wales, and enhancements to its Heerenveen facility in the Netherlands. The Board supported continued expansion within the Ashfield business, opening new offices for its Cambridge BioMarketing and Vynamic businesses in Boston, MA and for the wider Ashfield Healthcare Communication business in Manchester, UK.

The Board's attention to succession and talent development continued, as evidenced by the addition to the Board of Nigel Clerkin and Erik van Snippenberg.

29 meetings

4 locations

November

The Risk, Investment & Financing Committee (RIF) met to conduct a review of the Group's Internal Control and Risk Management systems as well as receiving an update on Cyber Security. The RIF also conducted a number of one and three year post transaction reviews. The Audit Committee met twice in November. The first meeting was to review the FY2017 external auditor report and the Group's draft preliminary announcement of results for FY2017. At its second meeting that month, the Audit Committee received an update from the Internal Audit team, made recommendations which the Board subsequently approved in relation to the Directors' Compliance Statements, the Group's Viability Statement, the Annual Report for FY2017 and the FY2017 final dividend to be proposed to shareholders. At the Board meeting, the Board received a presentation from the Group's corporate finance advisors on the state of the market and competitors. The Remuneration Committee met to review performance against the Group's incentive and bonus schemes, changes to its terms of reference and to review the draft Remuneration Report for the 2017 Annual Report.

December

As 2017 drew to a close, the Board convened to approve the 2017 Annual Report and to confirm the appointment of Nigel Clerkin as Chief Financial Officer of the Group. The Remuneration Committee also met to agree the grant of awards under one of its incentive schemes and to test performance criteria set out in previous option awards.

January

The Audit Committee met at the end of January to review and approve the draft Q1 Trading Statement and to receive updates from Internal Audit and the finance team in relation to IFRS 15 and 16.

The Group's AGM took place in the Westbury Hotel in Dublin at the end of the month. The meeting successfully concluded with all resolutions passed. While gathered for the AGM, the Board took the opportunity to conduct its annual two-day session with the Group's SET to discuss the alignment of key objectives and activities with the Group's strategy. The Board met again during this strategy session and considered proposals in relation to a new Boston office and one of the Group's finance facilities. The Board also received a number of updates from Group functions, including tax and HR.

March

The Board met in March to discuss possible M&A opportunities, to receive an update on progress in preparing for GDPR and to review the Group's gender pay gap report. The Board was pleased with the progress made in preparing for the implementation of GDPR, noting the key milestones remaining before the new regulation came into force and that it would be a continuous process thereafter.

April

In April, the RIF met to discuss progress on a number of potential M&A targets which included updates on Create NYC, SmartAnalyst and other potential targets, considering the alignment of each opportunity with the Group's strategy.

May

With the Group's half-year approaching, the Audit Committee convened to discuss the draft Interim Report and updates on the Viability Statement, Internal Audit, treasury, Directors' Compliance Statements and corporate governance developments.

The RIF met to review the Risk Management Framework and approve the Principal Risks and Uncertainties for inclusion in the Interim Report. A number of updates to the Committee were also provided in relation to Quality & Compliance, Cyber Security, M&A and Financing. The RIF reviewed its terms of reference and agreed some amendments which were subsequently approved by the Board.

The Board also convened to review the draft Interim Report, updated FY2017 guidance to the market and the proposed interim dividend.

June

In June, the Board approved the purchase of SmartAnalyst and later in the month, the acquisition of Create NYC. Updates were provided to the Board on Investor Relations and Corporate Governance. Upon recommendation from the Nominations & Governance Committee, the Board approved the appointment of Erik van Snippenberg and the change in role of Chris Corbin.

July

In July, the Remuneration Committee reviewed executive compensation in connection with the preparation for the FY2019 budget.

August

In early August, the Audit Committee reviewed the draft Q3 Trading Update. The Board also met to approve the disposal of the Aquilant division. Later in August, the Audit Committee re-convened during which EY presented its Audit Plan and the Committee reviewed EY's independence, fees and engagement terms. The Audit Committee also received a full internal audit update, conducted a review of the Committee's performance and resources and, in advance of year-end, conducted the goodwill impairment review and reviewed the Group's long-term viability and progress on implementing IFRS 15 and 16.

The Board subsequently convened again and received updates from the Chairs of the Audit and Remuneration Committees, an update from the CEO and the Head of Corporate Development and reviewed the draft budget for FY2019.

September

As FY2018 drew to a close, the Board convened in the US for a three-day Board meeting, visiting Cambridge BioMarketing and Vynamic in Boston and reconvening in New York. This overseas trip enabled the Board to meet a broad group of managers from the US businesses both in formal and informal settings. Throughout these three days, the Board received updates from the Ashfield Advisory and Ashfield Healthcare Communications business, the Ashfield Clinical & Commercial business and the Sharp businesses as well as presentations from the two newly-acquired entities, Create NYC and SmartAnalyst. The strategic merits of other capital expenditure and potential M&A opportunities were also considered. A number of other Board matters were discussed, including the approval of the 2019 budget and the results of the Board evaluation.

The Remuneration Committee also met in September to consider the FY2019 goals for the SET and to discuss two new proposed share plans to replace the Group's existing plans which expire in 2020.

Nominations & Governance Committee Report

"A busy year, with Board changes, Board succession planning and planning for new corporate governance rules at the forefront of the Committee's activities."

Peter Gray
Chair of the Nominations & Governance Committee

Composition as at 30 September 2018

Peter Gray (Chair)
Chris Brinsmead
Linda Wilding
Myles Lee
Philip Toomey

Key Responsibilities

The key responsibilities of the Nominations and Governance Committee are:

- to evaluate the balance of skills, knowledge, experience and diversity of the Board and Committees and make recommendations to the Board with regard to any changes;
- to consider succession planning for directors and other senior executives taking into account what skills and expertise are needed for the future;
- to identify, and nominate for the approval of the Board, candidates for appointment as directors;
- to consider the re-appointment of any non-executive director at the conclusion of their specified term of office and recommend their re-appointment to the Board; and
- to review Corporate Governance developments and ensure the Group remains compliant with all aspects of governance applicable to it.

Meetings

The Committee met three times during the year ended 30 September 2018. Individual attendance at these meetings is set out overleaf. The Committee is chaired by the Chairman of the Board and apart from the Chairman, is comprised only of non-executive directors considered by the Board to be independent. The Chief Executive is present occasionally at the invitation of the Committee.

Key Activities of the Committee during 2018

- Recommended the appointment of Nigel Clerkin as CFO.
- Recommended the expansion of the Committee to meet the future needs of our diverse and ever-evolving Group.
- Recommended the appointment of Erik van Snippenberg as a non-executive director and member of the Audit Committee and oversaw his induction; and
- Reviewed Board succession, commencing two separate searches for non-executive directors in light of planned retirements.

Appointment of a new CFO

When Alan Ralph informed the Board of his intention to retire at the end of 2018, the Committee engaged Korn Ferry to search for a replacement Chief Financial Officer. A candidate profile was prepared outlining the key skills, experience, characteristics and requirements for the role, and following a series of meetings and discussions involving the CEO and Group Head of HR, a number of candidates were shortlisted, including internal candidates.

Attendance Record and Tenure

Member	Number of meetings held when director was a member	Number of meetings attended	Committee tenure
Peter Gray (Chair)	3	3	12 years
Chris Brinsmead	3	3	6 years
Myles Lee	2	2	<1 year
Linda Wilding	2	2	<1 year
Philip Toomey	3	3	9 years

The shortlisted candidates were interviewed by members of the Board and the CEO. The process culminated with the Committee recommending to the Board the appointment of Nigel Clerkin as Chief Financial Officer. The recommendation received unanimous Board approval. Nigel brings with him significant industry experience and an excellent track record of leading finance functions in the international healthcare sector. On 19 December 2017, it was announced that Nigel would join the Group as Chief Financial Officer with effect from 1 May 2018 and was formally appointed as an executive director on 15 May 2018. As previously disclosed, Alan Ralph remained with the Group until November 2018 to help ensure a smooth transition of his CFO responsibilities.

New Non-Executive Director Appointment

When Gerard van Odijk informed the Board that he intended to step down at the end of the AGM in January 2018, Korn Ferry were engaged to assist with the search for a new non-executive director. Given Gerard van Odijk's strong international industry experience, the Committee was keen to identify candidates with similar skills, experience and background.

After interviewing a number of potential candidates, the Committee recommended the appointment of Erik van Snippenberg to the Board as a non-executive director and a member of the Audit Committee. The Board subsequently approved Erik's appointment with effect from 2 July 2018. Erik brings a wealth of industry and international experience to the Board specifically in relation to product launches, product lifecycle management, business development and strategy.

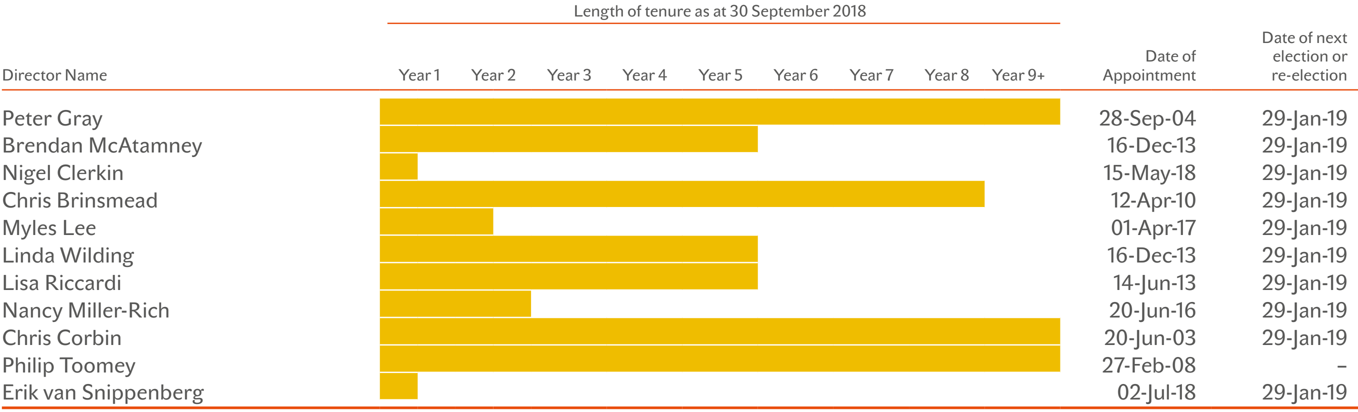
Change in Role and New Non-Executive Appointment

During the summer of 2018, Chris Corbin decided to bring forward his retirement date as Executive Chairman of Ashfield. As announced in September 2016, Chris was due to retire as Executive Chairman of Ashfield and from the Board of UDG Healthcare in April 2019. However, given his deep industry experience and tenure with the Group, the Board was delighted when Chris agreed to the Committee and Board's request to extend his term on the Board in a non-executive director capacity, subject to re-election at the AGM in 2019.

Future Succession Planning for Non-Executive Directors

As previously noted, Philip Toomey will step down at our upcoming AGM having served over ten years on the Board. Chris Brinsmead, will, in April 2019, have served nine years as a non-executive director and will most likely retire at the 2020 AGM. I myself have now been Chairman for almost seven years and a director for over 14 years. My succession must therefore be planned for. We commissioned PwC and have also commissioned Korn Ferry to carry out a further search with a view to making one or two additional appointments to ensure sufficient talent on the Board and to supplement our pool of succession candidates for the role of Chair.

Board Appointment and Tenure



Director Name	Date of Appointment	Date of next election or re-election
Peter Gray	28-Sep-04	29-Jan-19
Brendan McAtamney	16-Dec-13	29-Jan-19
Nigel Clerkin	15-May-18	29-Jan-19
Chris Brinsmead	12-Apr-10	29-Jan-19
Myles Lee	01-Apr-17	29-Jan-19
Linda Wilding	16-Dec-13	29-Jan-19
Lisa Riccardi	14-Jun-13	29-Jan-19
Nancy Miller-Rich	20-Jun-16	29-Jan-19
Chris Corbin	20-Jun-03	29-Jan-19
Philip Toomey	27-Feb-08	–
Erik van Snippenberg	02-Jul-18	29-Jan-19

Nominations & Governance Committee Report (continued)

Corporate Governance Considerations

The Committee also continues to review all external and internal governance procedures to ensure ongoing compliance and that the Board and its Committees are best structured to meet the future needs of our diverse and ever-evolving Group. In January, the Committee recommended the membership of the Committee be enhanced and they proposed that Myles Lee and Linda Wilding join the Committee with effect from 1 February 2018, which was subsequently approved by the Board.

Last year, the Committee engaged Independent Audit to conduct a first-ever external independent audit of its Committees, starting with the Remuneration Committee and this year, the Risk, Investment & Financing Committee. For details of this evaluation, please refer to page 78.

The Committee considered recent changes to the UK Corporate Governance Code and this was then discussed at Board level with the Committee arranging external training for the Board as a whole during November 2018.

Succession Planning for Senior Management

During the year, the Committee also considered succession planning for the SET. The composition of the SET was refreshed during the year following the departure of Jez Moulding, with the Board deciding that the three leaders of the Ashfield divisions should join the SET going forward.

Priorities for 2018

- Focusing on succession planning for members of the Board
- Supporting the Group's preparation for compliance with changing governance requirements being introduced by the 2018 UK Corporate Governance Code and applicable to the Group from 1 October 2019.

Peter Gray
Chair of the Nominations & Governance Committee

Audit Committee Report

"The Committee's composition was refreshed during the year with the appointment of Erik van Snippenberg following the departure of Gerard van Odijk."

Myles Lee
Chair of the Audit Committee

Composition as at 30 September 2018
Myles Lee (Chair)
Erik van Snippenberg
Linda Wilding

As set out in the biographical details on pages 60 and 61, the members of the Committee have a strong mix of skills, expertise and experience from a variety of industries and as a whole have the relevant competencies for the sector in which we operate. The Board has determined that both Myles Lee, a member of the Institute of Chartered Accountants in Ireland, and Linda Wilding, a member of the Institute of Chartered Accountants in England and Wales, are the Committee's financial experts.

Meetings

The Committee met six times during the year ended 30 September 2018. Individual attendance at these meetings, along with the tenure of each member, is set out above. In the event that a director is unavailable to attend a Committee meeting, he or she can communicate their views on any items to be raised at the meeting through the Chair of the Committee.

The Chief Executive, the Chief Financial Officer, the Head of Finance and the Head of Internal Audit together with representatives of the external auditor are invited to attend each meeting of the Committee. In addition, the Chairman of the Board attends meetings at the invitation of the Committee.

The Committee regularly meets separately with the Head of Internal Audit and with the external auditor without others being present.

The Chair of the Committee reports to the Board, as part of a separate agenda item at Board meetings, on all significant matters reviewed by the Committee.

Role and Responsibilities

The Committee supports the Board in fulfilling its responsibilities in relation to financial reporting and reviews the effectiveness of the Group's internal financial control and financial risk management systems, pursuant to the Committee's terms of reference which are reviewed annually and are available on the Group's website. The Committee also monitors and reviews the effectiveness of the Group's Internal Audit function and, on behalf of the Board, manages the appointment and remuneration of the external auditor and in addition monitors their performance and independence. The Group has an independent and confidential reporting procedure and the Committee monitors the operation of this facility.

Once again, the Board requested that the Committee advise it on both the long-term viability of the Group and also its compliance with relevant laws and the associated adoption of a compliance policy and statement by the directors pursuant to section 225 of the Companies Act, 2014. Details of this review of long-term viability and the

Audit Committee Report (continued)

Attendance Record and Tenure

Member	Number of meetings held when director was a member	Number of meetings attended	Committee tenure
Myles Lee (Chair)	6		>1 year
Gerard van Odijk[1]	3		3 years
Erik van Snippenberg[2]	2		4 months
Linda Wilding	6		5 years

1 Gerard van Odijk was unable to attend the November meeting due to conflict with a prior engagement. Gerard provided his comments on the various agenda items in advance of the meeting. Gerard stepped down from the Audit Committee on 30 January 2018.
2 Erik van Snippenberg joined the Audit Committee on 2 July 2018.

Group's Viability Statement are contained in the Risk Report on pages 77 and 78, and details of the Directors' Compliance Policy and Directors' Compliance Statement are set out on page 94.

The activities undertaken by the Committee in fulfilling its key responsibilities in respect of the year to 30 September 2018 are detailed below.

Financial Reporting

The Group's financial statements are prepared by finance personnel with the appropriate level of qualifications and expertise. The Committee is responsible for monitoring the integrity of the Group's financial statements and reviewing the significant financial reporting judgements contained therein.

In respect of the year to 30 September 2018, the Committee reviewed the Group's Trading Updates issued in February and August 2018, the Interim Report for the six months to 31 March 2018 and the Preliminary Announcement and Annual Report for the year to 30 September 2018.

In carrying out these reviews, the Committee considered:

- whether the Group had applied appropriate accounting policies and practices;
- the significant areas in which judgement had been applied in preparation of the financial statements in accordance with the accounting policies set out on pages 107 to 117;
- whether the Annual Report and Accounts, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- the clarity and completeness of disclosures and compliance with relevant financial reporting standards and corporate governance and regulatory requirements; and
- the consistency of accounting policies across the Group and on a year-on-year basis.

The significant areas of judgement considered by the Committee in relation to the financial statements for the year to 30 September 2018 and how these were addressed are outlined below.

Revenue Recognition

The critical area of judgement from a revenue perspective is the determination of the proportion of completion of each revenue contract to ensure revenue is being recognised in line with the accounting policies of the Group. The Committee, through discussions with management, the external auditor and the Head of Internal Audit, considered the judgements applied when determining the appropriate revenue recognition profile applied to the revenue contracts. Given the changing nature of the Group's business, Internal Audit increased their level of audit emphasis on revenue recognition during the year.

Goodwill Impairment

The Committee considered the carrying value of goodwill in the 2018 financial statements. As part of the annual impairment testing process, management prepare detailed models assessing the recoverable amount of each cash generating unit (CGU), based on a value in use approach. The Committee reviewed these models and, having considered the underlying judgements and assumptions, were satisfied with the methodology used and the result of the assessment. Details of the impairment testing process, including the underlying assumptions, are set out in Note 1 to the financial statements.

Each of these areas received particular focus from the external auditor, and the external auditor provided detailed analysis and assessment of the matters in their report to the Committee.

Going Concern and Viability Statement

The Audit Committee reviewed the draft Going Concern and Viability Statements before recommending them for approval to the Board. Earlier in the year, the Committee agreed to increase the number of scenarios against which to test the Group's viability to five, by modelling the simultaneous occurrence of two of the pre-existing scenarios. Under all scenarios, the Group remained viable. For further details, please refer to page 26.

Changes in IFRS Standards

The Committee received updates on the preparation for the implementation of IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leases). The Group has decided that the 'modified retrospective' transition approach is the most practical method for implementation of IFRS 15 and IFRS 16. For IFRS 9 and IFRS 15, the necessary changes have been put in place for the financial year beginning 1 October 2018 and in respect of IFRS 16, a project is underway to implement the necessary changes for 1 October 2019.

Internal Control

The Committee is responsible, on behalf of the Board, for reviewing the effectiveness of the Group's internal financial controls and financial risk management systems. Details of the Group's risk management system and internal controls are set out in pages 25 to 26.

In carrying out these responsibilities, the Committee reviewed reports issued by both Internal Audit and the external auditor and held regular discussions with the Head of Internal Audit and representatives of the external auditor. The Committee also reviewed the outcome of an assessment of the Group's internal financial controls which had been co-ordinated by Internal Audit.

This overall process, which has been in place throughout the financial year up to the date of the approval of the Annual Report and financial statements, accords with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and is regularly reviewed by the Board. This system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Audit

The Committee is responsible for monitoring and reviewing the operation and effectiveness of the Internal Audit function including its focus, plans, activities and resources.

At the beginning of the financial year, the Committee reviewed and approved the internal audit plan for the year having considered the adequacy of staffing levels and expertise within the function. During the year, the Committee received regular reports from the Head of Internal Audit summarising findings from the work of Internal Audit and the responses from management to address these findings. The Committee monitors progress on the implementation of the action plans on significant findings to ensure these are completed satisfactorily.

Earlier in the year, the Committee commissioned an external quality assessment of the Group's Internal Audit function. The assessment was conducted by KPMG and the results confirmed that the Group Internal Audit function had a strong platform, was well-respected throughout the business and generally conforms with the majority of the Chartered Institute of Internal Auditors standards with no areas of non-conformance. A number of recommendations were made, for example, an increase in reliance on data analytics as an audit tool and also a greater use of KPIs to manage the Internal Audit function. The Committee will continue to monitor the implementation and timing of all suggested recommendations.

External Audit

Appointment, Independence and Performance

The Committee manages the relationship with the Group's external auditor on behalf of the Board.

The Committee carried out its annual assessment of the external auditor including a review of the external auditor's internal policies and procedures for maintaining independence and objectivity and consideration of their approach to audit quality and materiality. The Committee reviewed and approved the external audit plan as presented by the external auditor. The Committee also reviewed the performance of the external auditor and assessed the qualifications and expertise of their resources. The Committee concluded that the external auditor was independent of the Group, that the Committee was satisfied with the performance of the external auditor and that the audit process was effective.

The Committee also reviewed the external auditor's engagement letter and recommended the level of remuneration of the external auditor to the Board having reviewed the scope and nature of the work to be performed. Details of the remuneration of the external auditor are set out in Note 5 to the financial statements.

In accordance with the Group's policy on the hiring of former employees of the external auditor, the Committee reviews and approves any appointment of an individual, within three years of having previously been employed by the external auditor, to a senior managerial position in the Group.

Audit Committee Report (continued)

In accordance with the Companies Act 2014, the Group has committed to rotate its external auditor at least every ten years. Breffni Maguire has been the Group's lead audit engagement partner with effect from the financial year ended 30 September 2017 and has been in place since the appointment of Ernst & Young in FY2017 following an formal tender process conducted in July 2016. There are no contractual obligations which restrict the Committee's choice of external auditor.

Non-Audit Services

The Committee has a formal policy governing the engagement of the external auditor to provide non-audit services and this policy is reviewed on an annual basis. The policy is designed to safeguard the objectivity and independence of the external auditor and prevents the provision of services which would result in the external auditor auditing its own firm's work, conducting activities that would normally be undertaken by management, having a mutuality of financial interest with the Group or acting in an advocacy role for the Group.

The external auditor is permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, provided it has the skill, experience, competence and integrity to carry out the work and is considered by the Committee to be the most appropriate to provide such services in the best interests of the Group. The engagement of the external auditor to provide non-audit services must be pre-approved by the Committee or entered into pursuant to pre-approved policies and procedures established by the Committee and approved by the Board.

The nature, extent and scope of non-audit services provided to the Group by the external auditor and the economic importance of the Group to the external auditor were also monitored to ensure that independence and objectivity were not impaired. The Group has decided to adopt the EU Directive such that the non-audit services payable to the auditors will be no more than 70% of the average audit fee for the previous three years.

During FY18, the external auditor conducted a review of the Group's cyber security programme. For further information, please refer to Note 5 to the financial statements.

Confidential Reporting Procedures

In line with best practice, the Group has an independent and confidential reporting procedure which allows employees to raise any concerns about business practice. During the year, the Committee reviewed the operation of the procedures in place to allow employees to raise matters in a confidential manner and concluded that this facility was operating effectively. We encourage employees to report genuine issues and concerns as they arise. These concerns are taken seriously. They are investigated where appropriate and confidentiality is respected.

Myles Lee
Chair of the Audit Committee

Risk, Investment & Financing Committee Report

"In August the Committee undertook an independent evaluation of its own performance, the results of which are outlined in this report."

Chris Brinsmead
Chair of the Risk, Investment & Financing Committee

Composition as at 30 September 2018
Chris Brinsmead (Chair)
Lisa Ricciardi
Nancy Miller-Rich

Meetings
The Committee met five times during the year ended 30 September 2018. Individual attendance at these meetings along with the tenure of each member is set out overleaf. The Chief Executive, Chief Financial Officer, the Group Head of Quality & Compliance and the Global Head of IT are not members of the Committee but regularly attend meetings at the invitation of the Committee.

Where a Committee member has been unable to attend a Committee meeting, he or she can communicate their views on any items to be raised at the meeting through the Chair.

Key Responsibilities
- To oversee the Group's risk management systems, including its risk register and internal controls;
- to oversee the identification and assessment of the Group's Principal Risks and Uncertainties as well as their associated mitigation strategies, and recommend them to the Board for approval;
- to consider, review and authorise the commencement of due diligence on potential transactions;
- to consider, review and approve potential transactions to be made by the Group which have a consideration value of up to €50 million or foreign exchange equivalent;
- to evaluate, and recommend to the Board for approval, any proposed capital expenditure requests not exceeding $10 million or foreign exchange equivalent and any debt and equity financing proposals; and
- conduct one-year and three-year post-acquisition reviews.

Main Activities During the Year

Risk Management

The effective understanding and management of risk is critical to the success and viability of the Group. It is in that context that the Group has incorporated quarterly viability reviews within the Risk Management Process ensuring that the risks associated with what the Group does are addressed in the most appropriate way. To support this, the Group has developed and implemented a risk management system that facilitates the identification of the principal or significant risks that face the Group and which allows those risks and their associated resolutions to be actively amended and monitored.

This system is dynamic and as part of its ongoing development the Group has focused on a greater facilitation of its risk identification and management, as well as an internal review of its effectiveness. As a consequence, the Committee is satisfied that the Group's risk management system is effective.

Risk, Investment & Financing Committee Report (continued)

Attendance Record and Tenure

Member	Number of meetings held when director was a member	Number of meetings attended	Committee tenure
Chris Brinsmead (Chair)	5	5	7 years
Gerard van Odijk[1]	2	2	4 years
Lisa Ricciardi[2]	4	4	5 years
Nancy Miller-Rich[3]	4	4	>1 year

1 Gerard van Odijk stepped down from the Board on 30 January 2018. He was unable to attend the 14 November RIF meeting due to prior travel commitments.
2 Lisa Riccardi was unable to attend the RIF meeting on 14 November due to a prior engagement.
3 Nancy Miller-Rich was unable to attend the RIF meeting on 26 April due to a prior engagement.

The Principal Risks and Uncertainties for the Group are set out on pages 28 to 31.

There are two executive sub-committees in place, the Risk & Viability sub-committee and the Quality & Compliance sub-committee, both of which report their annual activities to this Committee. The Chairman of the Board sits on the Quality & Compliance sub-committee.

The process for development of the Viability Statement was to review the Group's activities and, considering the Group's strategy, to review key aspects of the business environment. Long-term viability forms part of the Group strategy, as one of the objectives of developing a long-term strategy is to ensure the viability of the Group. The scenario selection is based on the risks identified in the Principal Risks and Uncertainties which is reviewed on a regular basis by the Committee.

During the year, the Committee also received the results of a follow-up cyber security audit completed by EY. While good progress had been made since the first audit in 2015, the Committee acknowledged that cyber security was an ongoing project to ensure robust controls are in place throughout the Group and reviewed regularly. Cyber security awareness training has been rolled out across the Group and a cyber security governance framework implemented.

Investment

As was the case in the previous year, the Committee was heavily involved in reviewing requests to proceed to due diligence for a number of potential acquisitions, including SmartAnalyst and Create NYC.

Pursuant to the Committee's terms of reference, the Committee approved a capital expenditure request to invest in a HealthCloud, a new CRM system. In early 2018, the Board approved an amendment to the Committee's terms of reference, increasing the value of capital expenditure requests that the Committee was authoris d to approve from €3 million to $10 million.

During the year, the Committee undertook a number of one and three year post-transaction reviews including reviews of the acquisitions of STEM, Pegasus, KnowledgePoint360 and Galliard.

Financing

During the year, the Committee reviewed the financial position of the Group with the Chief Financial Officer and the Group Head of Tax and Treasury. These reviews included an analysis of the Group's banking and available financing facilities, cash balances and also involved a review of the Group's acquisition capacity.

External Review

In August, the Committee undertook an independent review of its own performance by using an external provider, Independent Audit. The findings of the review were presented to the RIF in September and the consensus was that the Committee worked well as a group, provided good challenge and had good communication with management. The Committee engaged well with the Board and reported appropriately on its activities. Some suggestions were made by Independent Audit in relation to risk management, and the Committee agreed to meet again to consider these.

Chris Brinsmead
Chair of the Risk, Investment & Financing Committee

Directors' Remuneration Report

"Following completion of its external independent Committee evaluation in 2017, the Committee has focused on succession and strategic alignment of executive goals."

Linda Wilding
Chair of the Remuneration Committee

Composition as at 30 September 2018
Linda Wilding (Chair)
Chris Brinsmead
Peter Gray
Lisa Ricciardi
Philip Toomey

Dear Shareholder,
I am pleased to present, on behalf of the Board, our Directors' Remuneration Report for the year ended 30 September 2018.

The Committee continues to monitor best practice developments in remuneration and once again presents this year's report in accordance with the requirements of the UK Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'). The Committee is mindful of recent amendments to the Regulations and also the recent introduction of the new UK Corporate Governance Code which will be applicable to UDG Healthcare from 1 October 2019. We continue to follow the provisions of the current UK Corporate Governance Code, including the alignment of remuneration arrangements with the Group's strategy.

UDG Healthcare is an Irish incorporated company and is therefore not subject to the UK company law requirement to submit its Directors' Remuneration Report (Policy) to a binding vote. At the AGM in January 2017, our revised Policy (which improved the clarity of the Policy itself and reflected evolving market practice and shareholders' expectations) was approved by our shareholders by an advisory vote. As no changes to the Policy are proposed this year, the Policy will not be subject to a further vote at the 2019 AGM. In the interests of succinct reporting the Policy is not reproduced in this Report but can be found on our website and in our FY 2016 Annual Report.

We are once again submitting our annual report on remuneration, which is prepared following the format prescribed under UK law, for its annual advisory vote.

Overall Performance and Context
The Group delivered a strong financial performance in 2018 with adjusted earnings per share increasing by 24% (22% on a constant currency basis) for the year. The Board has proposed a final dividend of 11.75$ cent per share, giving a total dividend for the year of 16.00$ cent per share. This dividend represents an increase of 20% over 2017. Our Relative Total Shareholder Return (TSR) tested against the constituents of the FTSE 250 index over the last three years to 30 September 2018 was also strong, ranking the Group in the 75th percentile.

Director Changes during 2018
The Group saw a number of high profile changes during the year. After 20 years with the business, UDG

Directors' Remuneration Report (continued)

Healthcare's Chief Financial Officer, Alan Ralph, stepped down from the Board on 15 May 2018. For the period from 16 May 2018 to 30 September 2018 (and through to 30 November 2018 when he retired from the Group), Alan remained with the business to support the transition.

Nigel Clerkin joined UDG Healthcare, succeeding Alan Ralph as Chief Financial Officer from 1 May 2018, and joining the Board as executive director on 15 May 2018.

After over 18 years with UDG Healthcare, Chris Corbin stepped down from the role of Executive Chairman of Ashfield on 2 July 2018, assuming the role of non-executive director from July 2018.

After four years, Gerard van Odijk stepped down from his role as non-executive director of the Board at the last AGM on 30 January 2018 and on 2 July 2018, Erik van Snippenberg joined the Board as a non-executive director.

Executive Remuneration for 2018

Annual Bonus

Annual bonus targets are primarily set by reference to challenging internal financial targets together with an element based on personal performance. For the year to 30 September 2018, the financial performance of the Group resulted in an actual bonus achievement (as a percentage of their maximum opportunity) of 18% for Brendan McAtamney, 13% for Alan Ralph (who retired from the Board on 15 May 2018), 23% for Nigel Clerkin (who joined the Board on 15 May 2018) on a pro rata basis. Details of this assessment are on pages 82 and 84.

LTIP Awards

The Committee has assessed the performance against targets for the December 2015 and February 2016 LTIP awards, both of which share performance periods from 1 October 2015 to 30 September 2018 (the 2015 LTIP Awards). As set out on page 85, the cash flow performance of the Group ($350m) resulted in 67% vesting for this element for the three-year period to 30 September 2018. As mentioned above, TSR tested against the constituents of the FTSE 250 index over the three-year period was strong, ranking the Group at the 75th percentile. A portion of the TSR element of the award is also subject to meeting an EPS growth underpin of 5% which was also achieved in full over the three-year performance period. As a result, 100% of this element of the award will vest. Accordingly, 84% of the overall 2015 LTIP Awards will vest on their prescribed vesting dates in December 2020 and February 2021 subject to the fulfilment of all other conditions of the LTIP scheme.

Executive Remuneration for 2019

During the year, the Committee reviewed executive remuneration arrangements to consider whether they continued to be aligned with shareholders' interests and the Group's strategy. Following such review, the Committee concluded this to be the case.

Salary

We have agreed an increase in salary for executive directors of 2% which is consistent with the average increase awarded across the wider workforce. This increase is effective from 1 October 2018. This excludes Alan Ralph and Chris Corbin, who both retired from their executive director roles on 15 May 2018 and 2 July 2018 respectively. Alan retired from UDG Healthcare as of 30 November 2018, while Chris has agreed to remain on the Board as a non-executive director subject to re-election at AGM. Nigel Clerkin joined the Board in May 2018 on a salary of €475,000. Given Nigel's previous experience as a Chief Financial Officer at a FTSE 100 plc in the healthcare industry, and having conducted a competitive process, the Committee believe that the salary level is appropriate given the calibre of the candidate and we are glad to note that the response from shareholders to the appointment has been very positive.

Annual Bonus

We intend to retain the same mix of financial and non-financial goals in relation to bonus arrangements for executive directors in FY2019. Further details are set out on page 84.

LTIP Scheme

In relation to the LTIP for FY2019, Brendan McAtamney and Nigel Clerkin will participate at 150% of base salary. As previously noted, due to their respective retirement plans, neither Alan Ralph nor Chris Corbin received awards under the LTIP for FY2018. There are no proposed changes to the performance measures for awards to be granted in FY2019.

The Company's current share plans expire in 2020. We have reviewed these share plans to reflect current corporate governance guidelines, established best practice and also to provide the Company with sufficient flexibility to compete effectively for talent now and in the future. These share plans will be put forward for approval by shareholders at the AGM in January 2019.

Linda Wilding
Chair of the Remuneration Committee

Directors' Remuneration (Audited)

The following table sets out the total remuneration for directors for the year ending 30 September 2018 and the prior year.

	Salary and fees[(a)]		Benefits[(b)]		Annual bonus[(c)]		Long term incentives[(d)]		Pensions[(e)]		Total	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000
Executive directors												
Nigel Clerkin[1]	**198**	–	**13**	–	**46**	–	**–**	–	**40**	–	**297**	–
Chris Corbin[2]	**496**	357	**60**	55	**–**	191	**408**	814	**82**	165	**1,046**	1,582
Brendan McAtamney	**663**	650	**41**	42	**119**	487	**1,006**	964	**166**	163	**1,995**	2,306
Alan Ralph[1]	**442**	433	**28**	32	**57**	324	**403**	903	**110**	108	**1,040**	1,800
Non-executive directors[3]												
Chris Brinsmead	**94**	86	**–**	–	**–**	–	**–**	–	**–**	–	**94**	86
Peter Gray	**208**	205	**–**	–	**–**	–	**–**	–	**–**	–	**208**	205
Myles Lee	**82**	38	**–**	–	**–**	–	**–**	–	**–**	–	**82**	38
Nancy Miller-Rich	**68**	68	**–**	–	**–**	–	**–**	–	**–**	–	**68**	68
Gerard van Odijk[4]	**24**	67	**–**	–	**–**	–	**–**	–	**–**	–	**24**	67
Erik van Snippenberg[5]	**17**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	–
Lisa Ricciardi	**68**	68	**–**	–	**–**	–	**–**	–	**–**	–	**68**	68
Philip Toomey	**69**	85	**–**	–	**–**	–	**–**	–	**–**	–	**69**	85
Linda Wilding	**84**	84	**–**	–	**–**	–	**–**	–	**–**	–	**84**	84
	2,513	2,141	**142**	129	**222**	1,002	**1,817**	2,681	**398**	436	**5,092**	6,389

1 On 15 May 2018, Alan Ralph stepped down from his position as executive director on the Board, and Nigel Clerkin joined the Board as executive director.
2 Chris Corbin's salary has been converted to Euro at the average rate for each year (0.8849 for 2018 and 0.8722 for 2017). Chris Corbin stepped down as an executive director on 2 July 2018. Upon stepping down from his executive director role he assumed a non-executive director role. Further details are set out on page 71.
3 Variances in non-executive director fees are primarily related to travel allowances.
4 Gerard van Odijk retired from the Board at the 2018 AGM on 30 January 2018.
5 Erik van Snippenberg joined on 2 July 2018.

Details on the valuation methodologies applied are set out in Notes (a) to (e) below. These valuation methodologies are as required by the Regulations and are different from those applied within the financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS). The total expense relating to the directors recognised within the income statement in respect of long-term incentives is €1,402,707 (2017: €780,422) and in respect of pension benefits is €398,217 (2017: €435,813).

Notes to Directors' Remuneration Table

(a) **Salary and fees:** This is the amount earned in respect of the financial year, whilst a director.

(b) **Benefits:** This is the taxable value of benefits paid in respect of the financial year. These benefits principally relate to death in service, disability and medical insurance, club subscriptions, the provision of a company car, or cash allowances taken in lieu of such benefits, and personal tax return preparation.

(c) **Annual bonus:** This is the total bonus earned under the annual bonus scheme in respect of the financial year. For details of performance against targets set for the year see pages 85 to 86.

(d) **Long term incentives:** For the year ended 30 September 2018, this is the market value of the LTIP awards earned based on performance to 30 September 2018. These LTIP awards (structured as nominally priced options) were granted in December 2015 and February 2016 and the performance period was the three-year period from 1 October 2015 to 30 September 2018. They are subject to an additional two-year holding period, vesting in December 2020 and February 2021 respectively. These awards are also entitled to dividend equivalents during the vesting period. The value above only includes dividend equivalents earned to 30 September 2018.

The Committee has assessed performance for these awards and determined that 84% of the original award will vest at the end of the five-year vesting period. See pages 85 and 86 for details. The share price at the date of vesting is not available at this time and therefore the number of shares that will vest has been multiplied by the difference between the average share price over the quarter ending 30 September 2018 (£7.65) and the exercise price per share option (€0.05) to calculate a representation of the value attributed to these options.

Directors' Remuneration Report (continued)

Notes to Directors' Remuneration Table (continued)

For the year ended 30 September 2017, this is the market value of the LTIP awards (structured as nominally priced options) that were granted in December 2014 and the performance period was the three-year period from 1 October 2014 to 30 September 2017. The Committee reviewed actual performance relative to the performance targets in November 2017 and determined that 100% of the original award should vest at the end of the five-year vesting period. The difference between the share price on the third anniversary of the grant date (£8.95) and the exercise price per share option (€0.05) was multiplied by the number of options that vested to calculate the value attributed to the options for each director. This has been updated from the 2017 report where in accordance with the Regulations the disclosure was based on the average share price over the quarter ended 30 September 2017 (£8.35). This gave values of €760,697 for Chris Corbin, €900,264 for Brendan McAtamney and €843,328 for Alan Ralph. The value of dividend equivalents accrued during the performance period and up to the third anniversary of the grant date is also included.

(e) **Pension:** Please see pages 86 and 87 for further information.

Discussion of Individual Remuneration Elements

The following sections set out details on each element of remuneration for the year to 30 September 2018 and detail how we intend to operate our policy with respect to each element of remuneration for the year to 30 September 2019.

Salary

The base salaries of executive directors are reviewed annually having regard to personal performance, divisional or Group performance, significant changes in responsibilities and competitive market practice in their area of operation as well as the pay and conditions in the wider Group. The principal external comparator group against which executive directors' reward is currently reviewed comprises the FTSE 250.

In setting Nigel Clerkin's salary upon appointment, the Committee considered and balanced a number of reference points to ensure his salary was set at an appropriate level. These factors included: securing the right candidate at the right price; the exceptional calibre of the candidate; competitive market positioning; the previous incumbent's package; appropriate internal relativities; and external expectations.

In relation to both Brendan McAtamney and Nigel Clerkin, the Committee determined that their base salaries for FY2019 will increase by 2%, consistent with the average increases awarded across the wider Group. Changes to base salary are generally effective from 1 October.

As previously announced, Chris Corbin retired from his role as an executive director in July 2018, remaining on the Board in a non-executive capacity. A sum of £227,628 was paid to Chris Corbin upon his retirement in July 2018, being the amount that Chris would have been entitled to receive under his pre-existing employment arrangements, less amounts payable to Chris going forward in his capacity as a non-executive director. Alan Ralph retired in November 2018 and his salary remained unchanged during the five-month period from May 2018 until his retirement in November 2018 as he supported the transition of his duties to Nigel Clerkin.

The following table sets out the salaries for the executive directors at the start of each financial year.

	1 October 2018 €'000	1 October 2017 €'000
Brendan McAtamney	**€676**	€663
Nigel Clerkin[1]	**€485**	–
Alan Ralph[2]	**€–**	€442
Chris Corbin[3]	**£–**	£312

1 Nigel Clerkin was not employed by the Group until May 2018. Nigel's salary was €475,000 from May 2015 until 30 September 2018.
2 On 15 May 2018, Alan Ralph stepped down from his position as executive director on the Board. His salary remained unchanged from this date to his retirement in November 2018.
3 Chris Corbin retired from his role as an executive director in July 2018, remaining on the Board in a non-executive capacity.

Benefits

Employment related benefits for executive directors principally relate to death in service, disability and medical insurance, club subscriptions, the provision of a company car or cash allowances taken in lieu of such benefits and personal tax return preparation. In the case of recruitment, benefits may include relocation allowances or other benefits considered appropriate by the Committee to facilitate recruitment. Any such benefits are in line with our recruitment remuneration policy.

Annual Bonus

Bonus for the year ended 30 September 2018

For the year ended 30 September 2018, the maximum bonus opportunity, as a percentage of salary, was 100% for each of Brendan McAtamney, Alan Ralph and Nigel Clerkin (on a pro-rated basis reflecting the date he joined the Company). The bonus opportunity for on-target performance was 70% of maximum.

Given Chris Corbin's retirement as an executive director in July 2018, Chris will not receive a bonus for the year ended 30 September 2018.

The following table sets out the performance measures applied for executive directors for the year ended 30 September 2018.

	% of maximum bonus
Financial targets	
Profit	70%
Cash flow	15%
	85%
Non-financial targets	15%
	100%

The performance targets were set by the Committee at the start of the financial year and comprised both financial and non-financial targets.

Financial performance
Subsequent to the end of the financial year, the Committee reviewed actual performance against the targets set for each executive director.

Based on this review, the Committee determined that the executive directors should be awarded bonuses based on the achievement of financial targets as illustrated in the table below.

Measure	Weighting %	Actual %
Group basic PBT	40.0	8
Stretch PBT	30.0	–
Group cash flow	15.0	–
Total bonus for financial performance	**85.0**	**8**

The following table summarises performance against target for each of the financial objectives.

Measure	Definition	Performance targets	Actual performance
Group basic PBT	PBT is defined as profit before tax, exceptional items, amortisation of acquired intangibles and transaction costs. It is measured against budget on a constant currency basis to remove foreign exchange translation impacts. It excludes the impact of unbudgeted acquisitions and disposals.	Budget PBT was $142.5 million and if achieved, leads to a pay-out of the relevant Group basic PBT bonus. Threshold performance equates to $136.8 million or 96% of budget PBT. No portion of basic bonus is paid where actual PBT is at or below threshold performance. 20% of the potential group PBT bonus pays out when actual reaches 96% of budget, and then ratchets up to reach 100% pay-out when 100% of Group PBT budget is achieved. Payment for performance between threshold and budget is on a pro-rata basis.	Reported PBT excluding currency impacts was $137.2 million. Excluding unbudgeted acquisitions and disposals gives PBT for bonus purposes of $136.8 million. As the results were 4% under budget (or 96% of target), this resulted in 20% of the bonus % attributed to Group basic PBT being achieved.
Stretch PBT	The stretch PBT measure is the Group basic PBT including the contribution of unbudgeted acquisitions and deposits.	Achievement of stretch PBT bonus requires PBT of 115% of budget or $163.9 million. Payment between budget and stretch performance is on a pro-rata basis.	Including the net impact of acquisitions and disposals during the year results in a PBT of $137.2 million. As this is under the 100% threshold, no stretch bonus is payable.

Directors' Remuneration Report (continued)

Discussion of Individual Remuneration Elements (continued)

Measure	Definition	Performance targets	Actual performance
Group cash flow	Cash flow is defined as net cash inflow from operating activities less capital expenditure and excludes exceptional items, transaction costs, interest and tax. Cash flow generated by acquisitions is excluded from the actual cash flow performance.	The Group's cash flow target is based on budgeted cash flow of $90.2 million. Threshold performance equates to 95% of budgeted cash flow. No bonus is paid if actual cash flow is at or below threshold target. 100% of bonus is paid if budget cash flow is reached or exceeded. Payment between threshold and budget performance is on a pro-rata basis.	Actual cash flow of $69.4 million ($71.2 million operating cash flows less capex, less $1.8 million from acquisitions) did not meet the budget target of $90.2 million. Accordingly, none of this element of the bonus was achieved.

Non-financial performance

15% of the annual bonus for each executive director was based on the achievement of personal objectives. These objectives include the achievement of operational goals, the executive's contribution to Group strategy as a member of the Board, and specific goals related to their functional role. 2018 objectives were set for each executive at the beginning of the financial year, and performance against these objectives was assessed by the Committee at its November 2018 meeting.

In the case of Brendan McAtamney, personal objectives included the appointment and transition of a new Chief Financial Officer to succeed Alan Ralph, the evaluation and acquisition of appropriate businesses that would add shareholder value, the creation of synergies across recently-acquired assets, and the achievement of underlying growth-related targets. The Committee assessed performance against these objectives and judged that a strong performance had been achieved with respect to the Chief Financial Officer appointment and management of the transition. In relation to M&A, a number of potential acquisitions had been evaluated and two of these had been delivered. While synergies (including cross-selling opportunities) had been created, the growth-related target was not achieved. The Committee therefore recommended 10% of the 15% bonus allocable to personal objectives should be payable.

In the case of Alan Ralph, personal objectives included the management of Future Fit on time and on budget, supporting the Chief Financial Officer transition, and the achievement of underlying growth-related targets. The Committee noted that the Chief Financial Officer transition had been smooth. However, the Future Fit project suffered delays in implementation which had also resulted in some additional costs and the underlying growth-related target was not achieved. The Committee therefore recommended 5% of the 15% bonus should be payable.

In the case of Nigel Clerkin, personal objectives included the familiarisation with key stakeholders internally and externally and the successful transitioning of activities from Alan Ralph. The Committee judged that these objectives had been achieved and recommended that a pro-rata bonus be paid to Nigel based on time served. The Committee therefore recommended that 15% bonus should be payable on a pro-rata basis.

Total bonus payable

The total bonus payable is therefore 18% of maximum for Brendan McAtamney, 13% of maximum for Alan Ralph, and 23% of maximum for Nigel Clerkin. The Committee considers that this level of bonus payout is a fair reflection of the performance achieved during the year and the value created for shareholders.

Bonus for the year ending 30 September 2019

For the year ending 30 September 2019, the maximum bonus opportunity for the executive directors remains at 100% of base salary and is based on the same balance of financial and non-financial performance measures as for FY2018. The bonus opportunity for on-target performance will continue to be 70% of maximum.

Long Term Incentive Plan (LTIP)

The LTIP was approved by shareholders at the Company's 2010 AGM. As noted above, the Company's current share plans expire in 2020. We have reviewed these share plans to reflect current corporate governance guidelines, established best practice and also to provide the Company with sufficient flexibility to compete effectively for talent now and in the future. These share plans will be put forward for approval by shareholders at the AGM in January 2019.

Award for which the year to 30 September 2018 was the last year of the performance period
The following table sets out details in respect of the 2015 LTIP Awards, for which the final year of performance was the year to 30 September 2018.

	Targets for performance period (1 October 2015 to 30 September 2018)	Performance against targets
TSR performance (50% of award)	**TSR measured against constituents of the FTSE 250 Index** Vesting schedule for first 75% for Brendan McAtamney and Alan Ralph and first 50% for Chris Corbin: Below median = 0% At median = 25% Upper quartile = 100% Pro-rating between points Vesting schedule for final 25% for Brendan McAtamney and Alan Ralph and final 50% for Chris Corbin: This portion of the LTIP award is subject to the same vesting schedule as above. Additionally, vesting of this element of the TSR award is subject to the following underpin: • adjusted diluted Earnings Per Share (EPS) growth of not less than 5% per annum compounded over the performance period.	The relative TSR performance over the three-year period was externally measured as being at the 75th percentile, and in relation to adjusted diluted EPS growth, FY2015 EPS of €28.77 cents compounded by 5% for three-years and converted to US dollars (based on an exchange rate of 0.8403 for FY2018) equals $41.61. Actual EPS for FY2018 is $45.94 and therefore exceeded the underpin. Accordingly, 100% of this element of the award will vest. Awards are subject to a two-year holding period and will be delivered to participants in December 2020 and February 2021.
Aggregate cash flow performance[1] (50% of award)	**Company's aggregate cash flow performance (PBIT to cash conversion rate)** Percentage PBIT to cash conversion rate vesting schedule: Below 80% = 0% At 80% = 25% 100% or above = 100% Pro-rating between points Vesting under the cash flow element is also contingent on an aggregate minimum cash flow generation by the Company of $302 million over the performance period.	The PBIT conversion rate was 91% over the three-year period, and aggregate cash generation was $350 million. Accordingly, 67% of this element of the award will vest.
Total		**84% of awards will vest and become exercisable in December 2020 and February 2021.**

1 In line with the plan rules, for the purposes of assessing the level of LTIP awards that should vest, the impact of exceptional items and amortisation of acquired intangible assets has been excluded within both PBIT and cash flow for calculation purposes. For the purposes of assessing the achievement of the minimum cash flow generation target over the performance period, actual cash generation during this period has been adjusted by eliminating cash generated from acquisitions completed after the target level of $302 million had been set. Similarly, cash generated has also been adjusted in respect of disposals completed after the target level of $302 million had been set.

LTIP awards made during the year to 30 September 2018
The following table sets out details of LTIP awards made during the year to 30 September 2018.

	Number of options	Date of award	Share price at date of grant £	Face value £'000	Threshold vesting %	Maximum vesting %
Brendan McAtamney	102,038	5 December 2017	8.55	872	25	100

The above award is subject to performance over the three-year period to 30 September 2020. The award is then subject to a further two-year holding period and the vested portion will be delivered in December 2022. The award is in the form of nominal value share options over ordinary shares with an exercise price of €0.05 per share.

The market value of the options granted to Brendan McAtamney (number of options multiplied by the share price at the date of grant) equated to 150% of his base salary. None of Alan Ralph, Chris Corbin nor Nigel Clerkin received an LTIP award during the year ending 30 September 2018.

Directors' Remuneration Report (continued)

Discussion of Individual Remuneration Elements (continued)

The following table sets out details of performance measures in respect of the LTIP awards granted during the year.

	Targets for performance period (1 October 2017 to 30 September 2020)
TSR performance (50% of award)	**TSR measured against the FTSE 250 Index** Vesting schedule for first 75% of the TSR award: Below median = 0% At median = 25% Upper quartile = 100% Pro-rating between points Vesting schedule for final 25% of the TSR award: This portion of the LTIP award is subject to the same vesting schedule as above. Additionally, vesting of this element of the TSR award is subject to the following underpin: • adjusted diluted Earnings per Share (EPS) growth of not less than 5% per annum compounded over the performance period.
Aggregate cash flow performance[1] (50% of award)	**Company's aggregate cash flow performance (PBIT to cash conversion rate)** Percentage PBIT to cash conversion rate vesting schedule: Below 80% = 0% At 80% = 25% 100% or above = 100% Pro-rating between points Vesting under the cash flow element is also contingent on an aggregate minimum cash flow generation by the Company of $397.2 million over the performance period.

1 In line with the plan rules, for the purposes of assessing the level of LTIP awards that should vest, the impact of exceptional items and amortisation of acquired intangible assets will be excluded within both PBIT and cash flow for calculation purposes. For the purposes of assessing the achievement of the minimum cash flow generation target, cash flows from acquisitions shall be excluded and the target shall also be adjusted in respect of lost cash flows from disposals.

The proportion of awards that do not meet the performance criteria will lapse on the scheduled vesting date.

LTIP awards during the year to 30 September 2019

Award levels will be set at 150% of base salary in the case of both Brendan McAtamney and Nigel Clerkin. The Committee has determined 150% of salary to be the appropriate level of award given the Group's ambitious growth plans over the next three to five years and the award sizes at the Company's comparators in the FTSE 250. It is intended that performance targets for LTIP awards to be granted during the year to 30 September 2019 will continue to be based on the same performance conditions as outlined above. The performance period will be the three years to 30 September 2021 and awards meeting their vesting criteria will vest on the fifth anniversary of their grant.

Pensions

Irish and UK tax legislation impose penalty taxes on annual pension contributions and increases in pension fund values accruing to individual employees where proscribed maximum amounts are exceeded. The Committee has previously determined that impacted executive directors could either continue to accrue pension benefits as previously entitled, or alternatively, accept pension benefits limited by the prescribed maximum amounts and receive or accrue a supplementary taxable non-pensionable allowance equal to the cost to the Company of the pension benefit foregone. The amount of the allowance awarded to each director has been set by the Committee such that there is no additional cost to the Company from the arrangement.

As previously noted, Chris Corbin is a member of a defined contribution scheme with contributions capped at the permitted level under UK tax legislation and the alternative arrangements referred to above were accepted by Chris Corbin with effect from 5 April 2011. Over his tenure with UDG Healthcare, the Company has accrued pension for Chris Corbin up to the permitted level of £750,000. Since reaching the permitted level, the Group has accrued a supplementary taxable non-pensionable allowance equal to the cost of the pension contribution foregone. The combined cost of these arrangements was £73,000 in 2018. As noted above, Chris Corbin ceased to be an executive director on 2 July 2018, at which time the provision of such supplementary taxable non-pensionable allowances ceased and arrangements were made to transfer the accrued pension benefit amount to Chris in July 2018.

All pension benefits are determined solely in relation to base salary. Fees paid to non-executive directors are not pensionable.

Brendan McAtamney and Nigel Clerkin both receive a taxable, non-pensionable cash allowance of 25% of base salary.

Alan Ralph participated in a defined benefit pension plan, which accrued annually to provide up to 55% of his final pensionable salary at retirement. This plan was closed to future accrual in December 2015. Since January 2016, Alan has received a taxable non-pensionable cash allowance in lieu of pension of 25% of base salary. In 2018, the amount included in the single figure in relation to this cash allowance was €110,388.

On 26 September 2018, Alan accepted an offer made to all members of the defined benefit pension plan to transfer his accrued benefit from the defined benefit plan to a privately managed arrangement at a value of 125% of transfer value. There was no increase in his accrued pension entitlement from 1 October 2017 to the date of transfer, with the accumulated accrued pension standing at €91,008 per annum as at the date of transfer and based on a normal retirement date of 18 September 2029.

The normal retirement date of each executive director is their 60th birthday. In the event that a director retires before their 60th birthday and receives an immediate pension, their pension entitlement shall be reduced on an actuarial basis to reflect earlier payment.

Additional Information

Fees from external appointments

The executive directors are permitted to retain for their own benefit fees they receive from any external non-executive directorships. Brendan McAtamney has served as a non-executive director of Scapa Group plc since 1 February 2018. During the period from 1 February to 30 September 2018, he received fees of £28,000.

Payments to Former Directors

Save as set out in this section, there were no payments to former directors during the year.

Payments for Loss of Office

Save as set out in this section, there were no payments for loss of office during the year.

Transition Arrangements for Chris Corbin and Alan Ralph

Chris Corbin stepped down from his role as Executive Chairman of Ashfield and assumed a non-executive director role on 2 July 2018. For the period from 1 October 2017 to 2 July 2018, he continued to be paid his salary and regular benefits and, as noted at page 82 above, received the amount of £227,628 upon his retirement, being the amount that he would have been entitled to under pre-existing employment arrangements. Upon his retirement, Chris ceased to be eligible for a bonus for FY2018. Subject to performance assessment at the normal time being met, his outstanding LTIP awards will continue to vest on their respective vesting dates. He did not receive an LTIP award for FY2018 and will receive no further awards. Chris will continue to have the use of a company car until the pre-existing lease expires in July 2019 and health benefits coverage continues until its expiry in March 2019.

In the case of Alan Ralph, Alan stepped down from the Board on 15 May 2018. For the period from 16 May 2018 to 30 September 2018 (and through to 30 November 2018), Alan continued to be paid his salary and regular benefits and to be eligible to receive a bonus based on his performance against financial and non-financial objectives for the year to 30 September 2018. Upon stepping down from his executive director role, Alan Ralph will not be eligible for a bonus for his time with the Company in FY2019. Subject to performance assessment at the normal time being met, his outstanding LTIP awards will continue to vest on their respective vesting dates. He did not receive an LTIP award for FY2018 and will receive no further awards.

Minimum Shareholding Requirements

The Committee has adopted guidelines for executive directors to retain substantial long-term share ownership. These guidelines specify that executive directors should, over a period of five years from the date of appointment, build up and then retain a shareholding in the Company with a valuation at least equal to 100% of their annual base salary.

The table below sets out the percentage of base salary held in shares in the Company by each executive director as at 30 September 2018.

Value of Shareholdings as % of Base Salary

Below is set out the value of executive directors' shareholdings as a percentage of annual base salary.

	Number of Shares	30 September 2018 Share Price £	Value of Shareholding £	30 September 2018 Salary (or last applicable salary where relevant)[1]	% of base Salary[2]
Chris Corbin	609,481	6.81	4,150,566	£311,657	1,332%
Alan Ralph	83,100	6.81	565,911	€441,550	145%
Brendan McAtamney	115,000	6.81	783,150	€663,000	133%
Nigel Clerkin	40,000	6.81	272,400	€475,000	65%

1 Amounts have been converted to euro at the average exchange rate for the year of 0.8849.
2 Brendan McAtemney has met the shareholding guideline. Nigel Clerkin has acquired 65% of the shareholding guideline as at the date of this report, and has until 30 April 2023 to meet the shareholding guideline.

Directors' Remuneration Report (continued)

Non-Executive Directors' Remuneration

Non-executive directors' fees are set at a level to attract individuals with broad international, commercial and other relevant experience and reward them for fulfilling the relevant role.

Non-executive directors receive a basic fee for their role and membership of a Committee. Non-executives who serve as chair of one or more Committees are entitled to an additional fee. Membership of multiple Committees does not accrue any additional fee. Non-executive directors who travel to/from meetings from Europe receive an additional €500 travel allowance per trip and those travelling to/from the US receive an additional €1,000 per trip. The Senior Independent non-executive Director ('SID') is also entitled to an additional fee of €10,000 per annum.

In addition to the basic fee of €66,300, Peter Gray received a fee of €142,800 in respect of his role as Chairman (i.e., total fees of €209,100 in FY2018).

Following a review of the fees of the non-executive directors and the Chairman in November and 2018, a 2% increase was agreed in each case. This increase will be effective from 1 January 2019.

Non-executive directors' fees:

	From 1 January 2019 €	From 1 January 2018 €
Basic fee (including Committee membership)	**67,626**	66,300
Chairman's fee (including basic fee)	**213,282**	209,100
Committee chair[1]	**15,300**	15,000
SID fee	**10,200**	10,000

1 This is an additional fee payable to the Chairs of the Audit, Remuneration, and Risk, Investment & Financing Committee. Peter Gray is Chair of the Nominations & Governance Committee and does not receive a separate fee in respect of this role.

Directors' Shareholding and Share Interests (Audited)

Long Term Incentive Plan (LTIP)

Details of outstanding share awards, with performance conditions, granted to directors under the LTIP are set out below.

	Number of shares under award										
	At 1 October 2017	Granted during the year[1]	Exercised during the year	Lapsed during the year	At 30 September 2018	Market price at date of award	Exercise price €	Market price at date of vesting	Date of award	Vesting date	Expiry date
Chris Corbin											
	77,212	–	–	–	77,212	£3.73	0.05	n/a	28.02.14	28.02.19	27.02.21
	77,772	–	–	–	77,772	£3.78	0.05	n/a	17.12.14	17.12.19	16.12.21
	54,884[2]	–	–	–	54,884	£5.52	0.05	n/a	03.12.15	03.12.20	02.12.22
	209,868	**–**	**–**	**–**	**209,868**						
Brendan McAtamney											
	93,911	–	–	–	93,911	£3.73	0.05	n/a	28.02.14	28.02.19	27.02.21
	92,041	–	–	–	92,041	£3.78	0.05	n/a	17.12.14	17.12.19	16.12.21
	57,954[2]	–	–	–	57,954	£5.52	0.05	n/a	03.12.15	03.12.20	02.12.22
	77,354[2]	–	–	–	77,354	£5.12	0.05	n/a	05.02.16	05.02.21	04.02.23
	122,180	–	–	–	122,180	£6.72	0.05	n/a	07.12.16	06.12.21	06.12.23
		102,038	–	–	102,038	£8.55	0.05	n/a	05.12.17	05.12.22	05.12.24
	443,440	**102,038**	**–**	**–**	**545,478**						
Alan Ralph											
	87,973	–	–	–	87,973	£3.73	0.05	n/a	28.02.14	28.02.19	27.02.21
	86,220	–	–	–	86,220	£3.78	0.05	n/a	17.12.14	17.12.19	16.12.21
	54,289[2]	–	–	–	54,289	£5.52	0.05	n/a	03.12.15	03.12.20	02.12.22
	54,242	–	–	15,068[3]	39,174	£6.72	0.05	n/a	07.12.16	06.12.21	06.12.23
	282,724	**–**	**–**	**15,068**	**267,656**						

1 Details regarding the grant of awards to directors during the year to 30 September 2018 are set out on page 85.
2 Denotes the 2015 LTIP Awards. Post 30 September 2018, and following a performance assessment, the Committee determined that 84% of the 2015 LTIP Awards would vest, and accordingly, that 16% of the shares subject to these awards would lapse in due course.
3 In connection with Alan Ralph's retirement, this award was time-apportioned and the relevant number of shares subject to these awards lapsed.

s.305 CA 2014

For the purposes of Section 305 of the Companies Act 2014 (Ireland), the aggregate gains by directors on the exercise of share options during the year ended 30 September 2018 was €0.00 (2017: €205,797).

Directors' Interests in Share Capital (Audited)

The beneficial interests, including family interests, of the directors and secretary in office at 30 September 2018 in the ordinary share capital of the Company are detailed below.

	30 September 2018 Ordinary shares	1 October 2017 (or date of appointment if later) Ordinary shares
Chris Brinsmead	**12,500**	12,500
Nigel Clerkin	**40,000**	–
Chris Corbin	**609,481**	1,739,481
Peter Gray	**114,000**	100,000
Myles Lee[1]	**4,000**	–
Brendan McAtamney	**115,000**	80,000
Nancy Miller-Rich	**–**	–
Erik van Snippenberg	**–**	–
Alan Ralph	**83,100**	170,688
Lisa Ricciardi	**16,000**	16,000
Philip Toomey	**84,334**	84,334
Linda Wilding	**19,304**	19,304
Damien Moynagh (Company Secretary)	**–**	–

1 On 27 November 2018 Myles Lee purchased 6,000 Ordinary shares in the Company.

There were no other changes in the above Directors and Secretary's interests between 30 September 2018 and 3 December 2018.

The directors and secretary have no beneficial interests in any Group subsidiary or joint venture undertakings.

Statement of Shareholder Voting

The Company is committed to ongoing shareholder dialogue and takes shareholder views into consideration when formulating remuneration policy and practice. To the extent there are substantial numbers of votes against resolutions in relation to directors' remuneration, the Company will seek to understand the reasons for any such vote and will provide details of any actions in response to such a vote.

The following tables set out the actual votes at the 2018 AGM in respect of the Directors' Remuneration Report and the actual votes at the 2017 AGM in relation to Directors' Remuneration Policy.

Directors' Remuneration Report	For	Against	Withheld[1]
Number of votes (millions)	154.1	1.4	0.05
Percentage %	99.1	0.9	–

Directors' Remuneration Policy	For	Against	Withheld[1]
Number of votes (millions)	143.3	2.3	11.5
Percentage %	98.4	1.6	–

1 A vote withheld is not a vote in law and is not counted in the calculation of the percentage votes for and against a resolution.

Remuneration Committee

The following table details the members of the Committee, their attendance at meetings held during the year to 30 September 2018 and their tenure.

Member	Number of meetings held when director was a member	Number of meetings attended	Committee tenure
Linda Wilding (Chair)	5	5	4 years
Chris Brinsmead	5	5	7 years
Peter Gray[1]	5	4	5 years
Lisa Ricciardi[1]	5	4	4 years
Philip Toomey	5	5	9 years

1 Peter Gray was unable to join the meeting on 24 July 2018 due to travel. Lisa Ricciardi was unable to join the meeting on 25 September 2018 due to prior engagement. In each case, the Chair had the opportunity to discuss agenda items with the individual in advance.

Directors' Remuneration Report (continued)

The Committee's responsibilities include:
- setting, reviewing and recommending to the Board the remuneration policy for executive directors and certain other senior executives;
- setting, reviewing and approving the remuneration arrangements of executive directors and senior executives; and
- reviewing and approving the rules of any incentive plans subject to final approval by the Board and shareholders.

External Advisors

The Committee seeks and considers advice from independent remuneration advisors where appropriate. During 2012, following a review process, the Committee appointed Deloitte LLP to provide advice on compensation and remuneration matters including advice on best practice market developments. During the year to 30 September 2018, fees payable to Deloitte in respect of services which materially assisted the Committee amounted to £14,350. These fees were charged on a time and expenses basis. Deloitte is one of the founding members of the Remuneration Consultants' Code of Conduct and adheres to this Code in its dealings. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement team that provide remuneration advice to the Committee do not have connections with UDG Healthcare that may impair their independence.

During the year, the Group also received advice and services from Deloitte in respect of consulting services. The Committee is satisfied that the provision of these services does not constitute a conflict of interest.

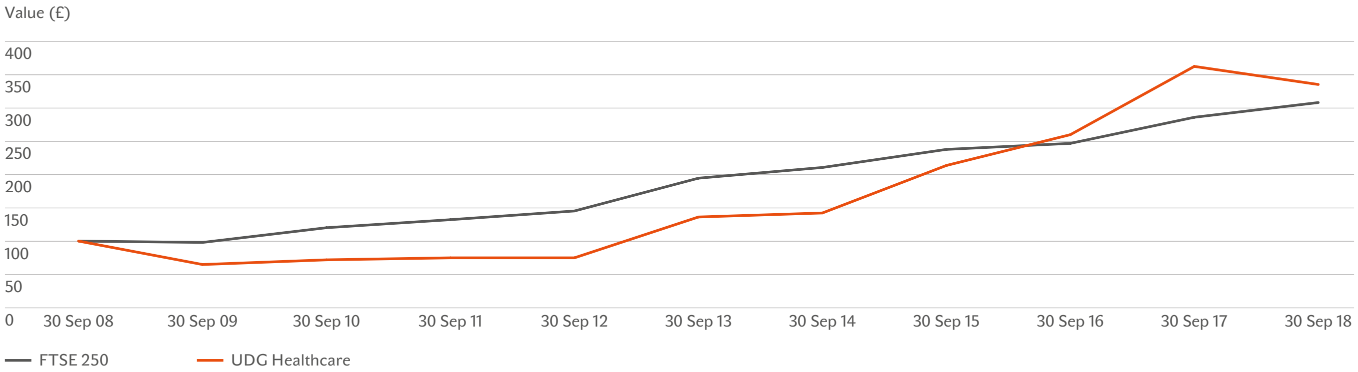
Performance Graph and Table

The table below summarises the single figure of total remuneration for the Chief Executive for the past ten years as well as how the actual awards under the annual bonus and LTIP compare to their respective maximum opportunity.

	Chief Executive	Single figure of total remuneration €'000	Annual bonus award against maximum opportunity	LTIP award against maximum opportunity
2018	Brendan McAtamney	1,995	18.0%	84.0%
2017	Brendan McAtamney	2,306	75.0%	100%
2016[1]	Brendan McAtamney	1,265	74.0%	100%
	Liam FitzGerald	683	81.2%	100%
2015	Liam FitzGerald	2,509	70.2%	100%
2014	Liam FitzGerald	2,371	71.6%	89.2%
2013	Liam FitzGerald	1,709	20.0%	95.5%
2012	Liam FitzGerald	1,697	90.0%	62.5%
2011	Liam FitzGerald	1,223	89.8%	0%[2]
2010	Liam FitzGerald	1,342	77.5%	0%[2]
2009	Liam FitzGerald	1,884	0%	89.8%

1 Liam FitzGerald was CEO until 1 February 2016. Brendan McAtamney was appointed as Group CEO from 2 February 2016. For 2016, Brendan McAtamney participated in the 2010 LTIP. Liam FitzGerald also participated in the 2010 LTIP in 2012, 2013, 2014 and 2015 financial years. Details on the vesting performance of awards under this plan are set out on pages 85 and 86. In relation to the single figure of total remuneration, both Liam FitzGerald and Brendan McAtamney's amounts have been pro-rated for their period of service as CEO.
2 For the 2011 and 2010 financial years, Liam FitzGerald participated in the ESOS. Awards under this scheme did not meet their performance targets in respect of either financial year.

The Company became a member of the FTSE 250 Index on 24 December 2012 and the Committee believes that this is the most appropriate index against which to compare the performance of the Company (prior to this the Company had its primary listing on the Irish Stock Exchange). The chart below compares the performance of the Company relative to the FTSE 250 Index over the ten-year period to 30 September 2018.



This graph shows the value of £100 invested in UDG Healthcare plc on 30 September 2008 compared with the value of £100 invested in the FTSE 250. Values at each year-end date are calculated on a 3-month average basis.

Source: Thomson Reuters

Percentage Change in Total Remuneration of CEO Versus Average Employee

Details of the percentage change in the total remuneration of the Chief Executive relative to employees across the Group as at 30 September 2018 are set out below.

	Total %
	2018
Chief Executive	(13.5)%
Average employee[1]	10.7%

1 The increase in average employee remuneration is a reflection of currency movements, a change in employee mix arising from acquisitions and disposals, and the broad geographic spread of employees across 26 countries.

Relative Spend on Pay

The following table sets out the percentage change in adjusted profit before tax, dividends and overall expenditure on pay (as a whole across the organisation). Both profit and expenditure on pay have been impacted by changes in foreign exchange translation rates, between 2017 and 2018.

	2018 $'000	2017 $'000	Change
Adjusted profit before tax	**138,815**	118,928	16.7%
Dividends	**34,705**	31,279	11.0%
Overall expenditure on pay	**614,181**	511,108	20.2%

Report of the Directors

The directors present their report and audited financial statements for the year ended 30 September 2018.

Non-Financial Reporting Statement

In compliance with the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, the table below is designed to help stakeholders navigate to the relevant sections in this annual report to understand UDG's approach to these non-financial matters:

Reporting Requirements	Our Policies	Page references	Policies
Environmental matters	• Environmental Sustainability	page 50	Although the risks associated with environmental matters are actively monitored, UDG do not believe these risks meet the threshold of a principal risk for our business.
Social and Employee matters	• Diversity, Equality and Inclusion • Driver Safety Management • Health and Safety • Whistleblowing • Conflicts of Interest	pages 51 – 55 Confidential Reporting Procedures – page 76	For employee matters Talent Management is one of our principal risks. Please refer to page 28 for more details.
Human Rights	• Anti-Modern Slavery	page 51	Although the risks associated with human rights abuses are actively monitored, UDG do not believe these risks meet the threshold of a principal risk for our business.
Anti-bribery and Corruption	• Code of Conduct • Compliance • Anti-Bribery	page 58	Although the risks associated with bribery and corruption are actively monitored, UDG do not believe these risks meet the threshold of a principal risk for our business.
Description of the business model	Please refer to pages 12 and 13		
Non-Financial key performance indicators	Please refer to page 24		

Dividends

An interim dividend of $4.25 cent (2017: $3.58 cent) per share was paid on 26 June 2018. Subject to shareholder approval at the Company's AGM, it is proposed to pay a final dividend of $11.75 cent (2017: $9.72 cent) per share on 4 February 2019, to ordinary shareholders on the Company's register at 5.00 p.m. on 11 January 2019, thereby giving a total dividend for the year of $16.00 cent (2017: $13.30 cent) per share.

Board of Directors

Nigel Clerkin was appointed as an executive director on 15 May 2018. Erik van Snippenberg was appointed as a non-executive director on 2 July 2018. Details of the Board and Committee composition are set out on pages 60 and 61.

In accordance with the recommendation contained in the 2016 UK Corporate Governance Code, the Board has adopted the practice of annual re-election for all directors, unless a director is stepping down from the Board.

Company Listing and Share Price

At 30 September 2018, the Company's shares were listed solely on the London Stock Exchange. The price of the Company's shares ranged between £6.31 and £9.59, with an average price of £8.42, during the year ended 30 September 2018. The share price at the end of the 2018 financial year was £6.81 and the market capitalisation of the Group was £1.7 billion.

Substantial Interests

The Company has received notification of the following interests of 3% or more in its ordinary share capital:

	At 23 November 2018*		At 28 September 2018	
	Ordinary shares number	% of issued share capital (excluding treasury shares)	Ordinary shares number	% of issued share capital (excluding treasury shares)
Fidelity Management & Research	22,337,376	8.98	22,337,376	8.98%
Allianz Global Investors GmbH	21,666,815	8.71	21,492,144	8.64%
Kabouter Management	13,479,303	5.42	12,720,343	5.11%
Blackrock	11,393,602	4.58	11,098,115	4.46%
Vanguard Group	9,478,230	3.81	8,956,554	3.60%

* 23 November is the last practicable date to verify interests before printing this report.

These entities have indicated that the shareholdings are not ultimately beneficially owned by them.

Authority to Allot Shares and Disapplication of Pre-emption Rights

At the AGM held on 29 January 2018, the directors received the authority from shareholders to allot shares up to an aggregate nominal value representing approximately one-third of the issued share capital of the Company and the power to disapply the statutory pre-emption provisions relating to the issue of new equity for cash. The disapplication is limited to the allotment of shares in connection with the exercise of share options, any rights issue, any open offer or other offer to shareholders and the allotment of shares up to an aggregate nominal value representing approximately 5% of the issued share capital of the Company. The directors also received authority to allot up to 10% of the issued share capital of the Company if the issue was related to an acquisition.

These authorities are due to expire at the Company's 2019 AGM. Consequently, at the forthcoming AGM, shareholders will be asked to renew these authorities until the date of the Company's AGM to be held in 2020 or the date 15 months after this forthcoming AGM, whichever is the earlier.

Purchase of Own Shares

At the AGM held on 29 January 2018, authority was granted to the Company, or any of its subsidiaries, to purchase a maximum aggregate of 10% of the Company's shares.

Special resolutions will be proposed at the Company's 2019 AGM to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the issued share capital of the Company and in relation to the maximum and minimum prices at which treasury shares (effectively shares purchased and not cancelled) may be re-issued off-market by the Company. If granted, the authorities will expire on the earlier of the date of the Company's AGM in 2020 or the date 15 months after this forthcoming AGM.

The directors will only exercise the power to purchase shares if they consider it to be in the best interests of the Company and its shareholders as a whole.

Takeover Directive

The Group's principal banking and loan note facilities include provisions that, in the event of a change of control of the Company, the Group could be obliged to repay the facilities together with penalties. Certain client and supplier contracts and joint venture arrangements also contain change of control provisions. Additionally, the Company's Long Term Incentive Plan and Employee Share Option Plan contain change of control provisions which potentially allow for the acceleration of the exercisability of awards in the event that a change of control occurs with respect to the Company.

Political Donations

No political donations which require disclosure in accordance with the Electoral Acts 1997 to 2012 were made by the Group during the year.

Accounting Records

The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at the Company's registered office, 20 Riverwalk, Citywest Business Campus, Citywest, Dublin 24, Ireland.

Auditor

The appointment of Ernst & Young as the Company's External Auditor was approved by shareholders on 7 February 2017. The re-appointment of Ernst & Young for the year ending 30 September 2019 will be subject to shareholder approval at the AGM to be held on 29 January 2019.

Disclosure of Information to the Auditor

Each of the directors individually confirms that:

- in so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

Annual General Meeting

The AGM of the Company will be held on 29 January 2019. Your attention is drawn to the letter to shareholders and the Notice of AGM available on the Company's website, www.udghealthcare.com, which sets out details of the matters which will be considered at the meeting.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company and may be amended by a special resolution passed by the shareholders at a general meeting of the Company.

Report of the Directors (continued)

Corporate Governance
UDG Healthcare plc is an Irish registered company and is therefore not subject to the disclosure requirements contained in the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

A summary of the Group's business model and strategy is set out on pages 12 to 15 and the Group's sustainability policies and activities are summarised on pages 48 to 59.

Directors Compliance Statement
(Made in accordance with section 225 of the Companies Act, 2014).

The directors acknowledge that they are responsible for securing compliance by UDG Healthcare plc (the 'Company') with its relevant obligations as are defined in the Companies Act, 2014 (the 'Relevant Obligations').

The directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies that, in the directors' opinion, are appropriate to the Company with respect to compliance by the Company with its relevant obligations.

The directors further confirm the Company has put in place appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with its relevant obligations including reliance on the advice of persons employed by the Company and external legal and tax advisers as considered appropriate from time to time and that they have reviewed the effectiveness of these arrangements or structures during the financial year to which this report relates.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable laws and regulations.

Company law requires the directors to prepare Group and Company financial statements each year. Under that law, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014.

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 assets, liabilities and financial position of the Group and Company and of their profit and loss for that period. In preparing each of the Group and Company financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the assets, liabilities, financial position and profit and loss of the Company, and which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. The directors are also responsible for taking all reasonable steps to ensure such records are kept by subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act, 2014. 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 corporate and financial information included on the Group's and Company's website (www.udghealthcare.com). Legislation in Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement as Required by the Transparency Directive and UK Corporate Governance Code
Each of the directors, whose names and functions are listed on pages 60 and 61 of this Annual Report, confirm that, to the best of each person's knowledge and belief:
- as required by the Transparency Regulations:
  - The Group financial statements, prepared in accordance with IFRS as adopted by the European Union and, in the case of the Company, as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities, financial position of the Group and Company as at 30 September 2018 and of the profit of the Group for the year then ended;

- The Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- as required by the UK Corporate Governance Code:
  - The Annual Report and financial statements, taken as a whole, provide the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable.

Other Information

Other information relevant to the Director's Report may be found in the following sections of the Annual Report:

Information	Location in the Annual Report
Principal activities, business review and future developments	Chairman's Statement; Chief Executive's Review; Operations Reviews and Finance Review – pages 4 to 35.
Results	Financial Statements – pages 102 to 167.
Corporate Governance	Corporate Governance Report – pages 62 to 69.
Directors' remuneration, including the interests of the directors and secretary in the share capital of the Company	Directors' Remuneration Report – pages 79 to 91.
Principal Risks and Uncertainties	Principal Risks and Uncertainties – pages 27 to 31.
Principal Key Performance Indicators	Key Performance Indicators – pages 22 to 24.
Financial risk management objectives and policies of the Group and the Company	Financial Statements – Note 31.
Company's capital structure including a summary of the rights and obligations attaching to shares	Group Statement of Changes in Equity – page 104; and Financial Statements – Notes 18, 20 and 21.
Long Term Incentive Plan, share options and equity settled incentive schemes	Directors' Remuneration Report – pages 79 to 91.
Events after the balance sheet date	Financial Statements – Note 35.
Significant subsidiary undertakings	Financial Statements – Note 45.

The Directors' Report for the year ended 30 September 2018 comprises these pages and the sections of the Annual Report referred to under 'Other information' above, which are incorporated into the Directors' Report by reference.

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

3 December 2018

Independent Auditor's Report to the Members of UDG Healthcare plc

Opinion

We have audited the financial statements of UDG Healthcare plc ('the Company') and its subsidiaries ('the Group') for the year ended 30 September 2018, which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement, the Company Statement of Comprehensive Income, the Company Statement of Changes in Equity, the Company Balance Sheet and notes forming part of the Group financial statements, including the Significant Accounting Policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:
- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 30 September 2018 and of its profit for the year then ended;
- the Company Balance Sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 30 September 2018;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland')) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Group and Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Overview of our audit approach

Key audit matters	• Assessment of the carrying value of goodwill. • Revenue recognition.
Audit scope	• We performed an audit of the complete financial information of 11 (2017: 8) components and audit procedures on specific balances for a further 44 (2017: 50) components. • The components where we performed full or specific audit procedures accounted for 85% (2017: 88%) of Group Profit before Tax before exceptional items, 87% (2017: 94%) of Revenue and 96% (2017: 97%) of Total Assets.
Materiality	• Overall group materiality of $5.3 million which represents 5% of Group Profit before Tax before exceptional items. In our prior year audit, we adopted a materiality of $4.6 million based on 5% of Profit before Tax from continuing operations.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Assessment of the carrying value of goodwill (2018: $516.0 million, 2017: $542.6 million) Refer to the Audit Committee Report (page 74); Accounting policies (page 111); and Note 13 of the Group Financial Statements (page 127). The impairment review of goodwill, with a carrying value of $516 million, is considered to be a risk area due to the size of the balance as well as the fact that it involves significant judgement by management. Judgemental aspects include assumptions of future profitability, revenue growth, margins, and the selection of appropriate discount rates, all of which may be subject to management override.	Our team included valuations specialists who performed an independent assessment against external market data of key inputs used by management in calculating appropriate discount rates. We challenged the determination of the Group's eight cash-generating units (CGUs), and flexed our audit approach relative to our risk assessment and the level of excess of value-in-use over the carrying amount in each CGU. For all CGUs selected for detailed testing, we corroborated key assumptions in the models, in particular growth rates, which we compared against historic rates achieved and external analyst forecasts. We performed a sensitivity analysis on the discount rate and the long-term growth rate, to assess the level of excess of value-in-use over the carrying value in place for each CGU based on reasonably possible movements in such assumptions. We considered the adequacy of management's disclosures in respect of impairment testing and whether the disclosures appropriately communicate the underlying sensitivities.	Our observations included the headroom level by CGU, where within an acceptable range the calculated value-in-use for each CGU lay, the results of our sensitivity analysis, and an analysis of the five year forecast EBIT growth rate when viewed against the prior year impairment model and the current year actual growth.
Revenue recognition (2018: $1,315.2 million, 2017: 1,219.8 million) Refer to the Audit Committee Report (page 74); Accounting policies (page 113); and Note 3 of the Group Financial Statements (page 117). The Group generates revenue from a variety of geographies and across a large number of separate legal entities spread across the Group's segments. Revenue may be recorded in an incorrect period or on a basis that is inconsistent with the contractual terms agreed with customers. Certain of the Group's revenue streams involve the exercise of judgement, in particular the determination of stage of completion of individual contracts where their duration spans accounting periods. In addition, the Group must assess whether it acts as agent or principal in transactions and accordingly whether revenue should be recorded on a gross or net basis, including the treatment of any rebates received. These judgements are important, given the significance of revenue as both a growth measure and a key determinant of profit in each period.	We performed procedures on revenue at all in-scope locations, as outlined in further detail in the 'Tailoring the scope' section below. Detailed transactional testing of revenue recognised throughout the year was performed, commensurate with the higher audit risk assigned to revenue. Dependent on the nature of the revenue recognised at each location, we examined supporting documentation including customer contracts, statements of works or purchase orders, sales invoices, and cash receipts. In addition, we performed cut-off procedures, revenue journal testing and customer balance confirmations. In some locations data analytics procedures were also performed. Particular focus was applied at those locations where revenue is determined over time under a stage of completion methodology or where agent versus principal considerations apply. In these circumstances we applied professional scepticism when assessing the judgments made by management.	Our observations included an outline of the range of audit procedures performed, the key judgments involved, the entities where management judgement was most prevalent and the results of our testing. We also provided our assessment of where we believe the Group's revenue recognition practices lie within a range of acceptable outcomes, and the level of subjectivity involved in revenue related estimates.

In the auditor's report for the year ended 30 September 2017, we identified Accounting for Acquisitions as a Key Audit Matter. This reflected the Group completing in that year 6 acquisitions at a total cost of $270.5 million, representing a significant increase over the levels in the previous year. As acquisition activity in the current year reduced to 2 acquisitions at a total cost of $87.2 million, we concluded that this matter no longer met the criteria to be a Key Audit Matter in the current year.

Independent Auditor's Report to the Members of UDG Healthcare plc (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $5.3 million, which is approximately 5% of Profit before Tax before exceptional items. In our prior year audit, we adopted a materiality of $4.6 million based on 5% of Profit before Tax. Profit before Tax before exceptional items is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We therefore considered Profit before Tax before exceptional items to be the most appropriate performance metric on which to base our materiality calculation as we consider it to be the most relevant performance measure to the stakeholders of the Group.

During the course of our audit, we reassessed initial materiality and the only change in final materiality was to reflect the actual reported performance of the Group in the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely $2.64 million. We have set performance materiality at this percentage based on our assessment of the risk of misstatements, both corrected and uncorrected.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $1.38 million to $0.55 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $264,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group financial statements.

In determining those components in the Group at which we perform audit procedures, we utilised size and risk criteria in accordance with International Standards on Auditing (Ireland).

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 158 (2017: 154) reporting components of the Group, we selected 55 (2017: 58) components covering entities within Austria, Belgium, Canada, Germany, Japan, the Netherlands, Portugal, Spain, Turkey, the UK and the US, which represent the principal business units within the Group.

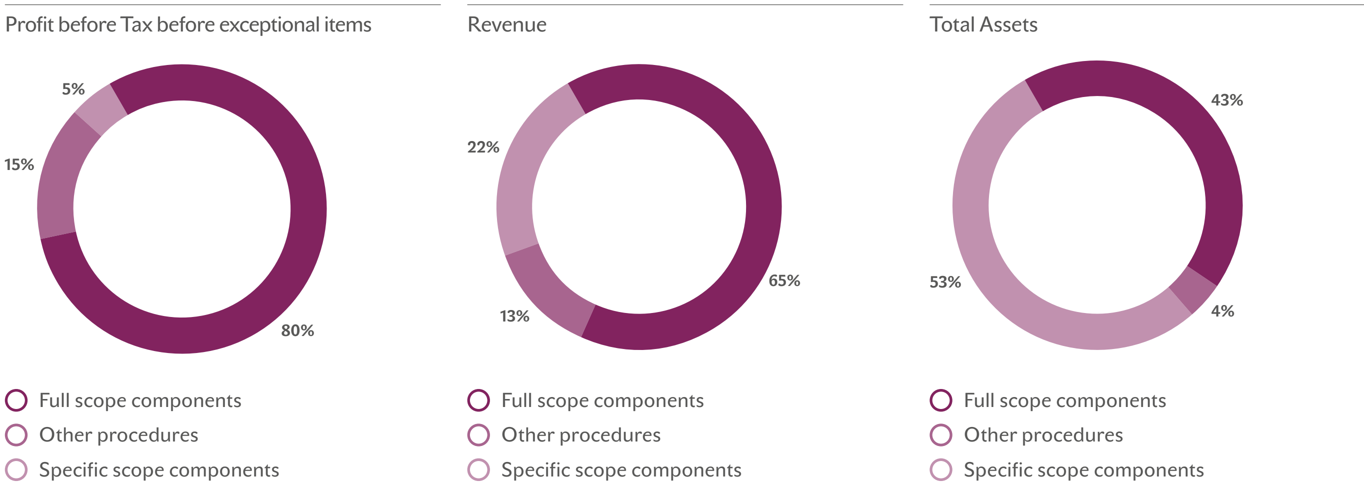
Of the 55 (2017: 58) components selected, we performed an audit of the complete financial information of 11 (2017: 8) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 44 (2017: 50) components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 85% (2017: 88%) of the Group's Profit before Tax before exceptional items, 87% (2017: 94%) of the Group's Revenue and 96% (2017: 97%) of the Group's Total Assets. For the current year, the full scope components contributed 80% (2017: 84%) of the Group's Profit before Tax before exceptional items, 65% (2017: 60%) of the Group's Revenue and 43% (2017: 42%) of the Group's Total Assets. The specific scope component contributed 5% (2017: 4%) of the Group's Profit before Tax

before exceptional items, 22% (2017: 34%) of the Group's Revenue and 53% (2017: 55%) of the Group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 103 (2017: 96) components that together represent 15% (2017: 12%) of the Group's Profit before Tax before exceptional items, none are individually greater than 6% (2017: 3%) of the Group's Profit before Tax before exceptional items. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations, and foreign currency translation recalculations to respond to any potential risks of material misstatement to the financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Full scope components
Other procedures
Specific scope components

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 11 (2017: 8) full scope components, audit procedures were performed on 1 (2017: 1) of these directly by the primary audit team and on 10 (2017: 7) by component audit teams. For the 43 (2017: 45) full scope and specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team completed a programme of planned visits which has been designed to ensure that senior members of the Group audit team, including the Audit Engagement Partner, visit a number of overseas locations each year. During the current year's audit cycle, visits were undertaken to the component teams in the US. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management and attending planning and closing meetings. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers as deemed necessary and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the group financial statements.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (Ireland) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 27 to 31 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 26 in the annual report that they have carried out a robust assessment of the principal risks facing the Group and the parent company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 26 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and the directors' identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

Independent Auditor's Report to the Members of UDG Healthcare plc (continued)

- the directors' explanation set out on page 26 in the annual report as to how they have assessed the prospects of the Group and the parent company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:
- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee or is materially inconsistent with our knowledge obtained in the audit; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 6.8.6 do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:
- in our opinion, the information given in the Directors' Report, other than those parts dealing with the non-financial statement pursuant to the requirements of S.I. No. 360/2017 on which we are not required to report, is consistent with the financial statements; and
- in our opinion, the Directors' Report, other than those parts dealing with the non-financial statement pursuant to the requirements of S.I. No. 360/2017 on which we are not required to report, has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report, other than those parts dealing with the non-financial statement pursuant to the requirements of S.I. No. 360/2017 on which we are not required to report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 94, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and 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 and 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 (Ireland) 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.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group across the various jurisdictions globally in which the Group operates. We determined that the most significant are those that relate to the form and content of external financial and corporate governance reporting including company law, tax legislation, employment law and regulatory compliance with agencies such as the US Food and Drug Administration.
- We understood how UDG Healthcare plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of the Group's Compliance Policy, board minutes, papers provided to the audit committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management, including within various parts of the business, to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential for management to influence earnings or the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the audit committee on compliance with regulations, enquiries of internal general counsel and management.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf. This description forms part of our auditor's report.

Other matters which we are required to address
We were appointed by the Audit Committee following the AGM held on 7 February 2017 to audit the financial statements for the year ending 30 September 2017 and subsequent financial periods. This is our second year of engagement.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or Company and we remain independent of the Group and Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

The purpose of our audit work and to whom we owe our responsibilities
Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Breffni Maguire
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Dublin
3 December 2018

Group Income Statement
for the year ended 30 September 2018

	Note	2018 Pre-exceptional items $'000	2018 Exceptional items (Note 9) $'000	2018 Total $'000	2017 $'000
Revenue	3	1,315,186	–	1,315,186	1,219,755
Cost of sales		(927,877)	(5,706)	(933,583)	(871,909)
Gross profit		387,309	(5,706)	381,603	347,846
Selling and distribution expenses		(217,475)	(11,042)	(228,517)	(192,536)
Administrative expenses		(17,250)	(1,214)	(18,464)	(23,313)
Other operating expenses		(37,037)	(99,550)	(136,587)	(25,450)
Other operating income		–	8,882	8,882	–
Transaction costs	29	(2,374)	–	(2,374)	(4,028)
Share of joint ventures' profit after tax	15	958	–	958	667
Operating profit	5	114,131	(108,630)	5,501	103,186
Finance income	6	5,235	11,576	16,811	18,905
Finance expense	6	(13,926)	–	(13,926)	(29,257)
Profit before tax		105,440	(97,054)	8,386	92,834
Income tax expense	8	(15,792)	11,263	(4,529)	(20,976)
Profit for the financial year		89,648	(85,791)	3,857	71,858
Profit attributable to:					
Owners of the parent		89,586	(85,791)	3,795	71,858
Non-controlling interests	23	62	–	62	–
		89,648	(85,791)	3,857	71,858
Earnings per share					
Basic earnings per share – cent	11			1.53c	28.97c
Diluted earnings per share – cent	11			1.52c	28.83c

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Group Statement of Comprehensive Income
for the year ended 30 September 2018

	Note		2018 $'000		2017 $'000
Profit for the financial year			**3,857**		71,858
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Remeasurement gain on Group defined benefit schemes	30		**2,422**		11,098
Deferred tax on Group defined benefit schemes:	28				
– Pre-exceptional item		**(187)**		(599)	
– Exceptional item		**408**		–	
			221		(599)
			2,643		10,499
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment	21		**(5,466)**		10,109
Reclassification on loss of control of subsidiary undertakings	21		**33,383**		–
Group cash flow hedges:					
– Effective portion of cash flow hedges – movement into reserve		**(433)**		(15,271)	
– Effective portion of cash flow hedges – movement out of reserve		**(3,032)**		14,865	
Effective portion of cash flow hedges:	21		**(3,465)**		(406)
– Movement in deferred tax – movement into reserve		**54**		1,909	
– Movement in deferred tax – movement out of reserve		**379**		(1,858)	
Net movement in deferred tax	28		**433**		51
			24,885		9,754
Total other comprehensive income			**27,528**		20,253
Total comprehensive income for the financial year			**31,385**		92,111
Total comprehensive income attributable to:					
Owners of the parent			**31,323**		92,111
Non-controlling interests			**62**		–
			31,385		92,111

Group Statement of Changes in Equity
for the year ended 30 September 2018

	Equity share capital $'000	Share premium $'000	Other reserves (Note 21) $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
At 1 October 2017	**14,620**	**196,496**	**(166,656)**	**836,087**	**880,547**	**109**	**880,656**
Profit for the financial year	**–**	**–**	**–**	**3,795**	**3,795**	**62**	**3,857**
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	–	–	(3,465)	–	(3,465)	–	(3,465)
Deferred tax on cash flow hedges	–	–	433	–	433	–	433
Translation adjustment	–	–	(5,466)	–	(5,466)	–	(5,466)
Reclassification on loss of control of subsidiary undertakings	–	–	33,383	–	33,383	–	33,383
Remeasurement gain on defined benefit schemes	–	–	–	2,422	2,422	–	2,422
Deferred tax on defined benefit schemes	–	–	–	221	221	–	221
Total comprehensive income for the year	–	–	24,885	6,438	31,323	62	31,385
Transactions with shareholders:							
New shares issued	23	1,341	–	–	1,364	–	1,364
Share-based payment expense	–	–	6,643	–	6,643	–	6,643
Dividends paid to equity holders	–	–	–	(34,705)	(34,705)	–	(34,705)
Release from share-based payment reserve	–	–	(827)	827	–	–	–
At 30 September 2018	**14,643**	**197,837**	**(135,955)**	**808,647**	**885,172**	**171**	**885,343**

for the year ended 30 September 2017

	Equity share capital $'000	Share premium $'000	Other reserves (Note 21) $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
At 1 October 2016	14,535	187,355	(179,446)	784,432	806,876	–	806,876
Profit for the financial year	–	–	–	71,858	71,858	–	71,858
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	–	–	(406)	–	(406)	–	(406)
Deferred tax on cash flow hedges	–	–	51	–	51	–	51
Translation adjustment	–	–	10,109	–	10,109	–	10,109
Remeasurement gain on defined benefit schemes	–	–	–	11,098	11,098	–	11,098
Deferred tax on defined benefit schemes	–	–	–	(599)	(599)	–	(599)
Total comprehensive income for the year	–	–	9,754	82,357	92,111	–	92,111
Transactions with shareholders:							
New shares issued	46	3,129	–	–	3,175	–	3,175
Issued in business combination	39	6,012	–	–	6,051	–	6,051
Share-based payment expense	–	–	3,613	–	3,613	–	3,613
Dividends paid to equity holders	–	–	–	(31,279)	(31,279)	–	(31,279)
Release from share-based payment reserve	–	–	(577)	577	–	–	–
Non-controlling interests arising on acquisition	–	–	–	–	–	109	109
At 30 September 2017	14,620	196,496	(166,656)	836,087	880,547	109	880,656

Group Balance Sheet
as at 30 September 2018

	Note	2018 $'000	2017 $'000
ASSETS			
Non-current			
Property, plant and equipment	12	**179,593**	168,403
Goodwill	13	**515,954**	542,554
Intangible assets	14	**241,538**	227,617
Investment in joint ventures and associates	15	**9,729**	8,838
Derivative financial instruments	31	**330**	1,302
Deferred income tax assets	28	**5,272**	4,025
Employee benefits	30	**12,935**	12,379
Total non-current assets		**965,351**	965,118
Current			
Inventories	16	**31,248**	55,060
Trade and other receivables	17	**347,192**	307,388
Cash and cash equivalents		**180,099**	187,469
Current income tax assets		**793**	2,464
Derivative financial instruments	31	**2,474**	2,450
Total current assets		**561,806**	554,831
Total assets		**1,527,157**	1,519,949
EQUITY			
Equity share capital	18	**14,643**	14,620
Share premium	20	**197,837**	196,496
Other reserves	21	**(135,955)**	(166,656)
Retained earnings	22	**808,647**	836,087
Equity attributable to owners of the parent		**885,172**	880,547
Non-controlling interests	23	**171**	109
Total equity		**885,343**	880,656
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	24	**243,099**	244,077
Other payables	25	**5,451**	–
Provisions	26	**68,900**	58,470
Employee benefits	30	**–**	3,162
Deferred income tax liabilities	28	**45,225**	54,279
Derivative financial instruments	31	**319**	352
Total non-current liabilities		**362,994**	360,340
Current			
Interest-bearing loans and borrowings	24	**272**	58
Trade and other payables	25	**225,526**	248,145
Current income tax liabilities		**13,477**	16,845
Provisions	26	**39,545**	13,905
Total current liabilities		**278,820**	278,953
Total liabilities		**641,814**	639,293
Total equity and liabilities		**1,527,157**	1,519,949

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Group Cash Flow Statement
for the year ended 30 September 2018

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit before tax	8,386	92,834
Finance income	(5,235)	(18,905)
Finance expense	13,926	29,257
Exceptional items	97,054	–
Operating profit	114,131	103,186
Share of joint ventures' profit after tax	(958)	(667)
Transaction costs	2,374	4,028
Depreciation charge	24,477	21,221
(Profit)/Loss on disposal of property, plant and equipment	(340)	55
Amortisation of intangible assets	37,037	25,450
Share-based payment expense	5,069	3,613
Decrease in inventories	4,529	1,893
Increase in trade and other receivables	(53,361)	(24,612)
(Decrease)/Increase in trade payables, provisions and other payables	(1,518)	3,450
Exceptional items received/(paid)	4,228	(165)
Transaction costs paid	(5,363)	(4,544)
Cash generated from operations	130,305	132,908
Interest paid	(9,682)	(10,608)
Income taxes paid	(18,107)	(14,522)
Net cash inflow from operating activities	102,516	107,778
Cash flows from investing activities		
Interest received	1,662	1,044
Purchase of property, plant and equipment	(39,580)	(29,466)
Proceeds from disposal of property, plant and equipment	986	146
Investment in intangible assets – computer software	(21,047)	(21,884)
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	(33,479)	(198,439)
Deferred contingent consideration paid	(5,911)	(14,265)
Disposal of subsidiary undertakings (net of cash and cash equivalents disposed)	21,046	–
Net cash outflow from investing activities	(76,323)	(262,864)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon)	1,364	3,175
Repayments of interest-bearing loans and borrowings	(2,118)	(63,266)
Proceeds from interest-bearing loans and borrowings	2,507	–
Repayment of finance leases	(111)	(3)
Dividends paid to equity holders of the company	(34,705)	(31,279)
Net cash outflow from financing activities	(33,063)	(91,373)
Net decrease in cash and cash equivalents	(6,870)	(246,459)
Translation adjustment	(500)	5,199
Cash and cash equivalents at beginning of year	187,469	428,729
Cash and cash equivalents at end of year	180,099	187,469
Cash and cash equivalents is comprised of:		
Cash at bank and short-term deposits	180,099	187,469

1. Significant Accounting Policies

General Information

UDG Healthcare plc (the 'Company') and its subsidiaries (together the 'Group') delivers advisory, communications, commercial, clinical and packaging services to the healthcare industry. The Company is a public limited company whose shares are publicly traded. It is incorporated and domiciled in Ireland. The Company's registered number is 12244. The address of its registered office is 20 Riverwalk, Citywest Business Campus, Citywest, Dublin 24, Ireland.

The accounting policies applied in the preparation of the financial statements for the year ended 30 September 2018 are set out below.

Statement of Compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). The consolidated financial statements are also prepared in compliance with the Companies Act 2014 and Article 4 of the EU IAS Regulation. References to IFRS hereafter refer to IFRS adopted by the EU. The individual financial statements of the company (company financial statements) have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014. In accordance with Section 304 of the Companies Act 2014, the Company has availed of the exemption from presenting its individual profit and loss account to the AGM and from filing it with the Registrar of Companies (Note 19).

Basis of Preparation

The Consolidated financial statements are presented in US dollars ($), rounded to the nearest thousand ($'000), and are prepared on a going concern basis. The company financial statements are presented in euro (€), rounded to the nearest thousand (€'000), and are prepared on a going concern basis. The consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured at fair value: share-based payments, defined benefit pension plan assets and certain financial assets and liabilities including derivative financial instruments.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement and areas where assumptions and estimates are significant in relation to the Consolidated financial statements are discussed in the significant accounting judgements and estimates note.

The parent company's financial statements included on pages 157 to 166 are prepared using accounting policies which are consistent with the accounting policies applied to the consolidated financial statements by the Group. The accounting policies are set out below and they have also been applied consistently by all of the Group's subsidiaries and joint ventures to all years presented in these financial statements.

Basis of Consolidation

The Group's financial statements include the financial statements of the company and all of its subsidiaries and the Group's interest in joint ventures using the equity method of accounting.

New and Amended Standards and Interpretations Effective in the Year

The following new and amended IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations were adopted by the Group with effect from 1 October 2017:

- amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses;
- amendments to IAS 7, 'Statement of cash flows' for an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities; and
- IFRS 12, 'Disclosure of interests in other entities' clarifies that the disclosure requirements of IFRS 12 are applicable to interests in entities classified as held for sale except for summarised financial information.

These are effective for the Group's financial year ended 30 September 2018 but did not have a material impact on the Group or Company financial statements.

Standards and Interpretations Issued and Amended but Not Yet Effective or Early Adopted

IFRS 9 Financial Instruments *(Effective date for the Group: financial year beginning 1 October 2018)*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard sets out the requirements for the classification, recognition and measurement of financial assets and financial liabilities. There are three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Standards and Interpretations Issued and Amended but Not Yet Effective or Early Adopted (continued)

Classification of financial assets is dependent on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without future recycling on derecognition. An expected credit losses model replaces the incurred loss impairment model used in the current standard. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 simplifies the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests required in IAS 39. To qualify for hedge accounting, IFRS 9 requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39.

In preparing for the implementation of IFRS 9 in the period beginning on 1 October 2018, the Group has carried out a review of the classification of its financial instruments and evaluation of existing hedge relationships. An IFRS 9 assessment of financial assets impairment processes and measurement has commenced. The Group considers the existing hedge relationships, which are outlined in Note 31, would qualify as continuing hedges on adoption of IFRS 9. The Group does not expect a material impact from the new classification requirements for financial assets. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected credit loss model. The Group's initial assessment is that there will be no material impact on adoption of the standard.

IFRS 15 Revenue from Contracts with Customers *(Effective date for the Group: financial year beginning 1 October 2018)*

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and therefore has the ability to direct the use and obtain the benefits from the good or service.

During the year, the Group completed its assessment of the potential impact of the new revenue standard. This assessment included a detailed review of revenue contracts across the Group. The Group Finance function co-ordinated the IFRS 15 assessment and implementation with the inclusion of key representatives from Divisional Finance. There was a bottom-up approach to analysing the impact of the standard through reviewing contracts with customers and reporting on the impact of the new standard on the revenue contracts and revenue streams. Technical review and support on the implementation of the standard was provided from Group Finance with the assistance of external advisors.

The most significant impact of the new standard will be in the revenue recognition for packaging contracts in Sharp. In accordance with the existing revenue recognition policy, revenue from packaging is recognised primarily on dispatch of products. Under the new guidance in IFRS 15, where the Group produces products for customers that have no alternative use and for which the Group has concluded there is an enforceable right to payment for performance completed to date, the standard will require the Group to recognise revenue over time as the Group satisfies the contractual performance obligations. This will have the effect of accelerating the timing of revenue recognition from these contracts, such that some portion of revenue will be recognised prior to shipment or delivery of products by Sharp. There will be a decrease in inventory on the date of adoption for the products where revenue is recognised over time. The Group will recognise accrued income on the Balance Sheet for the amounts of revenue recognised prior to dispatch which have not yet been invoiced to the customer. Accrued income will be classified as 'contract assets' under IFRS 15.

For certain contracts, the Group incurs costs directly related to the contract prior to commencement of services in the contract and such costs are expensed as incurred under the existing accounting standards. IFRS 15 contains enhanced recognition criteria and guidance for 'costs of fulfilment' which will result in an initial deferral of some set-up costs. The contract fulfilment costs will be amortised over the life of the contract. Where the Group earns a fee to compensate for such set up activities, the revenue earned will be initially deferred as a contract asset and recognised in revenue over time as the Group satisfies the related performance obligations in the contract.

The implementation of the new standard is not expected to materially impact the revenue recognition in Ashfield. IFRS 15 supports the recognition of revenue over time, consistent with the current revenue recognition policy. The Group expects the majority of revenue contracts in Ashfield to continue to be recognised over time as either: i) there is a continuous transfer of control to the customer; or ii) there is no alternative use for any asset created and there is an enforceable right to payment for performance completed to date. The revenue recognition treatment required under the new standard is dependent on the specific terms of a contract.

IFRS 15 will be adopted using the modified retrospective approach which permits the Group to apply the new standard from 1 October 2018 with an adjustment to the opening balance of retained earnings at 1 October 2018 for the cumulative effect of applying the new standard to existing contracts that are not completed contracts on transition. In the year of adoption, the prior period results and financial position as reported under the current standards will be retained. To enable useful comparisons, the Group will disclose the impact of the new standards on the Group's results in the year of initial adoption. Based on the impact assessment performed to date, the Group does not anticipate there to be material

impact on the Group's revenue when compared to the current accounting standards. The Group's analysis indicates the cumulative impact of adopting the new standard on opening retained earnings at 1 October 2018 will be approximately an increase of $3.8 million. It should be noted that the implementation of IFRS 15 is being finalised in 2019 when it is effective for the Group. The disclosed expected impact of the standard is based on the preliminary assessment which will be finalised in the Group's 2019 interim results.

IFRS 16 Leases *(Effective date for the Group: financial year beginning 1 October 2019)*
IFRS 16 replaces IAS 17 Leases and related interpretations. The standard addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about leasing activities. A key change arising from IFRS 16 is that most of the leases currently accounted for as operating leases under the existing standard, will be accounted for on the Balance Sheet, similar to the accounting for finance leases currently. The Group expects to adopt IFRS 16 by applying the modified retrospective approach to transition. With this transition approach, lease liabilities and right of use assets will be recognised for the remaining lease payments on existing lease commitments at date of application, discounted at the entity's incremental borrowing rate.

Impact on the Income Statement: Operating lease expenses amounted to $33,177,000 in the year (2017: $29,058,000) as disclosed in Note 5 and are presented within cost of sales and operating expenses depending on the nature of the lease. Under IFRS 16, the operating lease expense will be replaced by depreciation of the right of use assets and interest expense on the lease liabilities. The depreciation of the right of use assets will continue to be presented within cost of sales and operating expenses as appropriate. The interest expense on the leases will be presented within finance costs.

Impact on the Balance Sheet: Interest-bearing borrowings and non-current assets will increase on implementation of the new standard. The Group's total future minimum lease payments under non-cancellable operating leases at 30 September 2018 amounted to $127,055,000 (2017: $103,155,000) as outlined in Note 27. IFRS 16 will result in the majority of the Group's operating leases being recognised on the Balance Sheet as right of use assets and lease liabilities. The right of use assets will be adjusted by the amount of any provision for onerous leases recognised on the Balance Sheet immediately before the date of initial application, 1 October 2019. Onerous lease provisions are disclosed in Note 26 and amount to $2,896,000 (2017: $324,000).

Impact on the Cash Flow Statement: Operating lease payments are currently classified within cash flows from operating activities. Under IFRS 16, the lease payments will be separated. The interest element of the lease payment will be classified in cash flows from operating activities and the capital lease payments will be classified in cash flows from financing activities.

The Group is currently assessing the impact of the new standard. A number of factors impact the calculation of the lease liability, such as discount rate, the expected term of leases including renewal options and exemptions for short-term leases and low-value items. The Group's operating lease commitments outlined in Note 27 provide an indication of the extent and maturity of leases currently in the Group. However, for the reasons highlighted above, this amount should not be used as a proxy for the impact of IFRS 16 on the Consolidated Balance Sheet. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new Standard.

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material effect on the Consolidated financial statements or they are not currently relevant for the Group.

Accounting for Subsidiaries, Joint Ventures and Associates

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to effect these returns through its power over the investee. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements. Unrealised gains arising from transactions with equity accounted joint ventures are eliminated against the investment to the extent of the Group's interest. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

Joint ventures are those entities where the rights are to share in the net assets and over whose activities the Group has joint control, established by contractual arrangement and requiring unanimous consent for strategic, financial and operational decisions. An associate is an enterprise over which the Group has significant influence, but not control, through participation in the financial and operating policy decisions of the investee. Joint ventures and associates are included in the financial statements using the equity method of accounting, from the date that joint control and significant influence commence, until the date that joint control and significant influence cease. The Income Statement reflects in operating profit, the Group's share of profit after tax of its joint ventures in accordance with IFRS 11 Joint Arrangements. The Group's interest in its net assets is included as investment in joint ventures in the Balance Sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post-acquisition retained profits or losses and other comprehensive income less dividends received from the joint ventures and goodwill arising on the investment and intercompany transactions that are eliminated.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with completed business combinations are expensed as incurred.

Any deferred contingent consideration payable is measured at fair value at the acquisition date. If the deferred contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the deferred contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Intangible Assets – Acquired

Intangible assets that are acquired by the Group in a business combination are stated at cost less accumulated amortisation and impairment losses, when separable or arising from contractual or other legal rights and when they can be measured reliably.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised over the following range of periods:

Customer relationships	6–15 years
Trade names	2–15 years
Technology	3–10 years
Contract-based	6 months–1 year (contractual terms)

Intangible Assets – Computer Software

Computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:
- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met. Computer software is amortised over its expected useful life, which ranges from three to ten years, by charging equal instalments to the Income Statement from the date the assets are ready for use.

Property, Plant and Equipment

Property, plant and equipment is reported at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is calculated, on a straight-line basis on cost less estimated residual value, to write property, plant and equipment off over their anticipated useful lives using the following annual rates:

Land and buildings:	
– Freehold land	not depreciated
– Freehold buildings	2–7%
Plant and equipment	10–20%
Computer equipment	20–33%
Motor vehicles	20%
Assets under construction	not depreciated

The residual value of assets, if not insignificant, and the useful life of assets are reassessed annually. Gains and losses on disposals are determined by comparing the consideration received with the carrying amount at the date of disposal and are included in operating profit.

Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. These assets are shown in the Balance Sheet at the lower of their carrying amount and fair value less any disposal costs. Impairment losses on initial classification as assets held for sale and subsequent gains or losses on remeasurement are recognised in the Income Statement.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Goodwill

Goodwill arises on the acquisition of subsidiaries, and it represents the excess of the consideration transferred for the acquisition, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquire over the fair value of the identifiable assets and liabilities acquired. When the fair value of the identifiable assets and liabilities acquired exceeds the cost of the acquisition, the values are reassessed and any remaining gain is recognised immediately in the Income Statement. Goodwill is subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to the cash generating units (CGUs) that are expected to benefit from the combination's synergies. This is the lowest level at which goodwill is monitored for internal management purposes.

Goodwill is subject to impairment testing on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs of disposal. Any impairment is recognised immediately as an expense in the Income Statement and is not subsequently reversed.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed of on a partial disposal of a CGU is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Impairment Reviews and Testing

The carrying amounts of the Group's non-financial assets, other than inventories (which are carried at the lower of cost and net realisable value) and deferred tax assets (which are recognised based on recoverability), are reviewed on an annual basis to determine whether there is any indication of impairment. If such an indication exists, then the asset is tested for impairment.

The recoverable amount of a non-financial asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the CGU). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Impairment Reviews and Testing (continued)

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss arising on financial assets is recognised in the income statement. Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

All impairment losses are recognised in the Income Statement.

Leases

Leases of property, plant and equipment, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first in, first out principle and includes all expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand in the ordinary course of business less all costs expected to be incurred in marketing, selling and distribution.

Foreign Currency

Transactions in foreign currencies are translated into the functional currency of the related entity at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are measured based on historical cost are not subsequently re-translated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date fair value was determined. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement, except for qualifying cash flow hedges and a financial liability designated as a hedge of the net investment in a foreign operation, which are recognised directly in Other Comprehensive Income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to US dollars at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to US dollars at the average exchange rate for the financial period. Foreign exchange differences arising on translation of foreign operations, including those arising on long-term intra-Group loans deemed to be quasi-equity in nature, are recognised in Other Comprehensive Income and accumulated in the foreign exchange reserve within Equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Hedge of Net Investment in Foreign Operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in Other Comprehensive Income to the extent that the hedge is effective and are presented within Equity in the foreign exchange translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Financial Guarantee Contracts

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other parties, the Group considers these to be insurance arrangements and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

Revenue Recognition

Revenue represents the fair value of consideration received or receivable (net of returns, trade discounts and rebates) for products and services provided in the course of ordinary activity to third party clients in the financial reporting period. The fair value of sales is exclusive of value added tax and after allowances for discounts and is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer, the consideration can be measured reliably and it is probable that the economic benefits will flow to the Group. Discounts granted to clients are recognised as a reduction in sales revenue at the time of the sale based on management's estimate of the likely discount to be awarded to clients.

Revenue from services rendered is recognised in the Income Statement in proportion to the stage of completion of the related contract or fully when no further obligations exist on the related service contract. Where the outcome of the contract can be measured reliably, stage of completion is measured by reference to services completed to date as a percentage of total services to be performed. Where services are to be performed rateably over a period of time, revenue is recognised on a straight-line basis over the period of the contract.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

Exceptional Items

The Group has applied an income statement format which seeks to highlight significant items within Group results for the year. Such items may include significant restructuring and onerous lease provisions, fair value movements in contingent consideration, profit or loss on disposal or termination of operations, litigation costs and settlements, termination benefits including settlement of share-based payments, profit or loss on disposal of investments and impairment of assets. The Group exercises judgement in assessing the particular items which, by virtue of their scale and nature, should be disclosed in the Income Statement and related notes as exceptional items. The Group believes that such a presentation provides a more helpful analysis as it highlights material items of a non-recurring nature.

Finance Income and Expense

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest rate method.

Employee Benefits

Pension Obligations

A defined contribution pension plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense/(income) on the net benefit liability/(asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then net benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the year as a result of contributions and benefit payments. The discount rate applied is the yield at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Employee Benefits (continued)

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Performance-Related Incentive Plans

The Group recognises the present value of a liability for short-term employee benefits, including costs associated with performance-related incentive plans, in the Income Statement when an employee has rendered service in exchange for these benefits and a constructive obligation to pay those benefits arises.

Share-based Payment Transactions

The Group operates a Long-Term Incentive Plan and share option scheme which allow executive directors and employees acquire shares in the Company. All schemes are equity settled arrangements under IFRS 2 Share-based Payments.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market-based vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Income Tax Expense

Income tax expense for the year comprises current and deferred tax. Taxation is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity or Other Comprehensive Income, in which case the related tax is recognised directly in Equity or Other Comprehensive Income.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same tax entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) who is responsible for allocating resources and assessing performance of the operating segments. Following the disposal of Aquilant, the Group has determined that it has two reportable operating segments: Ashfield and Sharp.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and deposits, including bank deposits of less than six months' maturity from the commencement date. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Group and Company Cash Flow Statements.

Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter

bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the Group Income Statement.

Financial Instruments

Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement, except where derivatives qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged, as set out below.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Cash Flow Hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of changes in the fair value of the derivative financial instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve. When the forecasted transaction results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from Equity and included in the initial cost or other carrying amount of the non-financial asset or liability. In other cases, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged item affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecasted, transaction is still expected to occur, then hedge accounting is ceased prospectively and the cumulative gain or loss at that point remains in Equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in Equity is reclassified immediately to the Income Statement.

Fair Value Hedges

Where a derivative financial instrument is designated as a hedge of a change in the fair value of an asset or liability, gains or losses arising from the remeasurement of the hedging instrument to fair value are reported in the Income Statement. In addition, any changes in the fair value of the hedged item which is attributable to the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the Income Statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the Income Statement with the objective of achieving full amortisation by maturity.

Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are initially recognised at fair value and subsequently measured at amortised cost.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Interest-bearing Loans and Borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings, other than those accounted for under the fair value hedging model outlined above, are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis. Effective interest rate is calculated by taking into account any issue costs and any expected discount or premium on settlement.

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, and it is probable that an outflow of economic benefits will be required to settle the obligation which can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

2. Significant Accounting Estimates and Judgements

Income Tax Expense (Note 8)

The Group is subject to income tax in a number of jurisdictions, and significant judgement and degree of estimation is required in determining the worldwide provision for taxes. There are many transactions and calculations during the ordinary course of business, for which the ultimate tax determination is uncertain and the complexity of the tax treatment may be such that the final tax charge may not be determined until formal resolution has been concluded with the relevant tax authority which may take extended time periods to conclude. Also, the Group can be subject to uncertainties, including tax audits in any of the jurisdictions in which it operates, which are frequently complex taking many years to conclude. Amounts accrued for anticipated tax authority reviews are based on estimates of whether any additional amounts of tax may be due. Such estimates are determined based on a number of factors including management judgement, interpretation of relevant tax laws, correspondence with the tax authorities, advice from external tax professionals and a probability weighted expected value.

The ultimate tax charge may, therefore, be different from that which initially is reflected in the Group's consolidated tax charge and provision and any such differences could have a material impact on the Group's income tax charge and consequently financial performance. Where the final tax charge is different from the amounts that were initially recorded, such differences are recognised in the income tax provision in the period in which such determination is made.

Goodwill and Intangible Assets (Note 13 and Note 14)

The Group annually tests whether there is any impairment in goodwill, in accordance with the accounting policy outlined in Note 1. Determining whether goodwill is impaired requires comparison of the value in use for the relevant CGUs to the net assets attributable to these CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. In calculating value in use, management judgement is required in forecasting cash flows of cash generating units, in determining terminal growth values and in calculating an appropriate discount rate. The goodwill impairment test is sensitive to these estimates. The Group has performed sensitivity analysis over the value in use calculation with respect to the key estimates. Sensitivities to changes in assumptions are detailed in Note 13.

Determining the useful life of intangible assets requires judgement. Management regularly reviews these useful lives and changes them if necessary to reflect current conditions. Changes in useful lives can have a significant impact on the amortisation charge for the year. The amortisation expense in the year by class of intangible asset and the weighted average remaining useful lives for each category of intangible assets are disclosed in Note 14.

Inventories (Note 16)

Inventory comprises raw materials, work in progress and finished goods. Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than cost. Determining the net realisable value of inventory requires judgement to be applied to determine the likely saleability of products and the potential prices that can be achieved. Estimates of net realisable value are based on the most reliable evidence, taking into consideration product obsolescence or perishability (which are generally low given the nature of the Group's inventory) and the purpose for which the inventory is held. The actual realisable value of inventory may differ from the estimated value on which the provision is based.

Trade and Other Receivables (Note 17)

The Group trades with a large and varied number of clients on credit terms. Provision for impairment is made when there is objective evidence that the Group will not be in a position to collect the associated trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired. The Group uses estimates based on historical experience and current information in determining the level of debts for which a provision for impairment is required. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The level of provision required is reviewed on an ongoing basis. The movement in the allowance for impairment of trade debtors together with the aging of trade debtors and the aging of the allowance for impairment are outlined in Note 17.

Provisions and Deferred Contingent Consideration (Note 26)

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Further details on provisions by category including the movement in provisions and expected maturity of provisions are outlined in Note 26.

Deferred contingent consideration are recognised in the Group Balance Sheet as provisions. The expected payment is determined separately in respect of each individual contingent consideration agreement taking into consideration the expected level of profitability of each acquisition. Deferred contingent consideration is recognised at fair value at the acquisition date and included in the costs of the acquisition. Deferred contingent consideration arrangements are based on earn-out agreements providing for future payment if certain profit targets of the acquiree are achieved. The fair value of deferred contingent consideration is estimated using an income-based approach of estimating the expected payment from forecasts of performance of acquired businesses and discounting the expected payment on the contingent consideration to present value using an appropriate discount rate. The movement in deferred contingent consideration in the period is outlined in Note 26. Further details on measurement of contingent consideration and sensitivities are disclosed in Note 31.

Employee Benefits (Note 30)

Retirement Benefit Obligations

The estimation of and accounting for retirement benefit obligations involves judgements made in conjunction with independent actuaries. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis. These involve estimates about uncertain future events based on the environment in different countries, including life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used in determining the net cost (income) for pensions include the discount rate. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in Note 30.

Share-based Payments

The fair value of the Executive Share Option Scheme has been measured using the Black Scholes formula or the binomial formula. The fair value of the LTIP has been measured using the Black Scholes formula or the Monte Carlo Simulation. The inputs used in the measurement of the fair values at grant date are disclosed in Note 30.

3. Revenue

	2018 $'000	2017 $'000
Goods for resale	72,579	87,659
Services	1,237,821	1,127,169
Commission income	4,786	4,927
Total revenue	1,315,186	1,219,755

Commission income relates to the sale of products where the Group acts as an agent in the transaction rather than as a principal.

4. Segmental Information

Segmental information is presented in respect of the Group's operating segments and geographical regions. The operating segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Due to the nature of certain liabilities and assets, which are not segment specific, they have not been allocated to a segment but rather have been disclosed in aggregate immediately after the relevant segment note. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year and is comprised of property, plant and equipment, goodwill and intangible assets.

UDG Healthcare is a leading global healthcare services provider. IFRS 8 Operating Segments requires the reporting information for operating segments to reflect the Group's management structure and the way financial information is regularly reviewed by the Group's CODM, which the Group has defined as Brendan McAtamney (Chief Executive Officer). The segmental information of the business as presented corresponds with these requirements. Operating profit before transaction costs, amortisation of acquired intangible assets and exceptional items (adjusted operating profit) represents the key measure utilised in assessing the performance of operating segments.

The Group's operations are divided into the following operating segments:

Ashfield – Ashfield is a global leader in commercialisation services for the pharmaceutical and healthcare industry, operating across three broad areas of activity: advisory, communications and commercial & clinical services. It focuses on supporting healthcare professionals and patients at all stages of the product life cycle. The division provides field and contact centre sales teams, healthcare communications, patient support, audit, advisory, medical information and event management services to over 300 healthcare companies.

Sharp – Sharp is a global leader in contract packaging and clinical trial packaging services for the pharmaceutical and biotechnology industries, operating from state-of-the-art facilities in the US and Europe.

Aquilant – During the year, the Group disposed of Aquilant (Note 7). Aquilant is a leading provider of outsourced sales, marketing, distribution and engineering services to the medical and scientific sectors in the UK, Ireland and the Netherlands.

Notes forming part of the Group Financial Statements (continued)

4. Segmental Information (continued)

Geographical Analysis

The Group operates in four principal geographical regions being the Republic of Ireland, the United Kingdom, North America and the Rest of World. In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of the Group's subsidiaries. Segment assets are based on the geographical location of the assets.

Inter-segment revenue is not material and thus not subject to disclosure.

Revenue and results – 2018

	Ashfield 2018 $'000	Sharp 2018 $'000	Aquilant 2018 $'000	Group total 2018 $'000
Segment revenue	921,406	311,073	82,707	1,315,186
Adjusted operating profit*	98,451	45,775	3,280	147,506
Amortisation of acquired intangibles	(29,021)	(1,980)	–	(31,001)
Transaction costs	(2,277)	(97)	–	(2,374)
Exceptional items	(13,855)	(4,081)	(90,694)	(108,630)
Operating profit/(loss)	53,298	39,617	(87,414)	5,501
Finance income				16,811
Finance expense				(13,926)
Profit before tax				8,386
Income tax expense				(4,529)
Profit for the financial year				3,857

* Excluding amortisation of acquired intangibles, transaction costs and exceptional items.

Revenue and results – 2017

	Ashfield 2017 $'000	Sharp 2017 $'000	Aquilant 2017 $'000	Group total 2017 $'000
Segment revenue	821,412	302,076	96,267	1,219,755
Adjusted operating profit*	81,567	41,304	6,409	129,280
Amortisation of acquired intangibles	(20,040)	(2,026)	–	(22,066)
Transaction costs	(3,758)	(270)	–	(4,028)
Operating profit	57,769	39,008	6,409	103,186
Finance income				18,905
Finance expense				(29,257)
Profit before tax				92,834
Income tax expense				(20,976)
Profit for the financial year				71,858

* Excluding amortisation of acquired intangibles and transaction costs.

Segmental assets and liabilities – 2018

	Ashfield 2018 $'000	Sharp 2018 $'000	Aquilant 2018 $'000	Group total 2018 $'000
Segment assets	1,029,065	428,612	–	1,457,677
Unallocated assets				69,480
				1,527,157
Segment liabilities	(288,721)	(81,661)	–	(370,382)
Unallocated liabilities				(271,432)
				(641,814)

Segmental assets and liabilities – 2017

	Ashfield 2017 $'000	Sharp 2017 $'000	Aquilant 2017 $'000	Group total 2017 $'000
Segment assets	947,326	358,007	126,550	1,431,883
Unallocated assets				88,066
				1,519,949
Segment liabilities	(261,143)	(70,755)	(34,669)	(366,567)
Unallocated liabilities				(272,726)
				(639,293)

Unallocated assets and liabilities comprises amounts relating to interest-bearing loans and borrowings, derivative financial instruments, current income tax, deferred income tax, employee benefits and cash held at Group. The decrease in unallocated assets during the year reflects a reduction in Group cash balances due to acquisition activity.

Other segmental information	Ashfield 2018 $'000	Sharp 2018 $'000	Aquilant 2018 $'000	Group total 2018 $'000
Depreciation	7,913	15,383	1,181	24,477
Capital expenditure*	105,390	32,164	1,032	138,586
Amortisation of acquired intangibles	29,021	1,980	–	31,001
Amortisation of computer software	4,351	1,620	65	6,036
Share-based payment expense	3,798	1,218	53	5,069

Other segmental information 2017	Ashfield 2017 $'000	Sharp 2017 $'000	Aquilant 2017 $'000	Group total 2017 $'000
Depreciation	6,298	13,362	1,561	21,221
Capital expenditure*	289,257	38,210	1,556	329,023
Amortisation of acquired intangibles	20,040	2,026	–	22,066
Amortisation of computer software	2,180	1,123	81	3,384
Share-based payment expense	2,585	920	108	3,613

* Capital expenditure comprises acquisition of computer software, property, plant and equipment, goodwill and intangible assets.

The results and assets of joint ventures and associates are included within the individual business segment in which they are included for internal reporting, which relate to the Ashfield division.

Notes forming part of the Group Financial Statements (continued)

4. Segmental Information (continued)

The following represents a geographical analysis of the segment information in accordance with IFRS 8, which requires disclosure of information about the country of domicile (Republic of Ireland) and countries with material revenue and non-current assets.

Geographical analysis	Republic of Ireland 2018 $'000	United Kingdom 2018 $'000	North America 2018 $'000	Rest of World 2018 $'000	Group total 2018 $'000
Revenue	**38,724**	**305,677**	**715,792**	**254,993**	**1,315,186**
Total assets	**28,706**	**491,181**	**820,944**	**186,326**	**1,527,157**
Capital expenditure*	**503**	**27,604**	**101,365**	**9,114**	**138,586**
	Republic of Ireland 2017 $'000	United Kingdom 2017 $'000	North America 2017 $'000	Rest of World 2017 $'000	Group total 2017 $'000
Revenue	42,178	318,934	629,001	229,642	1,219,755
Total assets	97,315	554,885	684,879	182,870	1,519,949
Capital expenditure*	205	128,017	182,947	17,854	329,023

* Capital expenditure comprises acquisition of computer software, property, plant and equipment, goodwill and intangible assets.

5. Statutory and Other Information

	2018 $'000	2017 $'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**24,477**	21,221
(Profit)/Loss on disposal of property, plant and equipment	**(340)**	55
Amortisation of intangible assets:		
– Amortisation of acquired intangibles	**31,001**	22,066
– Amortisation of computer software	**6,036**	3,384
Employee benefits	**614,181**	511,108
Operating lease rentals:		
– Land and buildings	**17,025**	13,646
– Other assets	**16,152**	15,412
Foreign exchange gain	**(1,049)**	(2,293)

Details of directors' remuneration, pension entitlements and interests in share options are set out in the Directors' Remuneration Report.

Auditor's remuneration

	2018 $'000	2017 $'000
Fees payable to the Group auditors and to member firms of the Group auditors are as follows:		
Description of services		
Audit services:		
– Group	**1,356**	887
– Company	**9**	9
Other assurance services:		
– Group	**–**	–
– Company	**–**	–
Tax advisory services:		
– Group	**–**	–
– Company	**–**	–
Other non-audit services:		
– Group	**28**	2
– Company	**–**	–
	1,393	898

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of $9,000 (2017: $9,000) which were paid to the Group's auditor in respect of the parent company.

Included in the above fees are the following amounts payable to the Group auditors outside of Ireland:

	2018 $'000	2017 $'000
Audit services		
Other assurance services	**739**	593
Tax advisory services	**–**	–
Other non-audit services	**–**	–
	739	593

6. Finance Income and Expense

	2018 $'000	2017 $'000
Finance income		
Income arising from cash deposits	**1,763**	1,057
Fair value adjustment to guaranteed senior unsecured loan notes	**213**	2,840
Foreign currency gain on retranslation of guaranteed senior unsecured loan notes	**3,032**	14,865
Ineffective portion of cash flow hedges	**–**	76
Net finance income on pension scheme obligations	**227**	67
	5,235	18,905
Finance expense		
Interest on overdrafts	**(95)**	(46)
Interest on bank loans and other loans:		
– Wholly repayable within five years	**(7,510)**	(5,482)
– Wholly repayable after five years	**(1,997)**	(5,641)
Interest on finance leases	**(3)**	(3)
Unwinding of discount on provisions	**(840)**	(380)
Fair value adjustments to fair value hedges	**(213)**	(2,840)
Fair value of cash flow hedges transferred to equity	**(3,032)**	(14,865)
Ineffective portion of cash flow hedges	**(236)**	–
	(13,926)	(29,257)
Net finance expense, pre-exceptional items	**(8,691)**	(10,352)
Finance income relating to exceptional items (Note 9)	**11,576**	–
Net finance income/(expense)	**2,885**	(10,352)

Notes forming part of the Group Financial Statements (continued)

7. Disposal of Subsidiaries

On 8 August 2018 the Group completed the disposal of Aquilant. The following tables summarise the consideration received, loss on disposal and the net cash flow arising on the disposal of Aquilant:

	2018 $'000
Consideration	
Cash consideration received	22,389
Deferred consideration	580
Total consideration received	**22,969**
Assets and liabilities disposed of	
Property, plant and equipment	3,871
Goodwill	7,703
Deferred tax assets	333
Inventories	18,923
Trade and other receivables	16,266
Trade and other payables	(18,634)
Cash and cash equivalents	1,343
Net assets disposed of	**29,805**
Loss on disposal	
Total consideration received	22,969
Net assets disposed of	(29,805)
Reclassification of foreign currency translation reserve on disposal	(33,383)
Disposal costs	(1,683)
Net loss on disposal of subsidiaries	**(41,902)**
Net cash flow from disposal of subsidiaries	
Cash and cash equivalents received	22,389
Cash and cash equivalents disposed of	(1,343)
Net cash inflow from disposal of subsidiaries	21,046

The cash inflow from disposal of subsidiaries is presented within cash flows from investing activities in the Group Cash Flow Statement.

The net loss on disposal is presented as an exceptional item (Note 9) within other operating expenses. The net loss on disposal includes the reclassification of the foreign currency translation reserve of $33,383,000. This is the cumulative foreign translation difference arising from the translation of the net assets of Aquilant denominated in euro and sterling, to US dollars in each reporting period. As these exchange differences were previously recognised in the Group's other comprehensive income and the foreign exchange reserve, this charge has a $nil impact on shareholder's equity. The recycling of the foreign currency translation reserve had a $nil impact on the Group's adjusted diluted EPS.

An impairment charge of $57,648,000 arose on the carrying value of the goodwill in Aquilant in the six-month period to 31 March 2018 as previously disclosed in the 2018 interim results. This is presented as an exceptional item in Note 9.

The operating results of Aquilant, excluding exceptional items, which are outlined for the current and prior year in the segmental information in Note 4, are not considered to be a separate major line of business or geographical area of operations and therefore has not been separately presented in the Group Income Statement as a discontinued operation. The impairment charge and loss on disposal are separately presented within exceptional items (Note 9).

8. Income Tax Expense

Recognised in the income statement	2018 $'000	2017 $'000
Current income tax		
Ireland		
Adjustment in respect of prior years	**715**	2,442
Current year income tax on profit for the year	**(1,034)**	(589)
	(319)	1,853
Overseas		
Adjustment in respect of prior years	**4,021**	(108)
Current year income tax on profit for the year	**(20,322)**	(18,710)
	(16,301)	(18,818)
Total current income tax expense	**(16,620)**	(16,965)
Deferred income tax		
Origination and reversal of temporary differences:		
Property, plant and equipment	**(1,118)**	(2,508)
Intangible assets	**1,793**	5,070
Tax deductible goodwill	**6,139**	(5,099)
Employee benefits	**1,260**	332
Short-term temporary differences	**4,017**	(1,806)
Total deferred income tax credit/(expense)	**12,091**	(4,011)
Income tax expense	**(4,529)**	(20,976)

Other temporary differences primarily relate to short-term temporary differences.

Factors Affecting the Tax Charge in Future Years

The total tax charge for future periods will be affected by changes to applicable tax rates in force in jurisdictions in which the Group operates and other changes in tax legislation applicable to the Group's businesses.

Reconciliation of effective tax rate	2018 %	2018 $'000	2017 %	2017 $'000
Profit before tax		**8,386**		92,834
Taxation based on Irish corporation tax rate	**12.5**	**(1,048)**	12.5	(11,604)
Expenses not deductible for tax purposes		**(1,022)**		(1,318)
Loss on disposal of subsidiary not deductible		**(5,238)**		–
Impairment of goodwill not deductible		**(7,206)**		–
Tax on income from joint ventures		**120**		83
Losses recognised		**2,422**		–
Differences in foreign tax rates		**(7,048)**		(10,893)
Impact of changes in US tax rates		**9,715**		–
Adjustments in respect of prior years		**4,776**		2,756
		(4,529)		(20,976)

The enactment of the 'Tax Cuts and Jobs Act' in the US during the year resulted in a deferred tax credit of $9,715,000 to the income statement shown as part of the exceptional items (Note 9) and a deferred tax credit of $408,000 to other comprehensive income.

The Group's share of joint ventures' profit after tax includes a tax charge of $572,000 (2017: $366,000).

Recognised in other comprehensive income	2018 $'000	2017 $'000
Deferred tax		
Defined benefit schemes	**221**	(599)
Cash flow hedges	**433**	51
	654	(548)

Notes forming part of the Group Financial Statements (continued)

9. Exceptional Items

Exceptional items are those which, in management's judgement, should be disclosed separately by virtue of their nature or amount. These exceptional items are separately presented in the Income Statement caption to which they relate. An analysis of exceptional items is disclosed below.

		2018 $'000
Contract terminations	(a)	(8,882)
Impairment of goodwill	(b)	57,648
Loss on disposal of subsidiary	(c)	41,902
Restructuring costs and other	(d)	14,536
Onerous lease	(e)	2,924
Impairment of property, plant and equipment	(f)	502
Net operating exceptional items		108,630
Deferred contingent consideration	(g)	(11,576)
Net exceptional items before taxation		97,054
Exceptional items tax credit		(1,548)
Deferred tax	(h)	(9,715)
Net exceptional items after taxation		85,791

(a) Contract termination costs

On 22 December 2017, Aquilant exited the VSI contract for a consideration of $10,135,000 in respect of the contract termination to include certain assets of the trade including stock. On 29 March 2018, Aquilant exited the Link contract and received consideration of $4,930,000 in respect of the contract termination to include certain assets of the trade. Exiting these contracts included the transfer of stock and other assets of $5,658,000 and resulted in restructuring costs of $525,000, primarily relating to redundancy costs. The total exceptional cash inflow net of costs and net of stock transferred in the year was $8,865,000 and the expected total net cash inflow is $9,021,000. A tax charge of $1,010,000 was incurred in relation to these items.

(b) Impairment of goodwill

A goodwill impairment charge of $57,648,000 arose during the six month period to 31 March 2018, as the Group wrote down the carrying value of goodwill in relation to Aquilant (Note 13). This impairment resulted from the loss of contracts in the period, and an anticipated reduction in future earnings and resultant cashflows from the lower base. Aquilant was subsequently disposed of on 8 August 2018 (Note 7).

(c) Loss on disposal of subsidiary

On 8 August 2018 the Group announced the disposal of Aquilant and incurred a loss on disposal of $41,902,000 which is detailed in Note 7.

(d) Restructuring costs and other

During the year, the Group implemented a restructuring of its internal operating structures in Ashfield and Sharp, with a view to achieving greater flexibility, accountability and performance. Restructuring costs and other includes redundancy costs of $12,623,000 and accelerated share-based payment expense of $1,574,000. The balance of $339,000 relates to other costs associated with the restructuring. A tax credit of $2,770,000 arose in respect of restructuring costs including redundancy, $nil in respect of accelerated share-based payments expense and $76,000 in respect of other costs associated with restructuring the business.

(e) Onerous lease

Onerous lease costs were incurred in relation to the exit of leased properties as a consequence of the organisation restructuring during the year. A tax credit of $639,000 arose in respect of the onerous lease costs.

(f) Impairment of property, plant and equipment

Impairment of property, plant and equipment arose due to the exit of properties as a result of the realignment of the Group's structure. A tax credit of $78,000 arose in respect of the impairment of property, plant and equipment.

(g) Deferred contingent consideration

Deferred contingent consideration of $3,469,000 in respect of Cambridge BioMarketing, $5,250,000 in respect of MicroMass Communications and $2,857,000 in respect of Sellxpert was released in the year following a review of expected performance against earn-out targets. A tax charge of $1,005,000 arose as a result of the release of contingent consideration presented within exceptional item tax line.

(h) Deferred tax

The exceptional credit to the Group Income Statement of $9,715,000 reflects the one-off benefit of a reduction in the Group's deferred tax liabilities following the enactment of the US Tax Cuts and Jobs Act. A credit of $408,000 also arises in the Group Statement of Comprehensive Income as a further consequence of this legislation.

The following table provides a reconciliation of the exceptional costs to the Group Income Statement:

	Cost of sales $'000	Selling and distribution expenses $'000	Administration expenses $'000	Other operating expenses $'000	Other operating income $'000	Finance income $'000	Total exceptional items $'000
Contract terminations	–	–	–	–	(8,882)	–	(8,882)
Impairment of goodwill	–	–	–	57,648	–	–	57,648
Loss on disposal of subsidiary	–	–	–	41,902	–	–	41,902
Restructuring costs and other	3,366	9,956	1,214	–	–	–	14,536
Onerous leases	1,990	934	–	–	–	–	2,924
Impairment of property, plant and equipment	350	152	–	–	–	–	502
Deferred contingent consideration	–	–	–	–	–	(11,576)	(11,576)
Net exceptional items before taxation	**5,706**	**11,042**	**1,214**	**99,550**	**(8,882)**	**(11,576)**	**97,054**
Exceptional items tax credit							(1,548)
Deferred tax							(9,715)
Net exceptional items after taxation							**85,791**

10. Dividends – Equity Shares

	2018 $'000	2017 $'000
Dividends paid		
Final dividend for 2017 of 9.72 $ cent (2016: 9.04 $ cent) per share	**24,137**	22,388
Interim dividend for 2018 of 4.25 $ cent (2017: 3.58 $ cent) per share	**10,568**	8,891
Total dividends	**34,705**	31,279

The directors have proposed a final dividend for 2018 of 11.75 $ cent per share (2017: 9.72 $ cent per share) amounting to $29,224,000 (2017: $24,137,000), subject to shareholder approval at the upcoming AGM. The total dividend for the year, subject to shareholder approval, is 16.00 $ cent (2017: 13.30 $ cent) per share.

The final dividend for 2018 has not been provided for in the Balance Sheet at 30 September 2018, as there was no present obligation to pay the dividend at year end.

Notes forming part of the Group Financial Statements (continued)

11. Earnings Per Ordinary Share

	Total 2018 $'000	Total 2017 $'000
Profit attributable to owners of the parent	3,795	71,858
Adjustment for amortisation of acquired intangible assets (net of tax)	23,287	16,996
Adjustment for transaction costs (net of tax)	2,194	3,658
Adjustment for exceptional items (net of tax)	85,791	–
Adjusted profit attributable to owners of the parent	115,067	92,512

	2018 Number of shares	2017 Number of shares
Weighted average number of shares	248,517,745	248,001,114
Number of dilutive shares under options	1,947,043	1,238,273
Weighted average number of shares, including share options	250,464,788	249,239,387

	2018	2017
Basic earnings per share – $ cent	1.53	28.97
Diluted earnings per share – $ cent	1.52	28.83
Adjusted basic earnings per share – $ cent[1]	46.30	37.30
Adjusted diluted earnings per share – $ cent[1]	45.94	37.12

1 Adjusted profit attributable to equity holders of the parent is stated before the amortisation of acquired intangible assets ($23.3 million, net of tax), transaction costs ($2.2 million, net of tax), loss on disposal of Aquilant ($41.9 million) and other exceptional items ($43.9 million, net of tax).

Non–IFRS Information

The Group reports certain financial measurements that are not required under International Financial Reporting Standards (IFRS) which represent the generally accepted accounting principles (GAAP) under which the Group reports. The Group believes that the presentation of these non–GAAP measurements provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. These measurements are also used internally to evaluate the historical and planned future performance of the Group's operations and to measure executive management's performance-based remuneration.

Treasury shares have been excluded from the weighted average number of shares in issue used in the calculation of earnings per share. 1,357,684 (2017: 2,567,081) anti–dilutive share options have been excluded from the calculation of diluted earnings per share.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.

12. Property, Plant and Equipment

	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Assets under construction $'000	Total $'000
Year ended 30 September 2018						
Opening net book amount	76,463	80,564	271	10,014	1,091	168,403
Additions in year	3,637	17,016	6	1,962	19,849	42,470
Arising on acquisition	–	70	–	108	–	178
Depreciation charge	(5,412)	(13,727)	(45)	(5,293)	–	(24,477)
Impairment	(502)	(188)	–	–	–	(690)
Disposals in year	(355)	(4,033)	(24)	(668)	–	(5,080)
Reclassifications	(1,778)	2,521	(55)	55	(743)	–
Translation adjustment	(522)	(549)	(1)	(139)	–	(1,211)
At 30 September 2018	71,531	81,674	152	6,039	20,197	179,593
At 30 September 2018						
Cost or deemed cost	104,783	160,280	331	25,332	20,197	310,923
Accumulated depreciation	(33,252)	(78,606)	(179)	(19,293)	–	(131,330)
Net book amount	71,531	81,674	152	6,039	20,197	179,593

	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Assets under construction $'000	Total $'000
Year ended 30 September 2017						
Opening net book amount	61,093	65,013	290	10,481	–	136,877
Additions in year	4,151	20,780	30	3,414	1,091	29,466
Arising on acquisition	15,692	5,153	–	593	–	21,438
Depreciation charge	(4,935)	(11,620)	(62)	(4,604)	–	(21,221)
Disposals in year	(97)	(14)	–	(90)	–	(201)
Transfer to intangibles	–	–	–	(393)	–	(393)
Reclassifications	(561)	163	–	398	–	–
Translation adjustment	1,120	1,089	13	215	–	2,437
At 30 September 2017	76,463	80,564	271	10,014	1,091	168,403
At 30 September 2017						
Cost or deemed cost	106,815	157,112	738	27,558	1,091	293,314
Accumulated depreciation	(30,352)	(76,548)	(467)	(17,544)	–	(124,911)
Net book amount	76,463	80,564	271	10,014	1,091	168,403

No borrowings are secured on the above assets with the exception of the leased assets noted below.

Leased Property, Plant and Equipment

The net book value of land and buildings includes long leaseholds of $1,005,263 (2017: $1,027,559). The Group leases items of property, plant and equipment under a number of finance lease agreements. At 30 September 2018, the carrying amount of property, plant and equipment held under finance leases was $30,748 (2017: $164,000) and related depreciation amounted to $90,094 (2017: $86,000).

13. Goodwill

	2018 $'000	2017 $'000
Cost		
At 1 October	**542,554**	384,520
Arising on acquisition (Note 29)	**42,041**	140,626
Measurement period adjustment	**–**	1,844
Impairment (Note 9)	**(57,648)**	–
Disposals of subsidiaries (Note 7)	**(7,703)**	–
Translation adjustment	**(3,290)**	15,564
At 30 September	**515,954**	542,554

Goodwill arises on acquisitions. The goodwill acquired during the year relates to the acquisition of Create NYC and SmartAnalyst (Note 29). In the prior year, there was a measurement period adjustment of $1,844,000 on finalisation of business combination accounting.

Goodwill acquired through business combinations has been allocated to CGUs for the purpose of impairment testing. The CGUs represent the lowest level within the Group at which associated goodwill is monitored for management purposes and is not bigger than the segments determined in accordance with IFRS 8 Operating Segments. Significant under-performance in any of the Group's major CGUs may give rise to a material write-down of goodwill which would have a substantial impact on the Group's income and equity. A total of eight (2017: nine) CGUs have been identified. The change in the number of CGUs identified is a result of the disposal of Aquilant during the year. Aquilant was considered a CGU for the purposes of impairment testing.

Notes forming part of the Group Financial Statements (continued)

13. Goodwill (continued)

The carrying value of goodwill and the number of CGUs are analysed between the operating segments in the Group below.

	2018 $'000	Number of CGUs	2017 $'000	Number of CGUs
Ashfield	**426,093**	**6**	389,029	6
Sharp	**89,861**	**2**	90,541	2
Aquilant	**–**	**–**	62,984	1
	515,954	**8**	542,554	9

In accordance with IAS 36 Impairment of Assets, the CGUs to which significant amounts of goodwill (greater than 10% of the total value) have been allocated are as follows:

	2018 $'000	2017 $'000
Ashfield Healthcare Communications Group[1]	**197,627**	168,842
Ashfield Advisory Group[2]	**79,941**	67,032
Aquilant Group	**–**	62,984
Ashfield EUCAN Group	**53,193**	54,181
Sharp Commercial Packaging Group	**50,504**	50,847

1 Includes goodwill relating to Create NYC LLC which was acquired during the year (Note 29).
2 Includes goodwill relating to SmartAnalyst Inc which was acquired during the year (Note 29).

Impairment Testing of CGUs Containing Goodwill

The Group tests goodwill for impairment on an annual basis or more frequently if there is an indication that the goodwill may be impaired. This testing involves determining the CGU's value in use and comparing this to the carrying amount of the CGU. Where the value in use exceeds the carrying value of the CGU, the asset is not impaired, but where the carrying amount exceeds the value in use, an impairment loss is recognised to reduce the carrying amount of the CGU to its value in use. Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Value in Use Calculations

Where a value in use approach is used to assess the recoverable amount of the CGU, calculations use pre-tax cash flow projections based on financial budgets and projections covering a five-year period. The cash flow forecasts used for the value in use computations exclude incremental profits and other cash flows derived from planned acquisition activities. For individual CGUs, the cash flow forecasts employed in the computations are based on a four-year plan, which has been approved by senior management. The remaining year's forecasts have been extrapolated using growth rates consistent with the four-year plan. A long-term growth rate reflecting the long-term economic growth rates for the countries of operation of the CGUs have been applied to the year five cash flows. The long-term growth rates applied to value in use calculations range from 2.0% to 2.3% (2017: 2.5%). The value in use of each CGU is calculated using a discount rate representing the Group's estimated weighted average cost of capital, adjusted to reflect risks associated with each CGU. The pre-tax discount rates range from 9.1% to 11% (2017: 8.1% to 12.5%). The pre-tax discount rates and long-term growth rates used for significant CGUs are detailed in the table below.

	Discount rate (pre-tax)		Long-term growth rate	
	2018	2017	2018	2017
Ashfield Healthcare Communications Group	**10.1%**	8.5%	**2.1%**	2.5%
Ashfield Advisory Group	**9.5%**	8.5%	**2.1%**	2.5%
Aquilant Group	**–**	8.1%	**–**	2.5%
Ashfield EUCAN Group	**10.7%**	9.8%	**2.3%**	2.5%
Sharp Commercial Packaging Group	**10.6%**	11.1%	**2.2%**	2.5%

The key assumptions used for the value in use computations are that the markets will grow in accordance with publicly available data, the Group will maintain its current market share, gross margins will be maintained at current levels and overheads will increase in line with expected levels of inflation. The cash flow forecasts assume appropriate levels of capital expenditure and investment in working capital to support the growth in individual CGUs.

Impairment

There was no impairment charge arising from the Group's annual goodwill impairment test. An impairment was recognised during the year in respect of goodwill in the Aquilant Group arising from an impairment test of the Aquilant Group at 31 March 2018 as a result of impairment indicators identified. The impairment resulted from the loss of contracts in Aquilant during the period and an anticipated slower build in earnings and resultant cash flows from the lower base. A goodwill impairment expense of $57,648,000 was recognised as disclosed in the 2018 interim results and is presented within other operating expenses as an exceptional item (Note 9). The recoverable amount of the Aquilant Group was determined based on value in use calculations as outlined above on the basis of continuing use. A pre-tax discount rate of 9.5% (30 September 2017: 8.1%) and terminal growth rate of 2.0% (30 September 2017: 2.5%) were applied. The Aquilant Group has since been disposed of and the remaining goodwill of the Aquilant Group was derecognised on disposal (Note 7).

Additional Sensitivity Analysis

The Group has conducted a sensitivity analysis on each of the CGUs by increasing the discount rate by 2%, reducing the long-term growth rates by 0.5% and decreasing cash flow forecasts by 10%. Applying these sensitivities did not indicate an impairment in any CGU.

14. Intangible Assets

	Computer software $'000	Customer relationships $'000	Trade names $'000	Contract-based $'000	Technology $'000	Total $'000
Year ended 30 September 2018						
Opening net book amount	**39,770**	**126,974**	**47,555**	**1,167**	**12,151**	**227,617**
Additions in year	**21,047**	**–**	**–**	**–**	**–**	**21,047**
Arising on acquisition	**9**	**21,560**	**8,502**	**2,710**	**–**	**32,781**
Amortisation of acquired intangible assets	**–**	**(19,843)**	**(5,390)**	**(2,435)**	**(3,333)**	**(31,001)**
Amortisation of computer software	**(6,036)**	**–**	**–**	**–**	**–**	**(6,036)**
Translation adjustment	**(992)**	**(1,408)**	**(286)**	**–**	**(184)**	**(2,870)**
At 30 September 2018	**53,798**	**127,283**	**50,381**	**1,442**	**8,634**	**241,538**
At 30 September 2018						
Cost or deemed cost	**71,016**	**231,717**	**82,949**	**15,563**	**18,724**	**419,969**
Accumulated amortisation	**(17,218)**	**(104,434)**	**(32,568)**	**(14,121)**	**(10,090)**	**(178,431)**
Net book amount	**53,798**	**127,283**	**50,381**	**1,442**	**8,634**	**241,538**

	Computer software $'000	Customer relationships $'000	Trade names $'000	Contract-based $'000	Technology $'000	Total $'000
Year ended 30 September 2017						
Opening net book amount	18,962	76,736	11,333	–	1,291	108,322
Additions in year	21,884	–	–	–	–	21,884
Arising on acquisition	77	62,734	37,924	1,400	12,635	114,770
Amortisation of acquired intangible assets	–	(16,275)	(2,751)	(233)	(2,807)	(22,066)
Amortisation of computer software	(3,384)	–	–	–	–	(3,384)
Transfer from property, plant and equipment	393	–	–	–	–	393
Measurement period adjustment	–	(1,005)	–	–	–	(1,005)
Translation adjustment	1,838	4,784	1,049	–	1,032	8,703
At 30 September 2017	39,770	126,974	47,555	1,167	12,151	227,617
At 30 September 2017						
Cost or deemed cost	51,445	218,720	79,653	22,039	19,144	391,001
Accumulated amortisation	(11,675)	(91,746)	(32,098)	(20,872)	(6,993)	(163,384)
Net book amount	39,770	126,974	47,555	1,167	12,151	227,617

The amortisation charge for the year has been charged to other operating expenses in the Income Statement. Intangible assets are amortised over their useful lives, ranging from six months to 15 years, depending on the nature of the asset.

Notes forming part of the Group Financial Statements (continued)

14. Intangible Assets (continued)

Weighted average remaining amortisation period	Computer software	Customer relationships	Trade names	Contract-based	Technology
At 30 September 2018	**7.9**	**6.7**	**7.9**	**1.0**	**2.6**
At 30 September 2017	6.6	6.6	9.6	1.0	3.6

15. Investment in Joint Ventures and Associates

The Group's interest in its joint ventures and associates, all of which are unlisted, is set out below.

	$'000
At 1 October 2016	9,067
Share of profit after tax	667
Translation adjustment	(896)
At 30 September 2017	**8,838**
Share of profit after tax	**958**
Translation adjustment	**(67)**
At 30 September 2018	**9,729**

The Group has classified the joint venture arrangement with Magir Limited ('Magir') as an asset held for sale. The carrying value of the investment in Magir is $nil (2017: $nil). During the year, the Group's ownership interest in Magir reduced to 25% (from 31.62% at 30 September 2017) and in addition the Group's guarantee to Magir's bankers was released. The investment is available for immediate sale in its present condition and the Group is committed to its sale as soon as practicable.

Set out below is the summarised financial information for the Group's joint ventures, which are accounted for using the equity method. The information below reflects the amounts presented in the financial statements of the joint venture reconciled to the carrying value of the Group's interest in joint ventures.

	2018 $'000	2017 $'000
Joint venture balance sheet (100%)		
Non-current assets	**1,706**	2,265
Cash and cash equivalents	**3,742**	2,292
Other current assets	**14,651**	13,879
Non-current liabilities	**(2,532)**	(4,199)
Current liabilities	**(8,825)**	(7,315)
Net assets	**8,742**	6,922
Reconciliation of the carrying value of the Group's interest in joint ventures:		
Group's equity interest	**49.99%**	49.99%
Group's share of net assets	**4,370**	3,460
Goodwill	**5,359**	5,378
Carrying value of Group's interest in joint ventures	**9,729**	8,838

	2018 $'000	2017 $'000
Revenue	**66,271**	61,883
Expenses, net of tax	**(64,355)**	(60,549)
Profit after tax	**1,916**	1,334
Group's equity interest	**49.99%**	49.99%
Group's share of profit after tax	**958**	667

Capital Commitments
At 30 September 2018, the Group's share of authorised but not contracted for capital expenditure was $nil (2017: $nil).

The following joint venture of UDG Healthcare plc is classified as an asset held for sale.

Name	Nature of business	Group share
Magir Limited (trading as Medicare)	Healthcare and retail organisation	25%

Magir Limited has its registered office at
44 Montgomery Road, Belfast, BT6 9ML

The following joint venture of UDG Healthcare plc is included within the Ashfield operating segment.

Name	Nature of business	Group share
CMIC Ashfield Co., Ltd	Contract sales outsourcing	49.99%

CMIC Ashfield Co., Ltd has its registered office at
7–10–4 Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan

All shares held are ordinary shares.

UDG Healthcare plc accounts for Magir Limited and CMIC Ashfield Co. Limited as joint ventures on the basis of contractual arrangements which establish joint control between the Group and the remaining shareholders. These contractual arrangements outline the requirement for all significant strategic, financial and operational decisions to be jointly approved by both parties to the respective agreements.

The Group has considered the impact of IFRS 12, Disclosure of Interest in Other Entities in the Group financial statements. Given that neither joint venture is individually material to the results or financial position of the Group as at 30 September 2018 or 2017, no separate summary information for the respective joint ventures has been disclosed.

16. Inventories

	2018 $'000	2017 $'000
Raw materials	**17,048**	13,921
Work in progress	**7,295**	6,159
Finished goods	**6,905**	34,980
	31,248	55,060

In 2018, raw materials, work in progress and finished goods recognised as cost of sales amounted to $231,752,000 (2017: $207,803,000).

Estimates of net realisable value are based on the most reliable evidence, taking into consideration product obsolescence or perishability (which are generally low given the nature of the Group's inventory) and the purpose for which the inventory is held.

Current replacement cost does not differ materially from historical cost.

Notes forming part of the Group Financial Statements (continued)

17. Trade and Other Receivables

	2018 $'000	2017 $'000
Current		
Trade receivables	**222,376**	215,140
Other receivables	**32,233**	24,121
Accrued income	**63,730**	50,050
Prepayments	**28,853**	18,077
	347,192	307,388

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2018 $'000	2017 $'000
Geographical analysis of risk		
Republic of Ireland	**2,839**	7,191
United Kingdom	**26,144**	39,023
North America	**131,053**	104,577
Rest of World	**62,340**	64,349
	222,376	215,140

There is no material concentration of credit risk with regard to individual clients included in Group trade receivables. Details of how the Group manages credit risk are set out in Note 31.

The ageing of trade receivables at 30 September 2018 and 2017 was:

	2018			2017		
	Gross value $'000	Impairment $'000	Net $'000	Gross value $'000	Impairment $'000	Net $'000
Not past due	**187,657**	**(187)**	**187,470**	186,146	(200)	185,946
Past due						
0–30 days	**22,554**	**(30)**	**22,524**	19,213	(58)	19,155
31–90 days	**10,654**	**(30)**	**10,624**	8,923	(457)	8,466
91–180 days	**2,461**	**(703)**	**1,758**	2,099	(526)	1,573
+181 days	**1,706**	**(1,706)**	**–**	1,315	(1,315)	–
	225,032	**(2,656)**	**222,376**	217,696	(2,556)	215,140

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2018 $'000	2017 $'000
At beginning of the year	**2,556**	2,916
Disposals in year	**(109)**	–
Bad debts written off during the year	**(228)**	(562)
Impairment loss recognised during the year	**484**	104
Translation adjustment	**(47)**	98
At end of year	**2,656**	2,556

Trade receivables are assessed individually for impairment. The Group trades with a large and varied number of clients on credit terms. Provision for impairment is made when there is objective evidence that the Group will not be in a position to collect the associated trade debts. Impairments are recorded in the Group Income Statement on identification. The general economic climate being experienced by clients of the Group remains consistent with 2017 and is closely monitored by the Group.

18. Equity Share Capital

Equity share capital	Number of shares 2018	2018 $'000	Number of shares 2017	2017 $'000
Authorised				
Ordinary shares of €0.05 each	**367,471,934**	**21,605**	367,471,934	21,605
Redeemable ordinary shares of €0.05 each	**7,528,066**	**492**	7,528,066	492
	375,000,000	**22,097**	375,000,000	22,097
Allotted, called up and fully paid				
Ordinary shares of €0.05 each	**248,712,639**	**14,151**	248,326,744	14,128
Redeemable ordinary shares of €0.05 each	**7,528,066**	**492**	7,528,066	492
In issue at 30 September	**256,240,705**	**14,643**	255,854,810	14,620

The redeemable ordinary shares do not rank for dividends and do not carry voting rights. The redeemable ordinary shares can be redeemed by the Company with the agreement of holders of such shares. All redeemable ordinary shares are held by the Group and are treated as treasury shares in accordance with the requirements of company law.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to attend, speak, ask questions and have one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	Number of ordinary shares		Number of redeemable ordinary shares	
	2018	2017	**2018**	2017
In issue at beginning of year	**248,326,744**	246,764,469	**7,528,066**	7,528,066
Exercise of share options	**385,895**	837,278	**–**	–
Issued in business combination	**–**	724,997	**–**	–
In issue at end of year	**248,712,639**	248,326,744	**7,528,066**	7,528,066

19. Profit Attributable to UDG Healthcare plc

The profit recorded in the financial statements of the holding Company for the year ended 30 September 2018 was €31,526,000 (2017: €76,437,000). As permitted by Section 304 (2) of the Companies Act 2014, the Income Statement of the Company has not been separately presented – the exemption is afforded by Section 304.

20. Share Premium

	2018 $'000	2017 $'000
At 1 October	**196,496**	187,355
Premium arising on shares issued	**1,341**	3,129
Issued in business combination	**–**	6,012
At 30 September	**197,837**	196,496

Notes forming part of the Group Financial Statements (continued)

21. Other Reserves

	Cash flow hedge $'000	Share-based payment $'000	Foreign exchange $'000	Treasury shares $'000	Capital redemption reserve $'000	Total $'000
At 1 October 2017	**(12,854)**	**8,992**	**(155,465)**	**(7,676)**	**347**	**(166,656)**
Effective portion of cash flow hedges	**(3,465)**	**–**	**–**	**–**	**–**	**(3,465)**
Deferred tax on cash flow hedges	**433**	**–**	**–**	**–**	**–**	**433**
Share-based payment expense	**–**	**6,643**	**–**	**–**	**–**	**6,643**
Release from share-based payment reserve	**–**	**(827)**	**–**	**–**	**–**	**(827)**
Translation adjustment	**–**	**–**	**(5,466)**	**–**	**–**	**(5,466)**
Reclassification on loss of control of subsidiary undertakings	**–**	**–**	**33,383**	**–**	**–**	**33,383**
At 30 September 2018	**(15,886)**	**14,808**	**(127,548)**	**(7,676)**	**347**	**(135,955)**

	Cash flow hedge $'000	Share-based payment $'000	Foreign exchange $'000	Treasury shares $'000	Capital redemption reserve $'000	Total $'000
At 1 October 2016	(12,499)	5,956	(165,574)	(7,676)	347	(179,446)
Effective portion of cash flow hedges	(406)	–	–	–	–	(406)
Deferred tax on cash flow hedges	51	–	–	–	–	51
Share-based payment expense	–	3,613	–	–	–	3,613
Release from share-based payment reserve	–	(577)	–	–	–	(577)
Translation adjustment	–	–	10,109	–	–	10,109
At 30 September 2017	(12,854)	8,992	(155,465)	(7,676)	347	(166,656)

Cash Flow Hedge Reserve
The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share-based Payment Reserve
This reserve comprises amounts expensed in the Income Statement in connection with share-based payments, net of transfers to retained earnings on the exercise, lapsing or forfeiting of share awards.

Foreign Exchange Reserve
The currency translation reserve comprises all foreign exchange differences arising from the translation of the net assets of the Group's non-US dollar-denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date.

The reserve also includes all foreign exchange differences arising from the translation of liabilities that hedge the Group's net investment in foreign operations.

Capital Redemption Reserve
The capital redemption reserve is a legal reserve which has arisen from the company buying back and cancelling its ordinary shares.

Treasury Shares
Dublin Drug Company Limited

During the year ended 30 September 1998, the Group acquired Dublin Drug Company Limited for consideration of $13,118,000 which at the date of its acquisition held 2,225,438 ordinary shares in UDG Healthcare plc which had a nominal value of $790,000 and at the date of their acquisition represented 9.84% of the Company's issued ordinary share capital. Subsequent to the acquisition, these ordinary shares were converted into redeemable ordinary shares.

On 29 January 2002, 1,150,000 of these redeemable ordinary shares were redeemed at their market value both out of the proceeds of a placing in the market of 1,150,000 new ordinary shares and the distributable reserves of the Company, in accordance with Article 3A of the Articles of Association of the Company and Section 207 of the Companies Act 1990, and immediately thereafter were cancelled.

During the year ended 30 September 2003, the Company's shareholders approved a seven for one split of the ordinary share capital and redeemable ordinary share capital of the Company. At 30 September 2018, Dublin Drug Company Limited continued to hold 7,528,066 redeemable ordinary shares and they have been treated as treasury shares in the Balance Sheet in accordance with the requirements of company law.

Summary

At 30 September 2018 7,528,066 (2017: 7,528,066) treasury shares were held by the Group, representing 2.94% (2017: 2.94%) of the issued ordinary and redeemable ordinary share capital of the Company.

22. Retained Earnings

	2018 $'000	2017 $'000
At beginning of year	**836,087**	784,432
Net income recognised directly in the Income Statement	**3,795**	71,858
Net income recognised directly in Other Comprehensive Income:		
– Remeasurement gain on Group defined benefit schemes	**2,422**	11,098
– Deferred tax on Group defined benefit schemes	**221**	(599)
Dividends paid to equity holders	**(34,705)**	(31,279)
Release from share-based payment reserve	**827**	577
At end of year	**808,647**	836,087

23. Non-controlling Interests

	2018 $'000	2017 $'000
At 1 October	**109**	–
Acquired during the year	**–**	110
Share of profit for the financial year	**62**	–
Translation adjustment	**–**	(1)
At 30 September	**171**	109

The non-controlling interests relate to Sellxpert AG, a company registered in Switzerland. The Group acquired a 50% shareholding in Sellxpert AG on 10 July 2017.

24. Interest-bearing Loans and Borrowings

	2018 $'000	2017 $'000
Non-current		
Guaranteed senior unsecured notes	**243,091**	244,043
Finance leases	**8**	34
	243,099	244,077
Current		
Guaranteed senior unsecured notes	**(100)**	(142)
Bank borrowings	**327**	70
Finance leases	**45**	130
	272	58

Notes forming part of the Group Financial Statements (continued)

24. Interest-bearing Loans and Borrowings (continued)

Interest-bearing loans and borrowings are repayable as follows:

	2018 $'000	2017 $'000
Bank borrowings, overdrafts and guaranteed senior unsecured notes		
Within one year	227	(72)
After one but within two years	65,045	(95)
After two but within five years	118,729	65,362
After five years	59,317	178,776
Finance leases		
Within one year	45	130
After one but within two years	8	34
	243,371	244,135
Non-current	243,099	244,077
Current	272	58
	243,371	244,135

In September 2010, the Group completed a $130 million debt financing in the US Private Placement Market. The following notes remain outstanding:

	2018 $'000	2017 $'000
5.25% Series 'B' guaranteed senior unsecured notes, 2020	65,000	65,000
	65,000	65,000

In September 2013, the Group completed a $140 million and €23 million debt financing in the US Private Placement Market. The following notes remain outstanding:

	2018 $'000	2017 $'000
4.48% Series 'A' guaranteed senior unsecured notes, 2023	105,000	105,000
4.59% Series 'B' guaranteed senior unsecured notes, 2025	35,000	35,000
	140,000	140,000

	2018 €'000	2017 €'000
3.45% Series 'C' guaranteed senior unsecured notes, 2023	12,000	12,000
3.50% Series 'D' guaranteed senior unsecured notes, 2025	11,000	11,000
	23,000	23,000

In September 2014, the Group completed a €10 million debt financing in the US Private Placement Market. The following note remains outstanding:

	2018 €'000	2017 €'000
2.64% Series 'A' guaranteed senior unsecured note, 2023	10,000	10,000
	10,000	10,000

All the loan notes were issued by UDG Healthcare Finance Limited, a wholly owned subsidiary, and have been guaranteed by UDG Healthcare plc and other Group undertakings.

US dollar loan note issuance proceeds were swapped into euro and the US dollar fixed interest rates applicable to the debt were swapped into predominantly fixed euro rate debt to generate the desired interest profile.

These loans are repayable in full on maturity.

Borrowing Facilities
In September 2014, the Group renewed its senior bank debt facility extending the term to November 2019.

At year end the Group has $244,062,000 (2017: $247,926,000) of committed, undrawn multi-currency senior debt loan facilities with a maturity date of November 2019. The Group also has $11,622,000 (2017: $11,806,000) of undrawn overdraft facilities.

Covenants
The unsecured loan notes and senior bank facilities are subject to compliance with certain covenants including a leverage covenant (net debt to EBITDA) not to exceed 3.5:1 and an interest cover covenant (EBITDA to net interest expense) to be at least 3.0:1.

25. Trade and Other Payables

	2018 $'000	2017 $'000
Current		
Trade payables	**39,920**	58,145
Accruals	**86,709**	97,526
Deferred income	**61,880**	58,968
Other payables	**19,827**	12,594
PAYE, VAT and social welfare	**17,190**	20,912
	225,526	248,145
Non-current		
Other payables	**5,451**	–
	230,977	248,145

Other payables in non-current liabilities primarily relate to lease incentives.

26. Provisions

	Deferred contingent consideration 2018 $'000	Onerous leases 2018 $'000	Restructuring and other costs 2018 $'000	Total 2018 $'000	Total 2017 $'000
At the beginning of the year	71,878	324	173	**72,375**	16,067
(Release)/charge to income statement	(11,576)	2,924	12,962	**4,310**	–
Arising on acquisitions (Note 29)	42,408	–	–	**42,408**	65,939
Utilised during the year	(5,911)	(331)	(4,306)	**(10,548)**	(14,430)
Unwinding of discount	840	–	–	**840**	380
Measurement period adjustment	–	–	–	**–**	999
Translation adjustment	(724)	(21)	(195)	**(940)**	3,420
At end of year	96,915	2,896	8,634	**108,445**	72,375
Non-current	67,409	1,455	36	**68,900**	58,470
Current	29,506	1,441	8,598	**39,545**	13,905
Total	96,915	2,896	8,634	**108,445**	72,375

Deferred Contingent Consideration
The deferred contingent consideration liability represents the fair value of amounts which may become payable over the period from October 2018 to October 2023 in connection with the acquisition of subsidiaries. Payment is dependent on achieving predetermined targets based on future performance and profitability. During the year, payments were made of $5,911,000 (2017: $14,265,000) with respect to prior year acquisitions. Deferred contingent consideration of $11,576,000 (2017: $nil) in respect of prior year acquisitions was released in the year following a review of expected performance against earn-out targets. Further details on the measurement of contingent consideration and sensitivities are disclosed in Note 31.

Notes forming part of the Group Financial Statements (continued)

26. Provisions (continued)

Onerous Leases

The onerous leases relate to properties that the Group remains committed to following the integration of the businesses acquired in prior years. The properties are being proactively managed. In calculating the provisions, the Group made certain estimates and assumptions in assessing the amount provided. The provisions were calculated by taking into consideration the committed rental charges associated with the premises and the period of time to the earliest date at which the Group can exit from the leases. The cash outflows will be incurred during the period from October 2018 to April 2021.

Restructuring and Other Costs

This provision primarily relates to redundancy costs associated with the implementation of the restructuring of the Group's internal operating structures in Ashfield and Sharp. The Group restructuring provision recognised in the year includes redundancy costs of $12,623,000 and other costs of $339,000 associated with restructuring the business. The majority of the provision is expected to be settled within one year.

27. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, the Group is required to make under existing lease agreements.

	2018 $'000	2017 $'000
Less than one year	**24,602**	27,121
Between one and five years	**62,451**	52,729
More than five years	**40,002**	23,305
	127,055	103,155

The Group leases certain property, plant and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the leases after the initial period.

28. Deferred Income Tax Assets and Liabilities

The following is an analysis of the movement in the major categories of deferred tax assets/(liabilities) recognised by the Group for the year ended 30 September 2018:

	Property, plant and equipment $'000	Intangible assets $'000	Tax deductible goodwill $'000	Retirement benefit obligation $'000	Short-term temporary differences and other differences $'000	Total $'000
At 1 October 2017	**(9,147)**	**(15,921)**	**(29,613)**	**(4,421)**	**8,848**	**(50,254)**
Recognised in Income Statement	**(1,118)**	**1,793**	**6,139**	**1,260**	**4,017**	**12,091**
Recognised in Other Comprehensive Income	**–**	**–**	**–**	**221**	**433**	**654**
Arising on acquisition	**49**	**(2,435)**	**–**	**–**	**–**	**(2,386)**
Exchange differences and other	**(471)**	**334**	**45**	**9**	**25**	**(58)**
At 30 September 2018	**(10,687)**	**(16,229)**	**(23,429)**	**(2,931)**	**13,323**	**(39,953)**
Analysed as:						
Deferred tax asset	**189**	**–**	**–**	**–**	**5,083**	**5,272**
Deferred tax liability	**(10,876)**	**(16,229)**	**(23,429)**	**(2,931)**	**8,240**	**(45,225)**
	(10,687)	**(16,229)**	**(23,429)**	**(2,931)**	**13,323**	**(39,953)**

The following is an analysis of the movement in the major categories of deferred tax assets/(liabilities) recognised by the Group for the year ended 30 September 2017.

	Property, plant and equipment $'000	Intangible assets $'000	Tax deductible goodwill $'000	Retirement benefit obligation $'000	Short-term temporary differences and other differences $'000	Total $'000
At 1 October 2016	(6,894)	184	(24,439)	(4,148)	8,585	(26,712)
Recognised in Income Statement	(2,508)	5,070	(5,099)	332	(1,806)	(4,011)
Recognised in Other Comprehensive Income	–	–	–	(599)	51	(548)
Arising on acquisition	(22)	(19,989)	–	–	1,932	(18,079)
Exchange differences and other	277	(1,186)	(75)	(6)	86	(904)
At 30 September 2017	(9,147)	(15,921)	(29,613)	(4,421)	8,848	(50,254)
Analysed as:						
Deferred tax asset	7	–	–	234	3,784	4,025
Deferred tax liability	(9,154)	(15,921)	(29,613)	(4,655)	5,064	(54,279)
	(9,147)	(15,921)	(29,613)	(4,421)	8,848	(50,254)

No deferred income tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures as the Group does not anticipate additional tax on any ultimate remittance.

As at 30 September 2018, the Group has unused tax losses and other timing differences of $26,482,000 (2017: $34,714,000) in respect of which no deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available. Included in the tax losses not recognised for deferred tax purposes are losses of $15,113,000 (2017: $14,728,000) which will expire within the next nine years. The remaining tax losses carry forward indefinitely.

29. Acquisition of Subsidiary Undertakings

On 1 July 2018, the Group acquired 100% of the issued share capital of Create NYC LLC, an innovative New York-based healthcare creative communications agency, offering the tactical execution of sales and marketing materials for its international pharmaceutical clients. Create NYC's offering comprises a unique, disruptive model which gives its clients high-impact, on-demand flexible marketing support with a flat fee structure. The acquisition of Create NYC is in line with Ashfield's strategy to expand into areas of differentiated but aligned adjacencies to its core scientific communication capabilities. The combination of Create NYC with Ashfield Healthcare Communications provides the opportunity to diversify Create NYC's client base and expand internationally.

The Group acquired 100% of SmartAnalyst Inc on 1 July 2018. SmartAnalyst is a US-based strategic consulting and analytics business focused on the pharmaceutical and biotech sector with operations in New York, London and Gurgaon, India. The acquisition of SmartAnalyst is in line with Ashfield's strategy to expand its advisory service proposition for its healthcare clients. Ashfield will provide leverage and opportunities to grow SmartAnalyst's customer base outside the US through Ashfield's global business.

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the above listed acquisitions due to the timing of recent acquisitions. Any amendments to these acquisition fair values within the 12-month timeframe from the date of acquisition will be disclosed in the 2019 Annual Report as stipulated by IFRS 3 Business Combinations.

Notes forming part of the Group Financial Statements (continued)

29. Acquisition of Subsidiary Undertakings (continued)

	Create NYC $'000	SmartAnalyst $'000	**Total $'000**
Property, plant and equipment	5	173	**178**
Intangible assets – arising on acquisition	23,030	9,742	**32,772**
Intangible assets – computer software	–	9	**9**
Deferred tax assets	–	49	**49**
Trade and other receivables	3,046	3,524	**6,570**
Trade and other payables	(738)	(2,509)	**(3,247)**
Current tax liabilities	–	(50)	**(50)**
Deferred tax liabilities	–	(2,435)	**(2,435)**
Cash acquired	3,533	7,748	**11,281**
Net assets acquired	28,876	16,251	**45,127**
Goodwill	27,928	14,113	**42,041**
Consideration	56,804	30,364	**87,168**
Satisfied by:			
Cash consideration	20,044	24,716	**44,760**
Deferred contingent consideration	36,760	5,648	**42,408**
Total consideration	56,804	30,364	**87,168**
Net cash outflow – arising on acquisitions			
Cash consideration	20,044	24,716	**44,760**
Less: Cash and cash equivalents	(3,533)	(7,748)	**(11,281)**
Net cash outflow	16,511	16,968	**33,479**

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. The significant factors giving rise to the goodwill include the value of the workforce and management teams within the businesses acquired, the enhancement of the competitive position of the Group in the marketplace and the strategic premium paid by UDG Healthcare plc to create the combined Group. The goodwill arising from acquisitions that is expected to be tax deductible is $27,928,000.

The intangible assets arising on the acquisitions are primarily related to trade names, client relationships, technology and client contracts (Note 14).

The gross contractual value of trade and other receivables are not different from fair value of trade and other receivables outlined in the table above. No contingent liabilities were recognised on the acquisitions completed during the financial year.

The total transaction related costs for completed and aborted acquisitions amount to $2,374,000 (2017: $4,028,000). These are presented separately in the Group Income Statement.

Contingent consideration is payable to the sellers of Create NYC based on achievement of revenue and adjusted profit targets over a three-year and five-year performance period. Contingent consideration payable to the sellers of SmartAnalyst is based on the achievement of gross profit and adjusted profit targets over 18-month and 36-month performance periods. The fair value of contingent consideration recognised at the date of acquisition is calculated by discounting the expected future payment to present value at the acquisition date. For contingent consideration to become payable, the pre-defined results thresholds must be achieved by the acquired businesses. On an undiscounted basis, the future payments for which the Group may be liable in respect of current year acquisitions ranges from $nil to $47,378,000.

The Group's results for the year ended 30 September 2018 included the following amounts in respect of the businesses acquired during the year:

	2018 Total $'000
Revenue	**7,430**
Profit for the year	**210**

The proforma revenue and profit of the Group for the year ended 30 September 2018 would have been $1,336,483,000 and $3,018,000 respectively had the acquisitions taken place at the start of the reporting period. The proforma results for the year includes the estimate of tax expense and amortisation of intangible assets recognised on acquisition.

30. Employee Benefits

The aggregate employee costs recognised in the Income Statement are as follows:

	2018 $'000	2017 $'000
Wages and salaries	**524,481**	447,088
Social security contributions	**57,242**	51,233
Pension costs – defined contribution schemes	**11,313**	9,515
Pension costs – defined benefit schemes	**1,445**	(341)
Share-based payment expense	**6,643**	3,613
Termination benefits	**13,057**	–
	614,181	511,108

During the year the Group capitalised employee costs amounting to $1,572,000 (2017: $2,702,000) relating to intangible assets – computer software. The Group also capitalised employee costs amounting to $904,000 (2017: $1,022,000) relating to tangible assets.

The average number of employees, including executive directors, during the year was as follows:

	2018 Number	2017 Number
Marketing, distribution and selling	**6,647**	6,570
Operational	**1,334**	1,275
Administration	**74**	76
	8,055	7,921

A further 1,217 (2017: 1,191) personnel are employed in the Group's joint ventures.

(i) Defined contribution schemes

The Group makes contributions to a number of defined contribution schemes, the assets of which are vested in independent trustees for the benefit of members and their dependants.

(ii) Defined benefit schemes

The following amounts were recognised on the Balance Sheet of the Group in respect of employee benefit schemes as at 30 September:

	2018 $'000	2017 $'000
Employee benefit asset	**12,935**	12,379
Employee benefit liability	**–**	(3,162)
	12,935	9,217

The Group operates a number of defined benefit schemes as at 30 September as follows:

	2018 $'000	2017 $'000
United States defined benefit scheme (US scheme)	**11,273**	12,379
Republic of Ireland defined benefit schemes (ROI schemes)	**1,662**	(3,162)
Net surplus	**12,935**	9,217

On 1 April 2016 the Group completed the disposal of United Drug Supply Chain Services, United Drug Sangers, TCP Group and MASTA. Under the terms of the disposal, the Group retained responsibility for the funding requirements in respect of the ROI schemes. Pension accruals under the ROI schemes ceased on 31 December 2015.

Notes forming part of the Group Financial Statements (continued)

30. Employee Benefits (continued)

Each of the defined benefit schemes operated by the Group are funded by the payment of contributions to separately administered trust funds. The contributions to the schemes are determined with the advice of independent qualified actuaries obtained at regular intervals using the projected unit method of funding. Each defined benefit scheme is independently funded and the assets are vested in the independent trustees for the benefit of members and their dependants. The valuations are not available for public inspection but the results are advised to members of the schemes. The most recent full actuarial valuations for the principal schemes were conducted as at 31 December 2017 for the ROI schemes and 1 January 2018 for the US scheme. Assumed medical costs are not a component of the pension obligations of any of the Group's pension obligations.

The principal long-term financial assumptions used by the Group's actuaries in the computation of the defined benefit liabilities arising on pension schemes as at 30 September are as follows:

	ROI schemes		US scheme	
	2018	2017	**2018**	2017
Increase in salaries	**n/a**	n/a	**2.75%–4.00%**	2.75–4.00%
Increase in pensions	**0–1.60%**	0–1.65%	**0.00%**	0.00%
Inflation rate	**1.60%**	1.65%	**2.75%**	2.75%
Discount rate	**2.00%**	2.05%	**4.10%**	3.60%

The ROI schemes have a remeasurement gain in the current year which comprises of higher than expected returns on plan assets and changes in the assumptions used to measure liabilities of the plan. The US scheme has a remeasurement gain in the year arising from a higher than expected return on plan assets, and a change in financial assumptions. In the ROI schemes, there is no longer a salary increase assumption due to the accrual of pension benefit ceasing from 1 December 2015.

All schemes used certain mortality rate assumptions when calculating scheme obligations. These are based on advice from published statistics and experience in each geographic region. These assumptions will continue to be monitored in light of general trends in mortality experience. The average life expectancy of a pensioner at age 65, in years, is as follows:

	ROI schemes		US scheme	
	2018	2017	**2018**	2017
Current pensioners				
Male	**21.5**	21.4	**21.0**	21.1
Female	**24.0**	23.9	**24.6**	24.7
Future pensioners				
Male	**23.9**	23.8	**21.4**	21.5
Female	**26.0**	25.9	**25.2**	25.3

The market value of the assets in the pension schemes at 30 September 2018 were:

	%	ROI 2018 $'000	%	US 2018 $'000
Equities:				
– Developed markets	**12**	**3,871**	**51**	**17,332**
– Emerging markets	**–**	**–**	**2**	**705**
Bonds:				
– Government	**56**	**18,161**	**29**	**9,929**
– Non-government	**–**	**–**	**17**	**5,732**
Property	**2**	**654**	**–**	**–**
Cash	**30**	**9,723**	**1**	**233**
Fair value of scheme assets	**100**	**32,409**	**100**	**33,931**
Present value of scheme obligations		**(30,747)**		**(22,658)**
Employee benefits asset		**1,662**		**11,273**
Deferred income tax liability		**(390)**		**(2,540)**
Net asset		**1,272**		**8,733**

The market value of the assets in the pension schemes at 30 September 2017 were:

	%	ROI 2017 $'000	%	US 2017 $'000
Equities:				
– Developed markets	34	11,652	49	15,889
– Emerging markets	–	–	2	657
Bonds:				
– Government	40	13,668	31	10,153
– Non-government	–	–	18	5,761
Property	3	1,145	–	–
Cash	23	7,827	–	28
Fair value of scheme assets	100	34,292	100	32,488
Present value of scheme obligations		(37,454)		(20,109)
Employee benefits (liability)/asset		(3,162)		12,379
Deferred income tax asset/(liability)		234		(4,655)
Net (liability)/asset		(2,928)		7,724

Movements in Fair Value of Plan Assets

	ROI 2018 $'000	**US 2018 $'000**	**Total 2018 $'000**	ROI 2017 $'000	US 2017 $'000	Total 2017 $'000
At beginning of year	**34,292**	**32,488**	**66,780**	39,457	30,404	69,861
Interest income on plan assets	**723**	**969**	**1,692**	429	798	1,227
Employer contributions	**2,578**	**–**	**2,578**	4,218	–	4,218
Benefit payments	**(1,136)**	**(492)**	**(1,628)**	(1,022)	(496)	(1,518)
Return on plan assets excluding interest income	**359**	**966**	**1,325**	2,068	1,782	3,850
Settlements	**(3,904)**	**–**	**(3,904)**	(12,663)	–	(12,663)
Translation adjustment	**(503)**	**–**	**(503)**	1,805	–	1,805
At end of year	**32,409**	**33,931**	**66,340**	34,292	32,488	66,780

Movements in Present Value of Defined Benefit Obligations

	ROI 2018 $'000	**US 2018 $'000**	**Total 2018 $'000**	ROI 2017 $'000	US 2017 $'000	Total 2017 $'000
At beginning of year	**37,454**	**20,109**	**57,563**	59,899	16,465	76,364
Current service costs	**–**	**3,033**	**3,033**	–	2,387	2,387
Interest on scheme obligations	**762**	**703**	**1,465**	638	522	1,160
Benefit payments	**(1,136)**	**(492)**	**(1,628)**	(1,022)	(496)	(1,518)
Remeasurement (gain)/loss	**(551)**	**387**	**(164)**	(3,105)	624	(2,481)
Effect of changes in actuarial assumptions	**149**	**(1,082)**	**(933)**	(5,374)	607	(4,767)
Settlements	**(5,492)**	**–**	**(5,492)**	(15,391)	–	(15,391)
Translation adjustment	**(439)**	**–**	**(439)**	1,809	–	1,809
At end of year	**30,747**	**22,658**	**53,405**	37,454	20,109	57,563

Notes forming part of the Group Financial Statements (continued)

30. Employee Benefits (continued)

The remeasurement gain on the plan assets and present value of the defined benefit obligation are as follows:

	2018 $'000	2017 $'000
Return on plan assets excluding interest income	**1,325**	3,850
Remeasurement gain on experience variations	**164**	2,481
Effect of changes in actuarial assumptions:		
– Changes in demographic assumptions	**17**	29
– Changes in financial assumptions	**916**	4,738
Total included in Group Statement of Comprehensive Income	**2,422**	11,098

Defined Benefit Pension Credit/(Expense) Recognised in the Income Statement

The employee benefit credit/(expense) is analysed as:

	ROI 2018 $'000	US 2018 $'000	Total 2018 $'000
Current service costs	**–**	**(3,033)**	**(3,033)**
Settlements	**1,588**	**–**	**1,588**
Interest cost on scheme obligations	**(762)**	**(703)**	**(1,465)**
Interest income on scheme assets	**723**	**969**	**1,692**
	1,549	**(2,767)**	**(1,218)**

	ROI 2017 $'000	US 2017 $'000	Total 2017 $'000
Current service costs	–	(2,387)	(2,387)
Settlements	2,728	–	2,728
Interest cost on scheme obligations	(638)	(522)	(1,160)
Interest income on scheme assets	429	798	1,227
	2,519	(2,111)	408

Accrual of pension benefits within the ROI schemes ceased with effect from 31 December 2015.

During the current and prior year a general offer was made to the members of the ROI schemes to transfer their accrued benefits from the schemes in exchange for a fixed monetary amount. Acceptance of the offer was at the discretion of individual members and resulted in a settlement gain of $1,588,000 (2017: $2,728,000).

The tax effect relating to these items is disclosed in Note 28.

The expected employer's contribution for the year ended 30 September 2019 is $1,743,000.

Expected Maturity Analysis of Undiscounted Pension Benefits

	Less than 1 year $'000	Between 1–2 years $'000	Between 2–5 years $'000	Over 5 years $'000	Total $'000
ROI schemes	**912**	**982**	**3,235**	**6,057**	**11,186**
US scheme	**1,892**	**1,604**	**6,069**	**88,302**	**97,867**
At 30 September 2018	**2,804**	**2,586**	**9,304**	**94,359**	**109,053**
ROI schemes	868	960	3,223	6,199	11,250
US scheme	1,326	1,365	5,145	80,181	88,017
At 30 September 2017	2,194	2,325	8,368	86,380	99,267

Sensitivity Analysis for Principal Assumptions Used to Measure Scheme Liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension schemes. The following table analyses, for the Group's pension schemes, the estimated impact on plan obligations resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant. The impact on the defined benefit obligation at 30 September 2018 is calculated on the basis that only one assumption is changed with all other assumptions remaining unchanged. The assessment of the sensitivity analysis below could therefore be limited as a change in one assumption may not occur in isolation as assumptions may be correlated.

Assumption	Change in assumption	Impact on ROI plan liabilities	Impact on US plan liabilities
Discount rate	Increase/Decrease by 0.25%	↑↓ by 4.4%	↑↓ by 2.0%
Price inflation	Increase/Decrease by 0.25%	↑↓ by 2.0%	↑↓ by 0.0%
Mortality	Increase by one year	↑ by 3.9%	↑ by 0.3%

Share-based Payment

	2018 $'000	2017 $'000
Executive Share Option Plan expense	176	163
LTIP expense	4,893	3,450
Pre-exceptional Share-based payment expense	5,069	3,613
LTIP accelerated Share-based payment expense (Note 9)	1,574	–
Total share-based payment expense	6,643	3,613

$1,669,000 (2017: $863,000) of the total share-based payment expense recognised in the Group Income Statement relates to the directors.

Executive Share Option Plan/Executive Share Option Scheme

The company's Executive Share Option Plan (ESOP) was established during 2010. Under the ESOP share options may be granted to management which may entitle them to purchase shares in the company so as to provide an incentive to perform strongly over an extended period and to encourage alignment of their interests with those of shareholders. Share options granted under the ESOP are exercisable for a period of four years from the third anniversary of the grant date, if adjusted diluted EPS growth is not less than the movement in the Irish Consumer Price Index, plus 3% compounded, over the performance period. There were no share options granted under the ESOP in the current year (2017: nil). In accordance with the terms of the ESOP, share options granted are exercisable at the market price of the underlying share on the last dealing day preceding the date of grant.

The number and weighted average exercise price of outstanding share options under the ESOP are as follows:

	Weighted average exercise price 2018 $	Number of share options 2018 '000	Weighted average exercise price 2017 $	Number of share options 2017 '000
Outstanding at beginning of year	6.69	809	5.79	1,769
Forfeited during the year	6.24	(28)	7.15	(123)
Exercised during the year	6.24	(270)	4.72	(837)
Outstanding at end of year	6.95	511	6.69	809
Exercisable at end of year	6.23	106	6.23	181

The weighted average share price at the date of exercise of share options during the year was $11.07 (2017: $9.05). The weighted average remaining contractual life for the share options outstanding at 30 September 2018 was 4.54 years (2017: 4.76 years).

At 30 September 2018, the range of exercise prices of outstanding share options was from $4.30 to $7.78 (2017: $4.30 to $7.78).

Notes forming part of the Group Financial Statements (continued)

30. Employee Benefits (continued)

Analysis of ESOP Share Options Outstanding at Year End

Share option by exercise price:

	Exercise price £	Number of options 2018 '000	Number of options 2017 '000
	5.13	237	238
	2.68	1	1
	3.73	273	570
Total options outstanding – sterling denominated		511	809

LTIP

The Company's LTIP was established during 2010. The terms of share options granted under the LTIP during the year are set out in the Directors' Remuneration Report on pages 79 to 91. During the year 690,672 (2017: 914,344) share options were granted under the LTIP. In accordance with the terms of the LTIP, share options awarded are exercisable at the nominal value of the underlying share as at the date of grant.

A summary of the details in respect of share options granted under the LTIP in 2018 and 2017 is set out below.

	2018 Non-market-based awards	2018 Non-market-based awards	2018 Market-based awards	2018 Non-market-based awards	2018 Market-based awards
Grant date	23/05/2018	26/02/2018	05/12/2017	05/12/2017	05/12/2017
Fair value at grant date	$11.09	$11.21	$5.54	$10.57	$5.73
Share price at grant date	$11.76	$11.73	$11.42	$11.42	$11.42
Exercise price	$0.06	$0.06	$0.06	$0.06	$0.06
Expected volatility	23.0%	23.0%	19.32%	19.32%	19.32%
Expected life	5 years	3 years	6 years	6 years	4 years
Risk-free interest rate	1.10%	0.91%	0.98%	0.98%	0.71%
Valuation model	Black-Scholes Option Pricing Model	Black-Scholes Option Pricing Model	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo Simulation
Performance period	3 years	3 years	3 years	3 years	3 years
Vesting period	3 years	3 years	5 years	5 years	3 years

	2018 Non-market- based awards	2018 Market-based awards	2018 Non-market-based awards	2018 Non-market-based awards	2018 Non-market-based awards
Grant date	05/12/2017	05/12/2017	05/12/2017	05/12/2017	05/12/2017
Fair value at grant date	$10.88	$5.73	$10.88	$10.79	$10.56
Share price at grant date	$11.42	$11.42	$11.42	$11.42	$11.42
Exercise price	$0.06	$0.06	$0.06	$0.06	$0.06
Expected volatility	19.32%	19.32%	19.32%	19.32%	19.32%
Expected life	4 years	5 years	5 years	4 years	5 years
Risk-free interest rate	0.71%	0.89%	0.89%	0.71%	0.89%
Valuation model	Monte Carlo option pricing model	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo option pricing model	Monte Carlo option pricing model
Performance period	3 years	3 years	3 years	3 years	3 years
Vesting period	3 years	3 years	3 years	3 years	3 years

	2017 Market-based awards	2017 Market-based awards	2017 Non-market-based awards	2017 Market-based awards	2017 Market-based awards	2017 Non-market-based awards	2017 Market-based awards	2017 Non-market-based awards
Grant date	25/07/2017	25/05/2017	25/05/2017	08/12/2016	08/12/2016	08/12/2016	08/12/2016	08/12/2016
Fair value at grant date	$6.35	$6.53	$10.13	$5.48	$5.84	$8.80	$5.92	$8.80
Share price at grant date	$10.86	$10.18	$10.18	$8.79	$8.79	$8.79	$8.79	$8.79
Exercise price	$0.06	$0.06	$0.06	$0.05	$0.05	$0.05	$0.05	$0.05
Expected volatility	21.59%	24.11%	24.11%	37.91%	37.91%	37.91%	37.91%	37.91%
Expected life	3 years	5 years	5 years	5 years	6 years	6 years	5 years	5 years
Risk-free interest rate	0.92%	0.59%	0.59%	0.36%	0.49%	0.49%	0.36%	0.36%
Valuation model	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo Simulation	Monte Carlo option pricing model
Performance period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Vesting period	3 years	3 years	3 years	3 years	5 years	5 years	3 years	3 years

The number and weighted average exercise price of outstanding share options under the LTIP are as follows:

	Weighted average exercise price 2018 $	**Number of share options 2018 '000**	Weighted average exercise price 2017 $	Number of share options 2017 '000
Outstanding at beginning of year	**0.06**	**2,922**	0.06	2,079
Forfeited during the year	**0.06**	**(259)**	0.06	(71)
Exercised during the year	**0.06**	**(116)**	0.06	–
Granted during the year	**0.06**	**691**	0.06	914
Outstanding at end of year	**0.06**	**3,238**	0.06	2,922
Exercisable at end of year	**0.06**	**476**	0.06	116

The weighted average share price at the date of exercise of share options during the year was $10.94 (2017: $nil). The weighted average remaining contractual life for the share options outstanding at 30 September 2018 was 4.35 years (2017: 4.86 years).

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk

Fair Values Versus Carrying Amounts

The fair value of financial assets and liabilities together with the carrying amounts shown in the Balance Sheet are as follows:

30 September 2018	Cash flow hedges $'000	Fair value through profit or loss $'000	Receivables $'000	Liabilities at amortised cost $'000	Total carrying value $'000	Fair value $'000
Trade and other receivables (Note 17)	–	–	318,339	–	318,339	318,339
Derivative financial assets	1,860	944	–	–	2,804	2,804
Cash and cash equivalents	–	–	180,099	–	180,099	180,099
	1,860	944	498,438	–	501,242	501,242
Trade and other payables (Note 25)	–	–	–	163,646	163,646	163,646
Derivative financial liabilities	319	–	–	–	319	319
Interest-bearing loans and borrowings (Note 24)	–	–	–	243,318	243,318	247,088
Finance lease liabilities (Note 24)	–	–	–	53	53	53
Deferred contingent consideration (Note 26)	–	96,915	–	–	96,915	96,915
	319	96,915	–	407,017	504,251	508,021

30 September 2017	Cash flow hedges $'000	Fair value through profit or loss $'000	Receivables $'000	Liabilities at amortised cost $'000	Total carrying value $'000	Fair value $'000
Trade and other receivables (Note 17)	–	–	289,311	–	289,311	289,311
Derivative financial assets	2,581	1,171	–	–	3,752	3,752
Cash and cash equivalents	–	–	187,469	–	187,469	187,469
	2,581	1,171	476,780	–	480,532	480,532
Trade and other payables (Note 25)	–	–	–	189,177	189,177	189,177
Derivative financial liabilities	352	–	–	–	352	352
Interest-bearing loans and borrowings (Note 24)	–	–	–	243,971	243,971	248,987
Finance lease liabilities (Note 24)	–	–	–	164	164	164
Deferred contingent consideration (Note 26)	–	71,878	–	–	71,878	71,878
	352	71,878	–	433,312	505,542	510,558

The fair values of the financial assets and liabilities not measured at fair value disclosed in the above tables have been determined using the methods and assumptions set out below.

Trade and Other Receivables/Payables

For receivables and payables, the carrying value less impairment provision is deemed to reflect fair value, where appropriate.

Cash and Cash Equivalents

For cash and cash equivalents, the nominal amount is deemed to reflect fair value.

Interest-bearing Loans and Borrowings (Excluding Finance Lease Liabilities)

The fair value of interest-bearing loans and borrowings is based on the fair value of the expected future principal and interest cash flows discounted at interest rates effective at the balance sheet date and adjusted for movements in credit spreads.

Finance Lease Liabilities

For finance lease liabilities, fair value is the present value of future cash flows discounted at current market rates.

Valuation Techniques and Significant Unobservable Inputs

Fair Value Hierarchy of Assets and Liabilities Measured at Fair Value

The Group has adopted the following fair value hierarchy in relation to its financial instruments that are carried in the balance sheet at the fair values at the year end:

- 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 (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets out the fair value of all financial assets and liabilities that are measured at fair value:

Fair value measurement as at 30 September 2018

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value				
Designated as hedging instruments				
Cross-currency interest rate swaps	–	2,804	–	2,804
	–	2,804	–	2,804
Liabilities measured at fair value				
Designated hedging instruments				
Cross-currency interest rate swaps	–	319	–	319
At fair value through profit or loss				
Deferred contingent consideration	–	–	96,915	96,915
	–	319	96,915	97,234

Fair value measurement as at 30 September 2017

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value				
Designated as hedging instruments				
Cross-currency interest rate swaps	–	3,752	–	3,752
	–	3,752	–	3,752
Liabilities measured at fair value				
Designated hedging instruments				
Cross-currency interest rate swaps	–	352	–	352
At fair value through profit or loss				
Deferred contingent consideration	–	–	71,878	71,878
	–	352	71,878	72,230

Derivative Financial Instruments

Derivative financial assets	2018 $'000	2017 $'000
Current	2,474	2,450
Non-current	330	1,302
	2,804	3,752
Derivative financial liabilities		
Non-current	319	352
	319	352
Net derivative financial asset	2,485	3,400

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk (continued)

Summary of derivatives:

	Amount of financial assets/ liabilities as presented in the Balance Sheet $'000	Related amounts not offset in the Balance Sheet $'000	2018 Net $'000	Amount of financial assets/ liabilities as presented in the Balance Sheet $'000	Related amounts not offset in the Balance Sheet $'000	2017 Net $'000
Derivative financial assets	**2,804**	**–**	**2,804**	3,752	–	3,752
Derivative financial liabilities	**319**	**–**	**319**	352	–	352

All derivatives entered into by the Group are included in Level 2 of the fair value hierarchy and consist of cross-currency interest rate swaps. The fair value of cross-currency interest rate swaps are calculated at the present value of the estimated future cash flows based on the terms and maturity of each contract using forward currency rates and market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include, where appropriate, adjustments to take account of the credit risk of the Group entity and counterparty.

The fair value of cross-currency interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates.

The swaps are a mixture of fixed to fixed and fixed to floating rate swaps. The Group classifies the fixed to floating swap as a fair value hedge and has stated it at its fair value with a corresponding opposite adjustment to the underlying debt for the risk being hedged. Both of these adjustments are recorded within the Income Statement and to the extent they do not offset, this represents the ineffective portion of the fair value hedge. The fair value of this swap at 30 September 2018 was a net asset of $944,000 (2017: net asset of $1,171,000).

The fixed to fixed rate cross-currency interest rate swaps are classified as cash flow hedges and are stated at their fair value. The fair value of these swaps at 30 September 2018 was a net asset of $1,541,000 (2017: net asset of $2,229,000), and the effective portion of this adjustment was accounted for in the cash flow hedge reserve.

The interest element of the cash flow hedges will be recognised in the Income Statement in the periods to 30 September 2025, as the associated interest on the hedged debt is recognised.

Deferred Contingent Consideration

Deferred contingent consideration is included in Level 3 of the fair value hierarchy. Details of the movement in the year are included in Note 26. The fair value is determined considering the expected payment, discounted to present value using a risk adjusted discount rate. The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition. The provision for deferred contingent consideration is principally in respect of acquisitions completed during 2016 to 2018.

The significant unobservable inputs are:
- forecast weighted average EBIT growth rate 24% (2017: 26%); and
- risk adjusted discount rate 0.02%–2.75% (2017: 0.02%–1.55%).

Inter-relationship Between Significant Unobservable Inputs and Fair Value Measurement

The estimated fair value would increase/(decrease) if:
- the EBIT growth rate was higher/(lower); and
- the risk adjusted discount rate was lower/(higher).

For the fair value of deferred contingent consideration, a reasonably possible change to one of the significant unobservable inputs at 30 September 2018, holding the other inputs constant, would have the following effects:

	Increase $'000	Decrease $'000
Effect of change in assumption on income statement:		
Annual EBIT growth rate (1% movement)	134	(134)
Risk-adjusted discount rate (1% movement)	655	(522)

Capital Management

The Board considers capital to consist of equity (share capital, share premium and retained earnings) and net debt. The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the ongoing development of the Group. The directors periodically review the capital structure of the Group, considering the cost of capital and the risks associated with each class of capital. The Board monitors the return on equity generated by the Group and the level of dividends paid to shareholders. There were no changes to the Board's approach to capital management during the year.

	2018 $'000	2017 $'000
Capital and reserves attributable to the equity holders of the Company	**885,172**	880,547
Net debt	**60,787**	53,266
Capital and net debt	**945,959**	933,813

Financial Ratios

Financial covenants in our principal debt facilities are based on net debt to EBITDA being less than 3.5 times and EBITDA interest cover being greater than three times.

	2018 Times	2017 Times
Net debt to EBITDA	**0.34**	0.32
EBITDA interest cover	**22.0**	16.3

Financial Risk Management

The Group's multinational operations expose it to different financial risks that include foreign exchange rate risks, credit risks, liquidity risks and interest rate risks. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks as set out below.

Credit Risk

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, clients' track record and historic default rates. Individual credit limits are generally set by client and credit is only extended above such limits in defined circumstances.

The Group establishes an allowance for impairment that represents the best estimate of incurred losses in respect of trade and other receivables (Note 17). Where the Group is satisfied that no recovery of the amount owing is possible, the amount is considered irrecoverable and is written off directly against the receivable.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest Rate Risk

The majority of the Group's ongoing operations are financed from a mixture of cash generated from operations and borrowings. Other than the US dollar private placement borrowings which are secured at fixed interest rates, borrowings are initially secured at floating interest rates and interest rate risk is monitored on an ongoing basis.

A reduction of one hundred basis points in interest rates at the reporting date would have increased profit before tax by the amounts shown below assuming all other variables including foreign currency rates remain constant. An increase of 100 basis points on the same basis would reduce profit before tax by $145,000 (2017: $261,000).

Effect of reduction of one hundred basis points:

	2018 $'000	2017 $'000
Profit before tax	**145**	261

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk (continued)

Currency Risk

Structural Currency Risk

A significant proportion of the Group's operations are carried out in the UK and Europe and as a result the Group is exposed to structural currency fluctuations in respect of sterling and the euro. Where practical, the Group finances investments through borrowings denominated in the same currency in which the related cash flows will be generated. To the extent that the non-US dollar-denominated assets and liabilities of the Group do not offset, the Group is exposed to structural currency risk. Such movements are reported through the Group Statement of Comprehensive Income.

Euro and sterling-denominated profits are translated into US dollars at the average rate of exchange for the financial year. The average rate at which euro profits were translated during the year was $1:€0.8403 (2017: $1:€0.9047) and sterling profits were translated at $1:£0.7436 (2017: $1:£0.7891).

The Group is also subject to translational currency risk on the translation of profits earned outside of the US.

Transactional Currency Risk

The euro is the principal currency of the Group's Irish and Continental European businesses, sterling is the principal currency for the Group's UK businesses and the US dollar is the principal currency for the Group's US businesses. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot and forward rates where necessary. Details of the Group's transactional foreign currency risk at 30 September 2018 and 2017 arising from foreign currency transactions are set out in the table below.

	Euro 2018 $'000	**Sterling 2018 $'000**	**US dollar 2018 $'000**	**Total 2018 $'000**
Cash and cash equivalents	**483**	**167**	**1,330**	**1,980**
Trade receivables	**11,760**	**692**	**8,611**	**21,063**
Trade and other payables	**(1,996)**	**(311)**	**(452)**	**(2,759)**
	10,247	**548**	**9,489**	**20,284**

	Euro 2017 $'000	Sterling 2017 $'000	US dollar 2017 $'000	Total 2017 $'000
Cash and cash equivalents	3,906	2,349	3,385	9,640
Trade receivables	6,521	397	4,137	11,055
Trade and other payables	(3,755)	(945)	(3,131)	(7,831)
	6,672	1,801	4,391	12,846

Sensitivity Analysis on Transactional Currency Risk

For the purposes of performing sensitivity analysis on transactional currency risk, financial assets and liabilities outstanding at the balance sheet date denominated in a currency other than the functional currency of individual entities, have been aggregated by currency and the impact of a 5% strengthening of the US dollar against the relevant currency calculated. This analysis assumes that all other variables, in particular interest rates, remain constant.

Euro:

Based on the value of euro-denominated financial assets and liabilities held by individual entities with a functional currency other than the euro, a 5% strengthening of the US dollar against the euro at 30 September 2018 and 30 September 2017 would have increased equity and profit after tax by the amounts shown below:

	2018 $'000	2017 $'000
Profit after tax	**439**	292

Sterling:

Based on the value of sterling-denominated financial assets and liabilities held by individual entities with a functional currency other than sterling, a 5% strengthening of the US dollar against sterling at 30 September 2018 and 30 September 2017 would not have had a material effect on equity or profit after tax of the Group.

Funding and Liquidity

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group uses a combination of long and short-term debt and cash and cash equivalents to meet its liabilities as they fall due. This is in addition to the Group's strong cash flow generation. The Group believes it has sufficient cash resources and bank debt facilities at its disposal, which provides flexibility in financing existing operations, acquisitions and other developments.

The following are the undiscounted contractual maturities of financial instruments, including interest payments and excluding the impact of netting arrangements:

30 September 2018	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6–12 months $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Non-derivative financial instruments							
Bank borrowings	327	357	357	–	–	–	–
Finance leases	53	55	33	13	9	–	–
Floating rate unsecured guaranteed senior notes	15,090	14,565	101	101	14,363	–	–
Fixed rate unsecured guaranteed senior notes	227,901	247,929	3,979	3,979	55,066	125,073	59,832
Trade and other payables	163,646	163,646	163,646	–	–	–	–
Deferred contingent consideration	96,915	102,052	26,803	2,800	27,792	44,657	–
Derivative financial instruments							
Cash flow hedges	(1,541)	(1,685)	(27)	(27)	(374)	(850)	(407)
Fair value hedges	(944)	(971)	(7)	(7)	(957)	–	–
	501,447	525,948	194,885	6,859	95,899	168,880	59,425

30 September 2017	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6–12 months $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Non-derivative financial instruments							
Bank borrowings	70	73	73	–	–	–	–
Finance leases	164	169	70	64	35	–	–
Floating rate unsecured guaranteed senior notes	15,545	15,002	103	103	14,796	–	–
Fixed rate unsecured guaranteed senior notes	228,356	260,304	4,042	4,042	58,136	17,657	176,427
Trade and other payables	189,177	189,177	189,177	–	–	–	–
Deferred contingent consideration	71,878	73,076	1,119	12,794	43,002	16,161	–
Derivative financial instruments							
Cash flow hedges	(2,229)	(2,559)	(40)	(40)	(572)	(174)	(1,733)
Fair value hedges	(1,171)	(1,220)	(8)	(8)	(1,204)	–	–
	501,790	534,022	194,536	16,955	114,113	33,644	174,694

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk (continued)

Maturity Profile of Net Debt

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

30 September 2018	Effective interest rate	Total $'000	Less than 1 year $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Cash at bank and short-term deposits	1.18%	180,099	180,099	–	–	–
Other loans and borrowings	18.00%	(327)	(327)	–	–	–
Finance leases	1.51%	(53)	(45)	(8)	–	–
Floating rate unsecured guaranteed senior notes	1.43%	(15,090)	28	(15,118)	–	–
Fixed rate unsecured guaranteed senior notes	3.78%	(227,901)	72	(49,927)	(118,729)	(59,317)
Total loan notes		(242,991)	100	(65,045)	(118,729)	(59,317)
Total before derivatives		(63,272)	179,827	(65,053)	(118,729)	(59,317)
Derivatives		2,485	2,474	1,697	111	(1,797)
Net (debt)/cash		(60,787)	182,301	(63,356)	(118,618)	(61,114)

30 September 2017	Effective interest rate	Total $'000	Less than 1 year $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Cash at bank and short-term deposits	0.33%	187,469	187,469	–	–	–
Other loans and borrowings	7.00%	(70)	(70)	–	–	–
Finance leases	1.51%	(164)	(130)	(34)	–	–
Floating rate unsecured guaranteed senior notes	1.29%	(15,545)	17	6	(15,568)	–
Fixed rate unsecured guaranteed senior notes	3.73%	(228,356)	125	89	(49,794)	(178,776)
Total loan notes		(243,901)	142	95	(65,362)	(178,776)
Total before derivatives		(56,666)	187,411	61	(65,362)	(178,776)
Derivatives		3,400	2,450	1,299	3,713	(4,062)
Net (debt)/cash		(53,266)	189,861	1,360	(61,649)	(182,838)

The effect of the derivatives included above has been to swap US dollar-denominated debt to euro-denominated debt and to partially swap fixed rate interest into floating rate interest.

Movements of Liabilities Within Cash Flows from Financing Activities

	2018 Interest-bearing loans and liabilities 2018 $'000	2017 Interest-bearing loans and liabilities 2017 $'000
At the beginning of the year	**244,135**	306,990
Changes from financing cash flows:		
– Repayments of interest-bearing loans and borrowings	**(2,118)**	(63,266)
– Proceeds from interest-bearing loans and borrowings	**2,507**	–
– Capital repayments of finance leases	**(111)**	(3)
Currency translation adjustment	**(1,042)**	414
At end of year	**243,371**	244,135
Presented as		
Current	**272**	58
Non-current	**243,099**	244,077
	243,371	244,135

32. Capital Commitments

Capital expenditure authorised but not contracted for amounted to $8,502,000 (2017: $18,900,000) at the balance sheet date.

33. Related Parties

The Group trades in the normal course of business with its joint venture undertakings. The aggregate value of these transactions is not material in the context of the Group's financial results.

Magir Limited, the Group's joint venture investment, has been classified as an asset held for sale at 30 September 2018. The Group has provided a loan to Magir, gross of interest, of Stg£11,371,000 (2017: Stg£10,997,000).

IAS 24 Related Party Disclosures requires the disclosure of compensation paid to the Group's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. UDG Healthcare plc classifies directors, the Company Secretary and members of its SET as key management personnel. The SET is the body of senior executives that formulates business strategy along with the directors, follows through on implementation of that strategy and directs and controls the activities of the Group on a day-to-day basis.

In addition to the executive directors, the following individuals were members of the SET during the year ended 30 September 2018:

Name	Title
Eleanor Garvey	Group Head of Quality and Compliance
Eimear Kenny	Group Head of Human Resources
Liam Logue	Executive Vice President, Corporate Development
Mike O'Hara	Managing Director of Sharp
Damien Moynagh	General Counsel and Company Secretary
Julian Tompkins	President of Ashfield Commercial and Clinical
Doug Burcin	President of Ashfield Healthcare Communications
Rob Wood	Global President of Advisory Services and Business Development
Sean Coyle	Managing Director of Aquilant and Group Finance Director
Jez Moulding	Executive Vice President of Ashfield and Group Chief Operating Officer

Remuneration of Key Management Personnel

	2018 $'000	2017 $'000
Salaries and other short-term benefits	**7,480**	7,882
Post-employment benefits	**966**	882
Share-based payment (calculated in accordance with the principles disclosed in Note 30)	**3,588**	1,823
Termination benefits	**559**	–
	12,593	10,587

Notes forming part of the Group Financial Statements (continued)

33. Related Parties (continued)

Details of the remuneration of the Group's individual directors, together with the number of UDG Healthcare plc shares owned by them and their outstanding share options, are set out in the Directors' Remuneration Report.

34. Contingent Liabilities

The Group is subject to various claims that arise in the ordinary course of business. During the year, the Group received a claim from McKesson arising from its purchase of United Drug from the Group in 2016. At present, while the Group continues to engage with McKesson to investigate the claim, the merit of the claim, likely outcome, timing and potential impact on the Group cannot be determined. Accordingly, and as a result of these uncertainties, the Group cannot make any assessment of the likely outcome or estimate the financial effect of any such claim as at the date of approval of the financial statements.

35. Events After the Balance Sheet Date

There have been no significant events after the balance sheet date which require disclosure.

Company Statement of Comprehensive Income
for the year end 30 September 2018

	Note	2018 €'000	2017 €'000
Profit for the financial year		**31,526**	76,437
Other comprehensive income/(expense):			
Company defined benefit pension schemes:			
– Remeasurement gain on defined benefit pension schemes	43	–	9,542
– Deferred tax on defined benefit pension schemes	38	–	(354)
Other comprehensive income for the financial year		–	9,188
Total comprehensive income for the financial year		**31,526**	85,625

Company Statement of Changes in Equity
for the year ended 30 September 2018

	Equity share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 1 October 2017	**12,792**	**164,525**	**56,895**	**365,175**	**599,387**
Profit for the financial year	**–**	**–**	**–**	**31,526**	**31,526**
Other comprehensive income/(expense):					
Total comprehensive income for the year	**–**	**–**	**–**	**31,526**	**31,526**
Transactions with shareholders:					
New shares issued	**19**	**1,127**	**–**	**–**	**1,146**
Share-based payment expense	**–**	**–**	**5,582**	**–**	**5,582**
Dividends paid to equity holders	**–**	**–**	**–**	**(28,945)**	**(28,945)**
Release from share-based payment reserve	**–**	**–**	**(824)**	**824**	**–**
At 30 September 2018	**12,811**	**165,652**	**61,653**	**368,580**	**608,696**

for the year ended 30 September 2017

	Equity share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 1 October 2016	12,715	156,084	54,123	308,038	530,960
Profit for the financial year	–	–	–	76,437	76,437
Other comprehensive income/(expense):					
Remeasurement gain on defined benefit pension schemes	–	–	–	9,542	9,542
Deferred tax on defined benefit pension schemes	–	–	–	(354)	(354)
Total comprehensive income for the year	–	–	–	85,625	85,625
Transactions with shareholders:					
New shares issued	41	2,831	–	–	2,872
Issued in business combination	36	5,610	–	–	5,646
Share-based payment expense	–	–	3,269	–	3,269
Dividends paid to equity holders	–	–	–	(28,985)	(28,985)
Release from share-based payment reserve	–	–	(497)	497	–
At 30 September 2017	12,792	164,525	56,895	365,175	599,387

Company Balance Sheet
as at 30 September 2018

	Note	2018 €'000	2017 €'000
ASSETS			
Non-current			
Investment in subsidiary undertakings	37	**291,486**	289,593
Total non-current assets		**291,486**	289,593
Current			
Trade and other receivables	39	**393,345**	369,347
Cash and cash equivalents		**34,567**	44,634
Total current assets		**427,912**	413,981
Total assets		**719,398**	703,574
EQUITY			
Equity share capital		**12,811**	12,792
Share premium		**165,652**	164,525
Other reserves	40	**61,653**	56,895
Retained earnings	40	**368,580**	365,175
Capital and reserves attributable to equity holders of the parent		**608,696**	599,387
LIABILITIES			
Current			
Trade and other payables	42	**110,054**	103,249
Current income tax liabilities		**648**	938
Total current liabilities		**110,702**	104,187
Total liabilities		**110, 702**	104,187
Total equity and liabilities		**719,398**	703,574

As permitted by section 304 of the Companies Act 2014, the company is availing of the exemption from presenting its separate Income Statement in the financial statements and from filing it with the Registrar of Companies. The company's profit for the financial year is €31,526,000 (2017: €76,437,000).

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Company Cash Flow Statement
for the year ended 30 September 2018

	2018 €'000	2017 €'000
Cash flows from operating activities		
Profit before tax	**31,235**	76,596
Finance income	**(6)**	(1)
Finance expense	**12**	191
Transfer of defined benefit pension obligations	**–**	7,678
Operating profit	**31,241**	84,464
Increase in trade and other receivables	**(4,259)**	(6,190)
Decrease in trade payables, provisions and other payables	**(17,464)**	(17,234)
Loss on disposal of investments	**18,944**	–
Interest paid	**(12)**	(2)
Income taxes received	**–**	962
Net cash inflow from operating activities	**28,450**	62,000
Cash flows from investing activities		
Interest received	**6**	1
Disposal of property, plant and equipment	**–**	1,084
Disposal of intangible assets – computer software	**–**	5,647
Investment in subsidiary undertakings	**(13,162)**	(116,051)
Disposal of investment in subsidiary undertakings	**2,438**	–
Net cash outflow from investing activities	**(10,718)**	(109,319)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon)	**1,146**	2,872
Dividends paid to equity holders of the company	**(28,945)**	(28,985)
Net cash outflow from financing activities	**(27,799)**	(26,113)
Net decrease in cash and cash equivalents	**(10,067)**	(73,432)
Cash and cash equivalents at beginning of year	**44,634**	118,066
Cash and cash equivalents at end of year	**34,567**	44,634
Cash and cash equivalents is comprised of:		
Cash at bank and short-term deposits	**34,567**	44,634
	34,567	44,634

36. Loss on Disposal

On 8 August 2018 the Group completed the disposal of Aquilant.

UDG Healthcare plc was the immediate parent of Aquilant Scientific (ROI) Limited and Aquilant Analytical Sciences Limited. The below table outlines the loss on disposal which was recognised in the Company's income statement during the year.

	2018 €'000	2017 €'000
Cash consideration	2,438	–
Deferred consideration	65	–
Total consideration received	2,503	–
Disposal of investments	(21,292)	–
Disposal costs	(155)	–
Loss on disposal	(18,944)	–

37. Investment in Subsidiary Undertakings

	2018 €'000	2017 €'000
Cost		
At beginning of year	289,593	152,193
Additions in year	37,276	134,131
Disposals in year	(40,965)	–
Impairment	–	–
Share options granted to employees of subsidiary undertakings	5,582	3,269
At end of year	291,486	289,593

The additions to investment in subsidiary undertakings during the year of €37,276,000, were comprised of cash consideration of €13,162,000 and non-cash considerations of €24,114,000.

In the prior year, the additions to investment in subsidiary undertakings during the year of €134,131,000, were comprised primarily of cash consideration.

The disposal during the year related to Aquilant of €21,292,000 and other subsidiary undertakings of €19,673,000.

38. Deferred Income Tax Assets

	2018 $'000	2017 $'000
At beginning of year	–	1,336
Temporary differences – arising in income	–	(982)
Employee benefits – arising in other comprehensive income	–	(354)
At end of year	–	–

39. Trade and Other Receivables

	2018 $'000	2017 $'000
Current		
Amounts due from subsidiary undertakings	393,161	368,712
Other receivables	184	635
Prepayments	–	–
	393,345	369,347

Amounts due from subsidiary undertakings are repayable on demand.

Notes forming part of the Company Financial Statements (continued)

40. Capital and Reserves

	Other reserves €'000	Retained earnings €'000
At 30 September 2016	54,123	308,038
Profit for the financial year	–	76,437
Release from share-based payment reserve	(497)	497
Dividends paid to equity holders	–	(28,985)
Remeasurement loss on defined benefit pension scheme	–	9,542
Deferred tax on defined benefit pension scheme	–	(354)
Share-based payment expense	3,269	–
At 30 September 2017	56,895	365,175
Profit for the financial year	**–**	**31,526**
Release from share-based payment reserve	**(824)**	**824**
Dividends paid to equity holders	**–**	**(28,945)**
Share-based payment expense	**5,582**	**–**
At 30 September 2018	**61,653**	**368,580**

Other reserves represents a share-based payment reserve of €11,570,000 (2017: €6,812,000), a treasury shares reserve of (€5,742,000) (2017: (€5,742,000)), a goodwill reserve of (€93,000) (2017: (€93,000)), a non-distributable reserve of €55,668,000 (2017: €55,668,000) and a capital redemption reserve of €250,000 (2017: €250,000).

The Company's non-distributable reserve consists of €16,762,000 (2017: €16,762,000) transferred from the share premium account against which goodwill, arising from acquisitions in financial periods prior to 1 October 1999, is offset on consolidation and a transfer from the income statement of €38,906,000 (2017: €38,906,000), arising on the restructuring of Group activities.

Details of equity share capital are set out in Note 18.

41. Interest-bearing Loans and Borrowings

Details of how the Company manages risk exposures and accounts for financial instruments are set out in Note 31.

Foreign Currency Risk Management

The majority of trade conducted by the Company is in euro. Therefore, the level of transactional foreign exchange exposure is not material to the Company.

Funding and Liquidity

The following are the undiscounted contractual maturities of financial instruments, including interest payments and excluding the impact of netting arrangements:

30 September 2018	**Carrying amount €'000**	**Contractual cash flow €'000**	**6 months or less €'000**	**6–12 months €'000**	**Between 1–2 years €'000**	**Between 2–5 years €'000**
Trade and other payables	**110,054**	**110,054**	**110,054**	**–**	**–**	**–**
	110,054	**110,054**	**110,054**	**–**	**–**	**–**

30 September 2017	Carrying amount €'000	Contractual cash flow €'000	6 months or less €'000	6–12 months €'000	Between 1–2 years €'000	Between 2–5 years €'000
Trade and other payables	103,249	103,249	103,249	–	–	–
	103,249	103,249	103,249	–	–	–

42. Trade and Other Payables

	2018 €'000	2017 €'000
Current		
Amounts due to subsidiary undertakings	**109,889**	103,089
Accruals	**165**	160
	110,054	103,249

Amounts due to subsidiary undertakings are repayable on demand.

43. Employee Benefits

The aggregate employee costs recognised in the income statement are as follows:

	2018 €'000	2017 €'000
Wages and salaries	**216**	270
Social security contributions	**6**	14
Pension costs – defined contribution schemes	**8**	9
	230	293

The average number of employees, including executive directors, during the year was as follows:

	2018 Number	2017 Number
Administration	**2**	2
	2	2

(i) Defined Contribution Schemes

The Company makes contributions to a number of defined contribution schemes, the assets of which are vested in independent trustees for the benefit of members and their dependants.

(ii) Defined Benefit Schemes

On 30 September 2017, the Company transferred the duties and obligations of the schemes to UDG Healthcare Ireland Limited by executing a deed of substitution.

The principal long-term financial assumptions used by the Company's actuaries in the computation of the defined benefit liabilities arising on pension schemes as at 30 September 2017 are as follows:

	2018	2017
Increase in salaries	**–**	n/a
Increase in pensions	**–**	0–1.65%
Inflation rate	**–**	1.65%
Discount rate	**–**	2.05%

The composition of the Company scheme assets in the prior year is detailed below.

Movements in Fair Value of Plan Assets

	2018 $'000	2017 $'000
At beginning of year	**–**	35,352
Interest income on plan assets	**–**	388
Employer contributions	**–**	3,816
Benefit payments	**–**	(925)
Return on plan assets excluding interest income	**–**	1,871
Settlements	**–**	(11,457)
Transfer of plan assets to subsidiary undertaking	**–**	(29,045)
At end of year	**–**	–

Notes forming part of the Company Financial Statements (continued)

43. Employee Benefits (continued)

Movements in Present Value of Defined Benefit Obligations

	2018 $'000	2017 $'000
At beginning of year	–	53,667
Interest cost on scheme obligations	–	577
Revaluation gain on experience variations	–	(2,809)
Benefit payments	–	(925)
Effect of changes in actuarial assumptions	–	(4,862)
Settlements	–	(13,925)
Transfer of defined benefit obligations to subsidiary undertaking	–	(31,723)
At end of year	–	–

Reconciliation of the measurement gain to the plan assets and present value of the defined benefit obligation is as follows:

	2018 $'000	2017 $'000
Remeasurement gain on experience variations	–	2,809
Return on plan assets excluding interest cost	–	1,871
Effect of changes in actuarial assumptions:		
– Changes in financial assumptions	–	4,862
Total included in Company statement of comprehensive income	–	9,542

44. Related Party Transactions

The Company has related party relationships with its subsidiaries and with the directors of the Company. Details of the remuneration of the Company's individual directors, together with the number of shares in the Company owned by them and their outstanding share options, are set out in the Directors' Remuneration Report.

Transactions with Subsidiary Undertakings

Details of balances outstanding with subsidiary undertakings are provided in Notes 39 and 42.

IAS 24 Related Party Disclosures requires the disclosure of compensation paid to the Company's key management personnel. The details on key management personnel are outlined in Note 33.

In 2015 the Company transferred a significant element of its business activities to a subsidiary, UDG Healthcare Ireland Limited. The key management personnel engaged in the business throughout the year were employed by UDG Healthcare Ireland Limited.

45. Principal Subsidiaries

Incorporated in the ROI

Name	Nature of business	Group share
Ashfield Healthcare (Ireland) Limited	Contract sales outsourcing	100%
UDG Healthcare Ayrtons (Dublin) Limited*	Investment holding company	100%
UDG Healthcare Finance Limited*	Financial services	100%
UDG Healthcare (US) Holdings Limited*	Investment holding company	100%
UDG Healthcare Distributors Limited*	Investment holding company	100%
UDG Healthcare Ireland Limited	Investment holding company	100%
United Care Limited	Investment holding company	100%

All of the above companies have their registered office at 20 Riverwalk, Citywest Business Campus, Dublin 24, NR23 D24.

All shares held are ordinary shares.

* Subsidiary undertakings owned directly by UDG Healthcare plc.

Incorporated in the UK

Name	Nature of business	Group share
Ashfield Healthcare Limited[1]	Contract sales outsourcing	100%
Ashfield Insight & Performance Limited[1]	Sales force effectiveness training services provider	100%
Ashfield Meetings & Events Limited[1]	Event management services provider	100%
Galliard Healthcare Communications Limited[1]	Specialist healthcare and scientific public relations provider	100%
Ashfield Healthcare Communications Group Limited[1]	Healthcare communications and consultancy services provider	100%
Pegasus Public Relations Limited[1]	Healthcare communications provider	100%
Sharp Clinical Services (UK) Limited[1]	Clinical trials services provider	100%
UDG Healthcare (UK) Holdings Limited[1]	Investment holding company	100%
STEM Healthcare Limited[2]	Commercial, marketing and medical audit services provider	100%

1 This company has its registered office at Ashfield House, Resolution Road, Ashby de la Zouch, Leicestershire, LE65 1HW.
2 This company has its registered office at 1.04 Power Road Studios, 114 Power Road, Chiswick, London W4 5PY.

Incorporated in Continental Europe

Name	Nature of business	Group share
Ashfield Healthcare GmbH[4]	Contract sales outsourcing	100%
Ashfield Healthcare GmbH[5]	Contract sales outsourcing	100%
Ashfield Iberia SLU[6]	Contract sales outsourcing	100%
Ashfield Nordic AB[7]	Pharmaceutical sales and marketing company	100%
Ashfield S.A[8]	Contract sales outsourcing	100%
Ashfield Saglik Hizmetleei Ticaret Limited Sirketi[9]	Pharmaceutical sales and marketing company	100%
Enestia Belgium N.V.[10]	Packaging solutions provider	100%
European Packaging Centre B.V.[3]	Contract packaging company	100%
Ashfield Iberia Lda[11]	Contract sales outsourcing	100%
UDG Healthcare Holdings B.V.[3]	Investment holding company	100%
Sellxpert GmbH & Co KG[12]	Contract sales outsourcing	100%
Selldirekt GmbH[12]	Contract sales outsourcing	100%
Physicians World GmbH[13]	Medical Communications business	100%

3 This company has its registered office at Neptunus, 8448 CN Heerenveen, the Netherlands.
4 This company has its registered office at Euro Plaza, Gebaude F, Technologiestrabe 5, 4. OG, 1120 Vienna, Austria.
5 This company has its registered office at Goldbeckstrasse 5, 69493 Hirschberg, Germany.
6 This company has its registered office at Calle Quintanavides 13, Parque Empresarial Vía Norte, Edificio 1-2a planta, 28050 Madrid, Spain.
7 This company has its registered office at Luntmakargatan 66, 5van, 11351 Stockholm, Sweden.
8 This company has its registered office at Foundation Plaza, Building 501, Belgicastraat 1, 1930 Zaventum, Belgium.
9 This company has its registered office at Büyükdere Caddesi Yapı Kredi Plaza B Blok K:12/D:29 34330 Levent/Istanbul.
10 This company has its registered office at Klocknerslyaat 1, 3930 Hamont-Achel, Belguim.
11 This company has its registered office at Avenida Dom João Ii, Nº 44c – 2.3 Edificio Atlantis, Parque Das Naçoes, 1990–095 Lisboa, Portugal.
12 This company has its registered office at Gutenbergstr. 4, Speyer, 67346 Germany.
13 This company has its registered office at Hauptsr. 161, 68259 Mannheim, Germany.

Notes forming part of the Company Financial Statements (continued)

45. Principal Subsidiaries (continued)

Incorporated in North America

Name	Nature of business	Group share
Ashfield Healthcare LLC[14]	Pharmaceutical sales and marketing company	100%
Ashfield Healthcare Canada Inc[15]	Marketing, communications and sample and promotional material management services provider	100%
Ashfield Healthcare Communications LLC[18]	Healthcare communications and consultancy services provider	100%
Ashfield Meetings & Events Inc.[27]	Event management services provider	100%
Ashfield Pharmacovigilance, Inc.[16]	Safety and risk management services provider	100%
Informed Direct, Inc.[17]	Healthcare communications and consultancy services provider	100%
Sharp Clinical Services, Inc.[19]	Clinical trials services provider	100%
Sharp Corporation[20]	Contract packaging company	100%
Sharp Bethlehem, LLC[22]	Contract packaging company	100%
Vynamic LLC[23]	Management consulting	100%
Cambridge BioMarketing Group, LLC[24]	Healthcare communications business	100%
MicroMass Communications, Inc.[21]	Healthcare communications business	100%
UDG Healthcare US Holdings, Inc.[22]	Investment holding company	100%
Smart Analyst, Inc[25]	Commercialisations, consulting and analytics business	100%
Create Group NYC[26]	Communications agency	100%

14 This company has its registered office at 1100 Virginia Drive, Suite 200, Ft. Washington, Pennsylvania 19034.
15 This company has its registered office at 263 Labrosse Avenue, Pointe-Claire, Quebec H9R 1A3.
16 This company has its registered office at 5003 South Miami Blvd, Suite 500, Durham, North Carolina 27703.
17 This company has its registered office at 7 Island Dock Road, Suite A, Haddam, Connecticut 06438.
18 This company has its registered office at 125 Chubb Avenue, Lyndhurst, New Jersey 07071.
19 This company has its registered office at 300 Kimberton Road, Phoenixville, Pennslyvania, 19460.
20 This company has its registered office at 23 Carland Road, Conshohocken, Pennsylvania, 19428.
21 This company has its registered office at 100 Regency Forest Drive, Suite 400, Cary, NC, 27518.
22 This company has its registered office at 7451 Keebler Way, Allentown, 18106.
23 This company has its registered office at 1600 Arch St, Philadelphia, PA 19103.
24 This company has its registered office at 245 First Street, 12th Floor, Cambridge, MA 02142.
25 This company has its registered office at 9 East 38th Street, 8th Floor, New York, NY 10016.
26 This company has its registered office at 180 Varick Street, Suite 212, New York, NY 10014.
27 This company has its registered office at One Ivybrook Blvd, Suite 170, Iyland, Pennslyvania, 18974.

46. Auditor Remuneration

The auditor's remuneration for the audit of the Company is detailed in Note 5.

47. Section 357 Guarantees and Contingent Liabilities

Guarantees have been given by the Company in respect of the borrowing facilities of certain subsidiary undertakings and clients.

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed commitments entered into and liabilities of the following subsidiaries for the financial year ended 30 September 2018:, Ashfield Alliance Limited, Ashfield Healthcare (Ireland) Limited, Dublin Drug (Investments) Limited, Dublin Drug Company Limited, Dublin Drug Public Limited Company, Marker (U.D.) Ireland Limited, Pharmexx Ireland (Sales Solutions) Limited, UDG Healthcare Ireland Limited, United Care Limited, UDG Healthcare (US) Holdings Limited, UDG Healthcare Ayrtons (Dublin) Limited, UDG Healthcare Distributors Limited, UDG Healthcare Finance Limited, UDG Healthcare Nordic Limited, UDG Healthcare Packaging Group Limited and UDG Healthcare Property Holdings Limited.

48. Approval of Financial Statements

The Group and Company financial statements were approved by the directors on 3 December 2018.

Financial Calendar

UDG Healthcare plc is an Irish registered company. The Company's ordinary shares are quoted on the London Stock Exchange.

Event	Date
Ex-dividend date for 2018 final dividend	10 January 2019
Record date for 2018 final dividend	11 January 2019
AGM	29 January 2019
Payment date for 2018 final dividend	4 February 2019
Interim Announcement of Results for 2019	21 May 2019
Financial year end	30 September 2019
Preliminary Announcement of Results for 2019	26 November 2019

Additional Information

Key Performance Indicators and Non-IFRS Performance Measures

The Group reports certain financial measurements that are not required under IFRS which represent the GAAP under which the Group reports. The Group believes that the presentation of these non-IFRS measurements provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. These measurements are also used internally to evaluate the historical and planned future performance of the Group's operations and to measure executive management's performance-based remuneration.

None of the non-IFRS measurements should be considered as an alternative to financial measurements derived in accordance with IFRS. The non-IFRS measurements can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of results as reported under IFRS.

The principal non-IFRS measurements used by the Group, together with reconciliations where the non-IFRS measurements are not readily identifiable from the financial statements, are as follows:

Net Revenue

Definition

This comprises of gross revenue as reported in the Group Income Statement, adjusted for revenue associated with pass-through costs for which the Group does not earn a margin.

Calculation		2018 $'000	2017 $'000
Revenue	Income Statement	**1,315,186**	1,219,755
Pass-through revenue		**(185,494)**	(191,269)
Net revenue		**1,129,692**	1,028,486

Adjusted Operating Profit

Definition

This comprises of operating profit as reported in the Group Income Statement before amortisation of acquired intangible assets, transaction costs and exceptional items (if any).

Calculation		2018 $'000	2017 $'000
Operating profit	Income Statement	**5,501**	103,186
Transaction costs	Income Statement	**2,374**	4,028
Amortisation of acquired intangible assets	Note 5	**31,001**	22,066
Exceptional items	Note 9	**108,630**	–
Adjusted operating profit		**147,506**	129,280

Adjusted Profit Before Tax

Definition

This comprises profit before tax as reported in the Group Income Statement before amortisation of acquired intangible assets, transaction costs and exceptional items (if any).

Calculation		2018 $'000	2017 $'000
Profit before tax	Income Statement	**8,386**	92,834
Transaction costs	Income Statement	**2,374**	4,028
Amortisation of acquired intangible assets	Note 5	**31,001**	22,066
Exceptional items	Note 9	**97,054**	–
Adjusted profit before tax		**138,815**	118,928

Adjusted Operating Margin

Definition

Measures the adjusted operating profit as a percentage of revenue.

Calculation		2018 $'000	2017 $'000
Adjusted operating profit	Per above	**147,506**	129,280
Revenue	Income Statement	**1,315,186**	1,219,755
Adjusted operating margin		**11.2%**	10.6%

Adjusted Net Operating Margin

Definition

Measures the adjusted operating profit as a percentage of net revenue.

Calculation		2018 $'000	2017 $'000
Adjusted operating profit	Per above	**147,506**	129,280
Net revenue	Per above	**1,129,692**	1,028,486
Adjusted net operating margin		**13.1%**	12.6%

Adjusted and Annualised EBITDA

Definition

Adjusted EBITDA is included as a new performance measure in 2018 as it is used internally for performance management and is also a useful supplemental measure for external shareholders. Adjusted EBITDA is adjusted operating profit (operating profit before amortisation of acquired intangible assets, transaction costs and exceptional items) before depreciation, share-based payment expense, amortisation of computer software, the share of joint venture profits and profit/(loss) on disposal of property, plant and equipment.

The annualised EBITDA used for debt covenant compliance purposes, amends adjusted EBITDA to include the annualisation of the EBITDA for acquisitions and exclude share-based payment expense, transaction costs and the EBITDA of completed disposals.

Calculation		2018 $'000	2017 $'000
Operating profit	Income Statement	**5,501**	103,186
Exceptional items	Note 9	**108,630**	–
Transaction costs	Income Statement	**2,374**	4,028
Amortisation of acquired intangible assets	Note 14	**31,001**	22,066
Adjusted operating profit		**147,506**	129,280
Share-based payment expense	Cash Flow Statement	**5,069**	3,613
Depreciation	Cash Flow Statement	**24,477**	21,221
Amortisation of computer software	Note 14	**6,036**	3,384
Joint venture profit share	Income Statement	**(958)**	(667)
(Profit)/Loss on disposal of property, plant and equipment	Cash Flow Statement	**(340)**	55
Adjusted EBITDA		**181,790**	156,886
Share-based payment expense	Cash Flow Statement	**(5,069)**	(3,613)
Transaction costs	Income Statement	**(2,374)**	(4,028)
EBITDA of completed disposals		**(2,845)**	–
Annualised EBITDA of acquisitions[1]		**6,079**	14,827
Annualised EBITDA		**177,581**	164,072

1 Includes EBITDA for acquisitions which were not part of the Group for the full financial year.

Financial Ratios

Definition

The net debt to EBITDA and EBITDA interest cover ratios disclosed are calculated using annualised EBITDA and adjusted net finance expense (net finance expense excluding interest on pension scheme obligations and the unwinding of discount on provisions, see Note 6). Net debt represents the net total of current and non-current borrowings, current and non-current derivative financial instruments and cash and cash equivalents as presented in the Group Balance Sheet and as calculated in Note 31.

Additional Information (continued)

Return on Capital Employed (ROCE)

Definition

ROCE is the continuing adjusted operating profit expressed as a percentage of the Group's net assets employed. Net assets employed is the average of the opening and closing net assets in the year excluding net debt adjusted for cumulative historical amortisation of acquired intangible assets and restructuring charges.

Calculation		2018 $'000	2017 $'000
Net assets	Balance Sheet	885,343	880,656
Net debt	Note 31	60,787	53,266
Assets before net debt		946,130	933,922
Historical intangible amortisation		189,206	176,997
Historical restructuring costs		38,365	47,494
Total capital employed		1,173,701	1,158,413
Average total capital employed		1,166,057	1,006,869
Adjusted operating profit	Per above	147,506	129,280
Return on capital employed		**12.7%**	12.8%

Adjusted Effective Tax Rate

Definition

The Group effective tax rate expresses the income tax expense adjusted for the impact of exceptional items, transaction costs and the amortisation of acquired intangible assets as a percentage of adjusted profit before tax.

Calculation		2018 $'000	2017 $'000
Tax charge	Income Statement	4,529	20,976
Tax relief with respect to transaction costs		180	370
Deferred tax credit with respect to intangible amortisation		7,715	5,070
Tax relief with respect to exceptional items		1,548	–
Deferred tax credit associated with the US Tax Cuts and Jobs Act		9,715	–
Income tax expense before exceptional, transaction costs and deferred tax attaching to amortisation of intangible assets		23,687	26,416
Adjusted profit before tax	Per above	138,815	118,928
Adjusted effective tax rate		**17.1%**	22.2%

Constant Currency

Definition

The translation of foreign denominated earnings can be impacted by movements in foreign exchange rates versus US dollars, the Group's presentation currency. In order to present a better reflection of underlying performance in the period, the Group retranslates foreign denominated prior year earnings at current year exchange rates.

Revenue – constant currency	2018 $'000	2017 $'000
Revenue	**1,315,186**	1,219,755
Currency impact	**–**	37,176
Revenue – constant currency	**1,315,186**	1,256,931
Revenue – constant currency increase on 2017	**58,255**	
Revenue – constant currency increase on 2017 %	**5%**	

Net revenue – constant currency	$'000	$'000
Net revenue	**1,129,692**	1,028,486
Currency impact	**–**	32,340
Net revenue – constant currency	**1,129,692**	1,060,826
Net revenue – constant currency increase on 2017	**68,866**	
Net revenue – constant currency increase on 2017 %	**6%**	

Adjusted operating profit – constant currency	$'000	$'000
Adjusted operating profit	**147,506**	129,280
Currency impact	**–**	2,812
Adjusted operating profit – constant currency	**147,506**	132,092
Adjusted operating profit – constant currency increase on 2017	**15,414**	
Adjusted operating profit – constant currency increase on 2017 %	**12%**	

Adjusted profit before tax – constant currency	$'000	$'000
Adjusted profit before tax	**138,815**	118,928
Currency impact	**–**	2,019
Adjusted profit before tax – constant currency	**138,815**	120,947
Adjusted profit before tax – constant currency increase on 2017	**17,868**	
Adjusted profit before tax – constant currency increase on 2017 %	**15%**	

Adjusted diluted earnings per share (EPS) – constant currency	$'000	$'000
Adjusted profit attributable to owners of the parent	**115,067**	92,512
Currency impact	**–**	1,737
Adjusted profit attributable to owners of the parent – constant currency	**115,067**	94,249
Weighted average number of shares used in diluted EPS calculation	**250,464,788**	249,239,387
Adjusted diluted EPS – constant currency (cent)	**45.94**	37.81
Adjusted diluted EPS – constant currency increase on 2017 (cent)	**8.13**	
Adjusted diluted EPS – constant currency increase on 2017 %	**22%**	

The dividend per share constant currency increase on 2017 percentage disclosed is the same as actual percentage increase in dividend per share as this is based on the disclosed US dollars dividend per share.

Measurements removed from the additional information section that are shown elsewhere in the preliminary announcement are as follows:

- Adjusted diluted earnings per share – this measurement is shown in Note 11.

Glossary

AGM	Annual General Meeting
CAGR	Compound Annual Growth Rate
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CMIC	Current Medical Information Centre
CO_2	Carbon Dioxide
CODM	Chief Operating Decision Maker
CRM	Customer Relationship Management
The Code	UK Corporate Governance Code 2016 issued by the UK Financial Reporting Council
CSR	Corporate Social Responsibility
DEA	Drug Enforcement Administration
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBR	Electronic Batch Record
EHS	Environmental Health and Safety
EMEA	Europe, the Middle East and Africa
EPS	Earnings per Share
ERP	Enterprise Resource Planning
ESG	Economic, Social and Governance
ESOP	Executive Share Option Plan
ESOS	Executive Share Option Scheme
EU	European Union
EY	Ernst & Young Chartered Accountants and Statutory Audit Firm
FDA	Food and Drug Administration
FTSE 100 Index	Capitalisation – weighted index consisting of the 100 largest companies listed on the London Stock Exchange with the highest market capitalisation
FTSE 250 Index	Capitalisation – weighted index consisting of the 101st to the 350th largest companies on the London Stock Exchange
FY2017	Financial Year 2017
FY2018	Financial Year 2018
FY2019	Financial Year 2019
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GDPR	General Data Protection Regulation
HCP	Healthcare Professionals
HEOR	Health Economics and Outcomes Research
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
IAASA	Irish Auditing and Accounting Supervisory Authority
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Inc.	Incorporated
IRT	Interactive Response Technology
IT	Information Technology
ISAs	International Standards on Auditing
KPI	Key Performance Indicator
LTA	Lost Time Accidents
LTIP	Long Term Incentive Plan
MAH	Marketing Authorisation Holder
M&A	Mergers and Acquisitions
MES	Manufacturing Execution System
MHRA	Medicines and Healthcare Products Regulatory Agency
MSL	Medical Science Liaison
NETS	Network of Employers for Traffic Safety
NHTSA	National Highway Traffic Safety Administration
N/A	Not Applicable
NI	Northern Ireland
PA	Pennsylvania
PAYE	Pay As You Earn
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
PLC	Public Limited Company
PSP	Patient Support Programme
PwC	PricewaterhouseCoopers
R&D	Research and Development
RIF	Risk, Investment and Financing Committee
ROCE	Return on Capital Employed
ROI	Return on Investment
SET	Senior Executive Team
SID	Senior Independent non-executive Director
TSR	Total Shareholder Return
UK	United Kingdom
UN	United Nations
US	United States
VAT	Value Added Tax

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