UDG Healthcare plc

People Partners Purpose Progress

Annual Report and Accounts 2019

We are

a global leader in healthcare advisory, communications, commercial, clinical and packaging services.

We are 8,700 people operating in 26 countries, across two divisions.

We are united by our purpose **to partner with clients to deliver innovative healthcare solutions that improve patients' lives.**

Our core values, unique culture and robust business model enable us to deliver our strategy and build a sustainable organisation for the benefit of all our stakeholders.

UDG Healthcare plc is listed on the London Stock Exchange.

People

We are proud of our people who are at the core of our business and who shape our values-based culture.

Read more on **page 23**

Partners

We build trust with our partners by delivering on our promises and we achieve our clients' goals with energy and ingenuity.

Read more on **page 24**

Purpose

We are united by our purpose to partner with clients to deliver innovative healthcare solutions that improve patients' lives.

Read more on **page 27**

Progress

We have developed our organisation through organic and acquisitive growth resulting in our expansion into new geographies and service offerings.

Read more on **page 29**

Strategic Report

Directors' Report

Financial Statements

Our Global Divisions

Ashfield

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

Services:

Advisory
Healthcare brand advisory, strategic consulting, product commercialisation strategy, market access, analytics and commercial audit services.

Communications
Scientific and creative communications, digital and patient-centred content for medical affairs and brand commercialisation with areas of specialty including behavioural science, rare disease, PR and on-demand advertising services.

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

68%
Percentage of Group operating profit

14.4%
Net operating margin

Sharp

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

Services:

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

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.

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

32%
Percentage of Group operating profit

13.9%
Net operating margin

Highlights of 2019

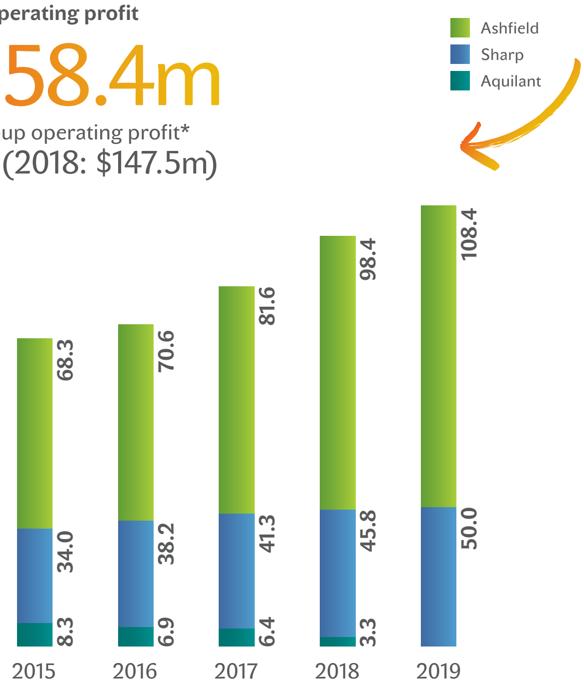
Financial Highlights

Group operating profit

$158.4m

Group operating profit*

+7% (2018: $147.5m)



16.80c

Proposed dividend

+5% (2018: 16.00c)

$150.3m

Adjusted profit before tax*

+8% (2018: $138.8m)

14.2%

Adjusted net operating margin*

+110bps (2018: 13.1%)

48.44c

Adjusted diluted earnings per share* ('EPS')

+5% (2018: 45.94c)

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.

*Alternative performance measures ('APMs') are 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. APMs are presented to provide readers with additional financial information that is regularly reviewed by management. 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. APMs are presented on an IAS 18 basis to enable like-for-like analysis with the comparative period. APMs should not be considered in isolation or as a substitute for an analysis of results as reported under IFRS. See "Additional Information" on page 182 for definitions and reconciliations to the closest respective equivalent GAAP measure.

IFRS 15 was adopted on 1 October 2018 for our statutory reporting, without restating prior year figures. As a result, the discussion of our operating results is primarily on an IAS 18 basis for all periods presented. The impact of IFRS 15 which is outlined in Note 34 of the Group financial statements was not significant for the Group.

IFRS based highlights

$1,298.5m

Revenue

-1% (2018: $1,315.2m)

$78.3m

Operating profit

(2018: $5.5m)

22.92c

Diluted earnings per share

(2018: 1.52c)

Strategic Highlights

Our strategy is to grow and improve our organisation by providing market-leading outsourced services to our clients; outstanding development opportunities for our people; and long-term sustainable value for our shareholders. We execute this strategy through three core pillars:

1.

Developing and growing 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. In FY2019, we acquired two businesses which further enhanced our capabilities in Ashfield Communications and Advisory.

Read more on **pages 14-15**

2.

Transforming through people

Our greatest strength is the quality and commitment of our people. We deliver our strategy through our talented, experienced and motivated people, who are supported by continuing developmental programmes, effective processes and technology investments.

Read more on **pages 54-57**

3.

Continuous improvement

Our experience, capabilities and global scale drive increased productivity and efficiency across our businesses and facilities. Our focus on cash flow conversion and margin expansion measured by our KPIs, were key to our success in FY2019.

Read more on **pages 18-21**

14.2%

Adjusted net operating margin (IAS 18) (2018: 13.1%)

13.4%

Return on capital employed (IAS 18) (2018: 12.7%)

100%

Percentage of core business development ('BD') leaders who attended the *Inspire* BD programme

98%

Percentage of leaders who completed our values -based leadership programme

48.44c

Adjusted diluted earnings per share (2018: 45.94c)

64%

North American revenues

Our values are what set us apart

Our culture and values influence how we behave and operate.

"We take great pride in our culture and values which are key to the delivery of our strategy."

Brendan McAtamney
Chief Executive

Quality
We believe it underpins everything we say and do.

Partnership
We build trust by delivering on our promises.

Ingenuity
We always think creatively to solve problems.

Expertise
We bring a wealth of knowledge and skills to everything we do.

Energy
We achieve our clients' goals with imagination and passion.

A strong year of growth and development

"We have made significant progress in moving the Group into higher growth, higher margin businesses."

Peter Gray

Dear Shareholder
I'm pleased to report a very solid performance for FY2019 despite some challenges along the way.

We made two acquisitions in the second half of the year, which contributed to overall growth of 7% in adjusted diluted EPS on a constant currency basis, while net revenue growth and adjusted operating profit excluding the impact of acquisitions, which are key measures for the Board, each grew by 5%. Within this, Ashfield grew underlying operating profit by 4% and Sharp by 8%.

The Group generated strong net cash flow from operations of $129.3 million in the year, (a 26% increase on the prior year).

Our mission for many years has been to move from our low growth, low margin supply chain businesses into higher growth, higher margin businesses. 2019 demonstrates that we continue to achieve success in this mission and as we look ahead we see further opportunity to build on our new base and achieve synergies between our different services.

One of the factors in our development that I should highlight is that over 62% of our revenue was generated in the U.S. this year, which is the most dynamic and profitable pharmaceutical market in the world. This represents quite a transition from a company which ten years ago was primarily focused in Ireland and the U.K.

Return on capital employed ('ROCE') is another important metric for the Board. In 2019 our overall ROCE increased to 13.1%, (or 13.4% on a IAS 18 basis) compared to 12.7% last year.

Reflecting our good performance in the year, we are recommending a final dividend of 12.34c, a 5% increase on last year and a continuation of our long history of annual dividend increases. The Group's total dividend per share for the year will be 16.80c (also a 5% increase on 2018).

Strategy

When I first joined the Board of UDG in 2004, Ashfield was a contract sales business in the U.K. and a minor part of the Group. I was nevertheless concerned that this would be a challenging business for a public company to manage based on the somewhat volatile history of publicly quoted U.S.-based contract sales organisations.

The subsequent years proved my worries to be unfounded. Led by founder Chris Corbin, Ashfield built a leading position in Europe, the U.S. and Japan as a contract sales and sales support service provider. In recent years, through organic initiatives and acquisitions, Ashfield has transformed its services by adding further high growth, high margin capabilities including medical information, healthcare communications and, most recently, advisory services focused on pharmaceutical commercialisation.

While my concerns regarding the volatility within the pure contract sales business materialised from time to time (this year a significant labour law change in Germany disrupted our largest European market), the breadth and depth of the Ashfield businesses we have acquired and built have more than compensated for any such disruptions and thus have delivered good bottom-line growth year-on-year.

I am sharing this perspective with you for two reasons: Firstly, to illustrate that the suite of services we've been building in Ashfield have strong growth characteristics and have provided a sufficient mix of activities to mitigate local or segment specific risks. Secondly, to explain that we continue to believe that personal promotion as a sales technique will remain an important element of pharmaceutical marketing. However, the melding of this service with other sophisticated sales support techniques such as nurse advisors, call centre support, digital marketing and medical communications is the future.

Ashfield continues to develop and, while seeking to exploit synergies between the different compatible services we have been assembling, we also have a constantly evolving pipeline of interesting acquisition opportunities to increase our scale, expand geographically and add further to our menu of services.

When I joined the Board we were not in the packaging business at all. That changed with a small number of acquisitions in the mid 2000s crowned by that of Pennsylvania-based Sharp in 2008. That deal brought us a division that has been very successful and a reliable growth engine year-on-year. Capital expenditure rather than acquisition has since been the fuel for that growth, and our faith in the market and a great management team has been well rewarded. The European arm of Sharp Commercial, and the Clinical business have been less successful than the U.S. Commercial business. However with new facilities for Clinical now in place and with Commercial Europe now focused in two well invested facilities in Belgium and The Netherlands, we are confident these will make good progress in 2020 and beyond.

It will not have escaped your notice that we have had exceptional gains and charges in each of the last four years, including this year. These have been part of our journey of transformation as we've sold legacy businesses, closed others, and right-sized parts of the business to reflect changes in their markets. One can never declare victory but we believe the Group is now well positioned from a cost and facilities perspective.

Board and governance management

Elsewhere in this report we detail our governance activities, and the outcome of an independent Board Evaluation, so I won't repeat them here. Suffice to say the Board exercises its governance responsibilities with diligence, but also with a clarity of purpose to help the management team create value while honouring our responsibilities to our stakeholders and society.

During the year we welcomed two new colleagues to the Board, Peter Chambré and Shane Cooke, whose bio's are on page 61. These appointments were made in anticipation of the retirement of Chris Brinsmead and Chris Corbin, both of whom will step down at our upcoming AGM after long service. To both of them we express our deep thanks for great contributions. Chris Corbin's Ashfield became part of the Group in 2000 and he has served on the Board for the past 17 years with great distinction. Nancy Miller Rich, one of our U.S. directors has also recently indicated that she is not in a position to go forward for re-election at the upcoming AGM due to other increasing commitments. We will miss her insightful contributions and we have begun the process of seeking a replacement.

The recent appointments were also made with my own retirement in mind. I joined the Board in 2004 and was appointed Chair in 2012. In line with good governance, it is time for me to move on. I have agreed with the Senior Independent Director that I will step down in September 2020, giving him and his fellow Board colleagues time to select a successor, whether internal or external.

Outlook

2019 finished strongly, and as noted above underlying revenue and operating profit growth have been good. We expect these trends to continue in 2020. We also have access to significant capital without over-stretching our balance sheet, and thus can continue to make appropriate acquisitions as the right opportunities arise. We therefore look to the future with confidence.

At the outset of this statement I noted that 2019 had had its challenges. I would like to thank the management teams throughout the Group for their hard work and commitment in successfully working through these as they arose, and wish them our support as they continue to drive the development of the Group.

Consideration of our stakeholders and factoring their views into our decision-making

S.172 statement U.K. Companies Act 2006

We are a purpose-driven organisation with a unique set of values and a strong inclusive culture. We strive to be a good employer for our colleagues, to support our communities and to help our clients provide a better experience and more relevant offering to their patients and healthcare professionals. We actively engage with our shareholders and focus on being a more valuable investment proposition for our investors. The Board recognises its responsibility to take into consideration the needs and concerns of all our stakeholders as part of our discussion and decision-making processes, and in this regard, we welcome the fresh stance under section 172 of the U.K. Companies Act 2006 ('s.172') as part of the 2018 U.K. Corporate Governance Code ('New Code') By thoroughly understanding our key stakeholder groups, we can factor their insights and concerns into Boardroom discussions. The table on page 68 highlights how the Board ensures effective engagement with, and encourages participation from, our stakeholders. More detail on our stakeholders is also available in the Strategic Report on page 53.

Q.

How would you describe UDG Healthcare's performance during the year?

2019 was another year of strong strategic progress for UDG Healthcare. We have a clear purpose and strategy which continues to deliver for all our stakeholders. We operate in a large and growing market and our strategy and financial targets are clear, underscoring our commitment to the right balance of revenue growth and earnings performance.

During the year, we delivered good financial growth with adjusted earnings per share increasing by 7% on a constant currency basis, at the top end of our guidance range. Our two global platforms, Ashfield and Sharp delivered strong growth driven through a combination of underlying growth and the benefit of acquisitions. The Group completed three acquisitions, including Canale Communications, all of which are in line with our strategy to expand into differentiated, higher growth areas, complementary to our existing service offering.

We saw strong performances across multiple parts of our businesses and in particular we achieved good underlying revenue growth reflecting the strong demand for our services. In tandem, we continued to develop the Group's infrastructures, capabilities and talent which underpin our business.

Q.

How has the Group evolved during the year and what were the key drivers behind the good performance?

Ashfield continued its transformation from a U.K.-based sales representative business to a global multichannel advisory, communications and commercialisation business where close to 70% of the business earnings are generated from the higher margin and higher growth areas of Ashfield Communications & Advisory. This part of Ashfield delivered strong revenue growth during the year with particularly strong demand for scientific communications on both sides of the Atlantic. Additionally, I was particularly pleased with the performance of our Advisory business Vynamic, and the progress of the STEM aXcellerate programme. Additionally, Ashfield benefited from the acquisitions completed last year and during 2019.

Ashfield continues to evolve to meet the needs of our pharmaceutical clients who seek partners to advise on, build and operate these outsourced services. The success we are achieving is evident not only in the revenue and profit growth, but also in the long-term strategic collaboration we are achieving with multiple clients.

Within Sharp we generated very strong revenue growth driven by increasing demand for our packaging of serialised biotech and specialty products in particular. In addition, within Sharp Europe we have taken actions to address some of the weakness by consolidating our footprint.

Q.

The Group has made a number of investments over recent years, is there anything further to come?

UDG Healthcare is a relatively young company given we only acquired Ashfield in 2000 and Sharp U.S. in 2008. As a result, we have made significant investments across the organisation, particularly since the disposal of the United Drug supply chain business in 2016, to ensure the Group has the proper infrastructure in place to deliver long-term attractive sustainable returns. These investments include our 'Future Fit' programme which comprises financial, HR and IT system investments across the Group. We have also further invested in our talent with various leadership developmental programmes, the aforementioned STEM aXcellerate programme and facility expansion in Sharp.

Q.

Ashfield Commercial & Clinical experienced a more challenging year. Has the performance been in line with your expectations and what actions have you taken to address it?

Ashfield Commercial & Clinical was a bit lumpier than we have experienced heretofore. We had clearly flagged this likely performance over a year ago based on the dynamics we were seeing in the business and across some markets.

All our acquisitions continue to deliver significant growth

"We are continuing to improve, transform and grow our broad suite of client services, and deliver sustainable long-term returns for our shareholders."

Brendan McAtamney

The U.S. business experienced a very solid year with good growth, however this was offset by softer demand for these services in Europe. The primary reason for the U.S. growth is the diversity of the business which includes a wider range of services including clinical educator contact centre and patient support programmes amongst others, in addition to the traditional contract sales force services. Our European business is a more one dimensional business in terms of service offering and undoubtedly there has been some contraction in the traditional contract sales force market. We are currently addressing these European issues by evolving our mix of service, diversifying the offering similar to what we have achieved in the U.S. and aligning our cost base.

Q.

Sharp has had a strong year, how would you assess Sharp's performance?

Overall Sharp had a good year delivering very strong revenue growth and solid profit growth. The demand for Sharp's U.S. packaging services remains extremely strong right across the board but in particular for the packaging of serialised biotech and specialty products. In parallel to this growth, we have also seen good demand for the more traditional formats such as bottling and blistering.

Sharp has demonstrable capabilities and assets in the growing biotech space and we have seen strong volume growth in this area. This growth in biotech and the implementation of serialisation has added complexity to our product offering and therefore we have in 2019 further invested in both people and capacity to enhance our capabilities overall.

Looking ahead to 2020, growth and leveraging fully our investments in people, technology and facilities will be a key focus. We have accelerated our facilities expansion plan due to this very strong demand which includes new capacity coming on stream 2020.

Strategic highlights

- Adjusted diluted earnings per share ('EPS') increased by 7% on a constant currency basis.
- Net underlying revenue growth of 5%.
- Adjusted underlying operating profit growth of 5%.
- Strong cash flow performance with net cash generated from operations of $129.3m, a positive working capital inflow and free cash flow conversion rate of 83%.
- Completed three acquisitions* for a total capital commitment of $137 million.

* Includes the acquisition of Canale Communications in November 2019.

8,700
People employed across the Group

$158.4m
Adjusted Group operating profit
(2018: $147.5m)

$74.3m
Profit Before Tax
(2018:$8.4m)

Q.

Sharp Europe continues to be a challenge, what are you seeing that gives you confidence in its future performance?

We have made some progress in Sharp Europe this year, and the performance during the second half of the year was much better than the first half.

We have a number of facilities across Europe: a renovated clinical facility in the U.K.; a single client dedicated plant in the Netherlands; and a biotech facility in Belgium. These three plants are making solid progress towards profitability and we have taken the decision to close the fourth plant, a loss making facility in Oudehaske, the Netherlands. This closure is part of a wider strategic action plan to return Sharp Europe to profitability in 2020.

Q.

The Group made a number of acquisitions during the year. How do they complement the Group's existing portfolio and how do you assess the longer term performance of your acquisition strategy?

Since 2012, the Group has made 22 acquisitions, which in aggregate have performed well ahead of expectations. Obviously, we had some stand-out performances from some acquisitions, and indeed some challenges, but overall we are extremely pleased with the talent and capabilities we have acquired and we are particularly pleased with our 2019 acquisitions which are in line with our long-term strategy.

At our Capital Markets Day in September 2016 we signalled our intention to enter the advisory space. The acquisition of Putnam in 2019 is the fourth asset in the advisory business unit. Boston-based, Putnam is a strategy consultancy focused on product commercialisation, exclusively for the life sciences industry. Over the past 10 years, Putnam has advised clients on the commercialisation of multiple blockbuster products providing clients with unparalleled insight, clarity and strategy. Putnam is highly complementary to the Vynamic business, which is also part of our advisory business. Vynamic partners with clients across all sectors of healthcare on transformational change initiatives – so we see these two assets as highly complementary and we are already seeing evidence of collaborations.

Our second acquisition in 2019, Incisive Health, is a U.K.-based healthcare communications consultancy, specialising in healthcare policy, public affairs and communication services. As a U.K.-based business, Incisive Health works strongly with our other U.K. communications companies such as Pegasus, Galliard and Nyxeon. All four assets speak to payers, prescribers and patients on behalf of our clients, and therefore enable us to build a very compelling suite of services.

Post the year end, in November 2019, we completed the acquisition of Canale Communications, a San Diego based scientific strategic communications agency, providing a range of public relations, investor relations and strategic communications services to life science and biotech companies. For more details on our acquisitions see page 37.

Q.

How do market trends shape your business and how do they impact the delivery of your strategic plans?

A detailed review of the market backdrop is part of our annual strategic planning process, where we review, amongst other issues, the key pharmaceutical market trends and outlook. Understanding these trends is important to ensure that we evolve our business, our product portfolio and service offering in ways that meet client needs and preferences.

As you will see from our market analysis on pages 14 and 15, the macro trends within the healthcare industry remain very positive. The pharmaceutical industry is experiencing good growth and as a provider of innovative outsourced services in healthcare advisory, communications, commercial, clinical and packaging, we are well placed to benefit from this growth. While there will inevitably be variations and anomalies in the market, we remain focused on the controllable drivers of growth across our portfolio.

Q.

Do you feel the Group is delivering its strategic plan?

Without a doubt. Our strategy is clear and its implementation has been successful to date. We have built a very compelling and complementary suite of services that are attractive to our healthcare clients. These clients are now purchasing multiple services from us as they see the benefits of our innovative end-to-end service model.

We have built the right services, underpinned by the right talent and infrastructure that are in demand by our clients. We see big opportunities in the market as is evident by the revenue growth. The understanding and capital discipline we have demonstrated, coupled with the capabilities we have developed, will support volume and value growth in a sustainable way.

Q.

How important is the U.S. market to you?

Our geographical expansion continues and this was another year of strong growth particularly in the U.S. which now accounts for over 62% of the Group's revenues. The U.S. is the largest pharmaceutical market and therefore the largest pharmaceutical services market. In the past decade it has been our intention to be a player of scale in this market. Over the past few years we have incrementally moved in this direction, but in the last three to four years we have really accelerated that penetration of the U.S. market and we now have a very scalable suite of services across both Sharp and Ashfield within the U.S. Of equal importance is our European footprint and our emerging Japan presence. Whilst the U.S. market is significant in scale, being able to operate globally for our clients is very important.

Q.

Can you elaborate on the 2019 Integrated Annual Report theme: people, purpose, partners, progress?

People, purpose, partners and progress are the four key differentiating factors of our business. Our people are the most critical part of the business, as well as being the drivers of our progress and growth. We are a people-based business and attracting, retaining and developing our people is of strategic importance to us. Over 8,700 people work in UDG Healthcare across 26 countries. The global talent market is very competitive but I am always encouraged by the quality of the people we are able to attract. There will always be an element of staff turnover in a business like ours and while we continue to evolve our leadership capability, I am very pleased with our developing talent pipeline and impressed with the expertise they continually deliver on a daily basis.

In turn, our purpose is to partner with clients to deliver innovative healthcare solutions that improve patients' lives and my colleagues and I are motivated by the positive impact our activities are having on patients' lives and communities.

Our clients and partners are key stakeholders and understanding their needs is crucial to be able to deliver innovative solutions. Our financial stakeholders are keen to understand how we continue to progress and deliver long-term sustainable returns.

Q.

Would you describe the Group as having a strong ESG focus?

At the core of our sustainability strategy are people, whether they are our employees, our clients or our communities. Building a culture that is underpinned by our values drives our interactions with all these stakeholder groups and as CEO, I am determined to continue to drive our sustainability agenda both internally and externally. In 2019, we conducted a materiality study focusing on our people and culture. The results of the study provided us with valuable insights and confirmed that our activities are aligned with our employees own values and priorities. For more details on the study see page 52

We have also been reporting to Carbon Disclosure Project now for a number of years and have demonstrated improvement year-on-year. For 2019 we have seen significant improvements in the quality of our data collection and have improved our reporting process across our global organisation. In 2019, we also received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. This is an upgrade from the previous A rating. We were delighted to receive this recognition.

Q.

What are the longer-term prospects for the Group?

For 2020, the Group expects to deliver continued good underlying operating profit growth across both Ashfield Communications & Advisory and Sharp, while Ashfield Commercial & Clinical is expected to return to stability. This growth will be supplemented from the full year benefit of acquisitions made in 2019.

In the longer term we will continue our strategic intent to deliver sustainable growth organically and inorganically. Our ambition is to deliver strong organic growth and supplement this by acquiring really interesting assets that complement our core offering and also offer adjacencies.

We will also continue to leverage the investments we have made in our infrastructure to ensure we are as efficient as possible and judiciously use our capital employed.

Finally, I would like to thank all our people, new recruits and old hands, for their work in 2019. It has meant that UDG Healthcare delivered a strong set of results. We are positioned well for further growth and delivery of our strategic objectives for the years ahead.

Case Study

CEO Awards – Living our values and celebrating our culture

Our people are our most important asset and are crucial to our success. As a Group, we are driven by values that guide us to deliver a strong internal culture, focused on quality, partnerships, ingenuity, expertise and energy. Having the right people, with the right skills at all levels in our organisation is critical to building a quality, sustainable business and delivering our strategy.

The annual UDG Healthcare CEO Awards recognise individuals and teams from across the organisation who live our values on a daily basis. In April 2019, all the CEO award winners were welcomed to Dublin, Ireland, for an evening of recognition and celebration. Again, I would like to take this opportunity to congratulate them on their success.

Brendan McAtamney

Our business model is designed to create value by delivering on our strategy. Our culture, values and behaviours underpin everything we do.

What we do

We provide expert outsourced healthcare services specialising in advisory, communications, commercial, clinical and packaging.

Our purpose is to partner with clients to deliver innovative healthcare solutions that improve patients' lives.

How we do it

Employees
We are committed to building a culture that fosters the development of our people. We reward talent, provide competitive salaries and invest in training and development.

8,700
Number of employees

Read more on **pages 54-57**

Capital
Our strong balance sheet supports the delivery of continued growth through acquisitions to supplement organic growth. We are continuously identifying and acquiring highly complementary businesses that drive value and generate attractive returns. In 2019, we completed two acquisitions, which further enhanced our capabilities.

$104.6m
M&A spend

Read more on **pages 30-33**

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.

$39.5m
Capital expenditure

Read more on **pages 34-45**

Stakeholders and Relationships
We proactively engage with all our stakeholders including our clients, healthcare professionals, patients, employees, communities and shareholders. We build strong sustainable relationships and are a long-term business partner with many of our clients.

300+
Number of clients

Read more on **pages 68-69**

Our Divisions

Ashfield

Read more on **pages 34-39**

Sharp

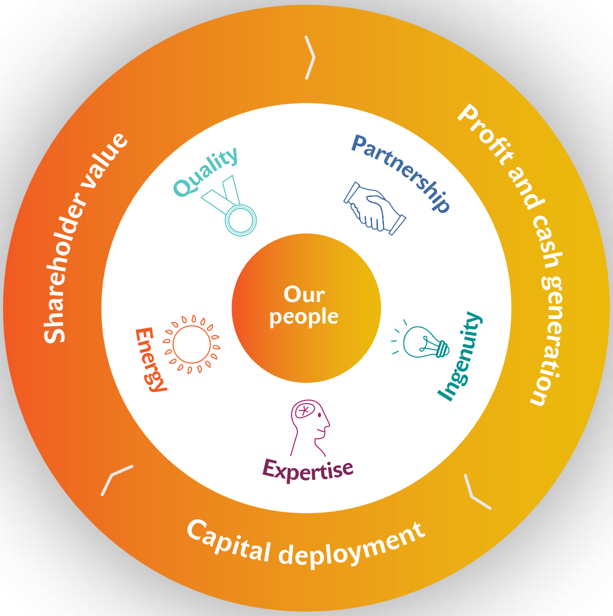
Read more on **pages 40-45**

Our strategy underpins our business model

1. Developing and growing market leading positions
2. Transforming through people
3. Continuous improvement

Read more about our strategy on **pages 16-17**

How we create value



Our unique combination of talented people, expertise, ingenuity, stakeholder partnerships and disciplined capital deployment enables us to deliver high-quality outsourced healthcare services and solutions that set us apart and support us in adding value.

What we deliver

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

30
We partner with the top 30 global pharmaceutical companies

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

$40.3m
Dividend to shareholders

Employees
We have a unique culture and are committed to investing in our people by offering rewarding salaries and investing in their development.

$640.0m
Remuneration to employees

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

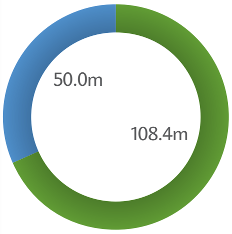
100+
Number of active patient support programmes globally

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

c.70
Number of charities supported globally

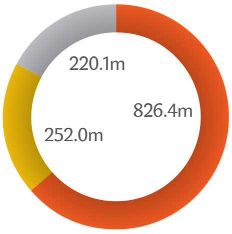
What drives our growth – a diversified business

Business unit operating profit



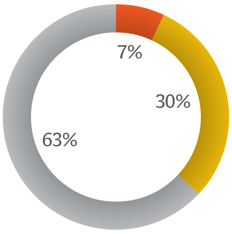
- Ashfield
- Sharp

Geographic revenue



- North America
- U.K.
- Rest of world/other

Customer concentration (net revenue)



- #1 Customer
- #2-10 Customers
- Other Customers

Capitalising on market growth

The global healthcare industry is an attractive market underpinned by strong growth dynamics and trends. Currently worth $1.2 trillion, the market is forecast to grow at a CAGR of 3-6% to $1.5 trillion by 2023.[1]

At a macro level, ageing populations and increasing life expectancy will continue to drive global healthcare demand. A sustained increase in the number of new drug approvals is also expected to continue while the growth in specialty medicine as a percentage of the total market continues to rise. The pharmaceutical industry is driven by growth in specialised drugs, in particular for oncology and rare diseases where demand is higher. Furthermore, the shift in mix from traditional blockbuster primary care drugs to biotech and orphan drugs which are more complex and expensive, creates opportunities for our client services and solutions.

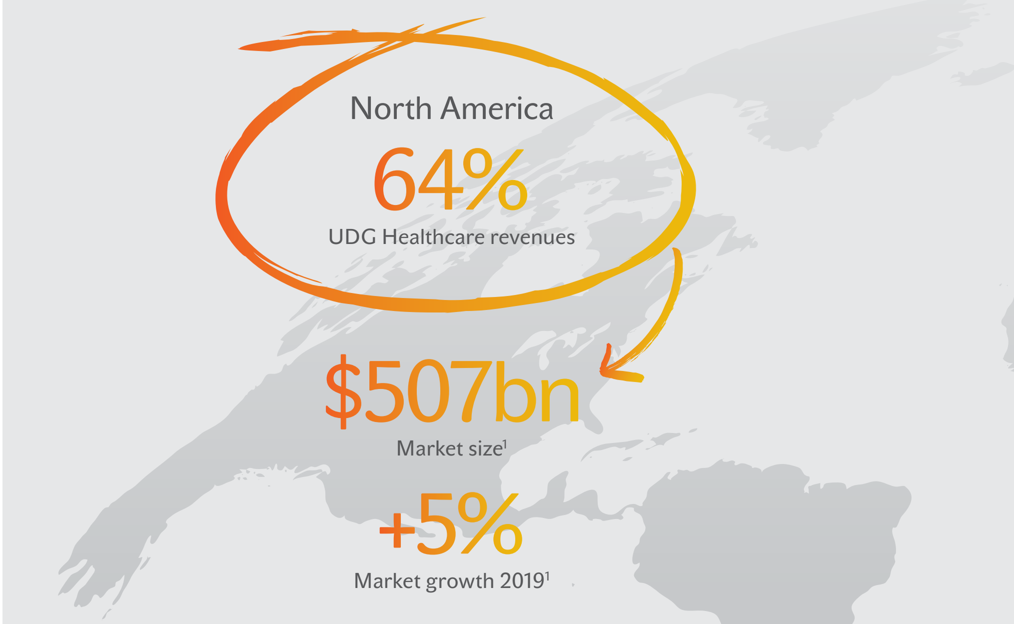
These global growth trends are occurring at a time when both large and small-scale pharma and biotech companies continue to outsource more activities as they move toward more specialty therapies and manage the rising costs of developing drugs.

UDG Healthcare's outsourced healthcare services can provide these pharmaceutical and biotech companies with more effective and flexible solutions.

Global market healthcare trends

Ageing populations and increasing life expectancy are driving the demand for healthcare. By 2050, the number of people globally aged over 60 is expected to double to 2 billion[2] and global life expectancy is expected to increase by over 4 years by 2040.[3]

Global healthcare spend is forecasted to grow at 3-6% per annum to reach $1.5 trillion by 2023.[1]



Divisional specific market opportunities

Ashfield Advisory

Key growth drivers:

- Increasing outsourcing penetration with growing demand for specialist advisory services
- Increasingly complex healthcare landscape, specialty therapies and drug launches
- Growing demand for data and informed research to improve decision making

$2.9bn
Estimated market size*

Ashfield Communications

Key growth drivers:

- Growth of specialty and orphan products leading to increased demand for education, multi-channel engagements, and digital communications
- Expansion of direct patient engagement
- Increase in number of molecules in development and positive drug approval outlook

$7.3bn
Estimated market size*

1 The Global Use of Medicine in 2019 and Outlook to 2023. IQVIA Institute, January 2019.
2 World Population Ageing, 2017 Highlights. The United Nations, 2017.
3 Forecasting life expectancy, years of life lost, and all-cause and cause-specific mortality for 250 causes of death: reference and alternative scenarios for 2016-40 for 195 countries and territories. Lancet Journal, October 2018, Foreman et al.
4 World Preview 2019, Outlook to 2024. EvaluatePharma, June 2019.

Pharmaceutical R&D spend is forecasted to grow at a CAGR of 3% to 2024.[4]

An average of 54 new drug launches per year are forecasted over the next five years, compared to 46 in the previous five years reflecting growing pharma R&D pipelines and high approval success rates.[1]

Specialty drugs are expected to account for two-thirds of product launches over the next five years and to account for 50% of spend in developed markets by 2023.

Europe and U.K.

35%

UDG Healthcare revenues

$182bn

Market size[1]

+3%

Market growth 2019[1]

Japan

UDG Healthcare operates via a joint venture with CMIC Ashfield Co. Ltd in Japan for Commercial & Clinical services under the name CMIC Ashfield.

$89bn

Market size[1]

+1%

Market growth 2019[1]

Ashfield Commercial & Clinical

Key growth drivers:

- Increasing outsourcing penetration
- Demand for innovative models, multi-channel offerings and multi-country solutions
- Increasing importance of patient support programs and engagement to improve adherence and outcomes

$6.1bn

Estimated market size*

Sharp Commercial

Key growth drivers:

- Increasing outsourcing penetration
- Increase in complexity of specialty and biotech leads pharma to seek more specialised providers
- Demand for secondary packaging of injectable products

$5-7bn

Estimated market size*

Sharp Clinical

Key growth drivers:

- Increasing outsourcing penetration
- Facility investments driving increasing demand across the client base for end to end integrated service offerings
- Growth in specialty clinical services for orphan and rare disease patient populations

$6-8bn

Estimated market size*

*Market sizes derived from BCG, Deloitte and UDG internal analysis

Our Strategic Objectives

Our strategy is to grow and improve our organisation by providing market-leading outsourced services to our clients, outstanding development opportunities for our people, and long term sustainable value for our shareholders.

Strategic pillars

Our roadmap to achieving our strategy is built around three strategic pillars.

1.

Developing and growing market leading positions

Strategic objectives

In turn our strategic objectives provide clarity and direction on how we deliver our strategy and enable us to evaluate our progress:

Geographic and service growth

Strategic linkage 1.

We aim to expand our activities organically across our priority markets and supplement our organic growth by successfully acquiring and integrating complementary businesses which strengthen our market positions.

Progress in 2019:

Completed the acquisitions of Putnam and Incisive Health which further enhanced our capabilities in Ashfield Communications and Advisory.

Key Performance Indicators

64%
North American Revenues

Read more on **pages 18-21**
Key risk information, read more on **pages 46-51**

Client focus and commercial excellence

Strategic linkage 1. 3.

Our high quality, innovative, bespoke healthcare solutions ensure we are the partner of choice in an increasingly complex operating environment.

Progress in 2019:

As part of STEM aXcellerate, we have launched complementary commercial and medical projects working with our clients to accelerate their performance.

Key Performance Indicators

14.2%
Adjusted Net Operating Margin

Read more on **pages 18-21**
Key risk information, read more on **pages 46-51**

"This year's strong growth confirms that we are executing an appropriate strategy."

Brendan McAtamney
Chief Executive Officer

2.
Transforming through people

3.
Continuous improvement

Talent and people

Strategic linkage 2.

We focus on providing rewarding careers for our people. Across our organisation, we create career pathways, map succession and provide development opportunities.

Progress in 2019:

Increased focus on succession planning and the creation of career pathways to progress our talented people.

Key Performance Indicators

98%

Leaders who completed our values-based leadership programme

Read more on **pages 18-21**
Key risk information, read more on **pages 46-51**

Quality and compliance

Strategic linkage 1. 3.

We enable our clients to outsource with confidence by exceeding their expectations and providing the highest quality standards possible.

Progress in 2019:

The Group received an upgraded rating of 'AA' in the MSCI ESG ratings assessment.

Key Performance Indicators

100%

Regulatory inspections at Ashfield & Sharp which were successful

Read more on **page 18-21**
Key risk information, read more on **pages 46-51**

Improve productivity

Strategic linkage 1. 3.

Our KPIs support the execution of our strategy and are important drivers of improved business performance over the short, medium and long term. We have a strong track record of efficient capital allocation and deploy capital in areas where we identify the greatest strategic benefit and shareholder returns.

Progress in 2019:

Net margin improved to 14.2%. Adjusted diluted EPS increased 5% from 45.94c to 48.44c.

Key Performance Indicators

5%

Adjusted EPS Growth

Read more on **pages 18-21**
Key risk information, read more on **page 46-51**

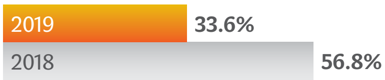
Key Performance Indicators

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 KPIs

Total Shareholder Return (TSR)

33.6%



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 1. 2. 3.

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 33.6% in 2019 compared to 56.8% in 2018.

Link to remuneration

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

Adjusted Earnings Per Share ('EPS') Growth

5%

Definition

Growth in adjusted diluted EPS achieved in the year.

Strategic linkage 1. 2. 3.

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

Performance

The 5% increase in EPS was primarily driven by the strong operating results from the Ashfield and Sharp divisions, as well as the acquisitions during the year. Foreign exchange translation decreased EPS growth by 2% from 7% constant currency growth to 5% 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 to key management personnel.

Key to strategic linkage in this report

1. Developing and growing market leading positions
2. Transforming through people
3. Continuous improvement

Financial KPIs (continued)

Adjusted Net Operating Margin

14.2%

Definition

Measures adjusted operating profit as a percentage of net revenue.

Strategic linkage 1. 3.

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 2018. This is a result of the positive margin effect of acquisitions, the full year impact of acquisitions and disposals made in 2018 and higher revenue growth in the higher margin businesses.

Link to remuneration

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

Net Revenue

$1,114.2m

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 3.

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.

Performance

The Group's net revenue decreased 1% due to the disposal of Aquilant in 2018 offset by organic growth and acquisitions made in 2019.

Link to remuneration

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

Operating Cash Flow

$129.3m

Definition

Operating cash flow is net cash inflow from operating activities per the Group Cash Flow Statement on page 114.

Strategic linkage 1.

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 $129.3 million. This has increased from 2018, driven by a decrease 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 to key management personnel. Operating cash flow is also an annual bonus performance metric.

Financial KPIs (continued)

Return on Capital Employed ('ROCE')

13.4%

Definition

ROCE is profit before interest and tax expressed as a percentage of the Group's net assets employed. See page 184.

Strategic linkage 1.

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 13.4% (13.1% on an IFRS 15 basis) compared to 12.7% in 2018.

Link to remuneration

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

Non-Financial KPIs

Quality and Compliance

100.0%

The percentage of regulatory inspections conducted on Ashfield & Sharp businesses which were successful.

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 1. 2. 3.

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 Healthcare by regulators in 2019.

Performance

All regulatory inspections conducted on Ashfield & Sharp businesses resulted in successful outcomes. There were no regulatory breaches during this period.

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.

Key to strategic linkage in this report

1. Developing and growing market leading positions
2. Transforming through people
3. Continuous improvement

Non-Financial KPIs (continued)

Environmental, Health and Safety ('EHS')

87.5%

EHS audit programme completion rate.

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 1. 2. 3.

Compliance with regulation and application of industry standards are essential in the delivery of our strategy. Since the introduction of our EHS audit programme in 2014, 87.5% of UDG Healthcare businesses have been audited.

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. Our audit results demonstrate our compliance with EHS regulatory requirements and industry best practice, supporting business development and retention.

Living Our Values

98.0%

Percentage of leaders who completed our values based leadership programme.

Definition

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

Strategic linkage 1. 3.

Living our values is fundamental to the success of our business. Our values define our culture and guide our interactions with our clients. We use our *Inspire* leadership programme as a core platform for educating our leaders and our managers on how the values should guide their own behaviour both internally with our people and externally with all stakeholders.

Performance

Our *Inspire* programme contributes positively to our organisation, by reinforcing our culture and creating an environment where internal networking contributes to collaboration and sharing of expertise. 98% of leaders completed our values based leadership programme in the year under review.

Link to remuneration

The *Inspire* leadership programme is a mandatory programme for all leaders and it ensures we have coherence across all businesses in understanding our values.

People

We continue to retain and attract talented, experienced and motivated individuals who want to be part of our progressive and entrepreneurial organisation.

Eric leads innovative and strategic client work in the Life Sciences sector, working with one of Vynamic's biggest clients. He has also collaborated with Ashfield Commercial & Clinical on successful joint business development efforts.

"I joined Vynamic because I was attracted to working with smart, energetic and collaborative people who represent the diversity and breadth of skills that exist across the healthcare industry. Our culture is unique and built on commitment. From our CEO to our newest hires, our values are paramount and drive decision making on a daily basis. My role affords me the opportunity to collaborate with different parts of Ashfield and deliver innovative solutions for new and existing clients. UDG Healthcare delivers services and solutions which improve patients' lives. Equally UDG Healthcare encourages its employees to achieve the best in their lives and succeed in their careers."

EDWood

Eric Wood
Executive,
Vynamic

Link to strategy

1. 2. 3.

Partners

We believe that real partnership is about co-ownership, a sense of shared responsibility and therefore, shared success.

It is during times of change and uncertainty that the quality of client partnerships come sharply into focus. Global Programme Director Roxanne Krail is at the forefront of managing customer experience for Sharp Clinical and has overseen the successful delivery of client projects for the last fifteen years.

“2019 brought unprecedented change for us in Sharp Clinical as we relocated all of our clinical operations into new facilities in both the U.S. and the U.K. As we are trusted custodians of our clients’ clinical trials, offering visibility and assurance to them throughout this complex transition period was a significant focus for our global teams. Trust and partnership underpin all of our successful client relationships, as well as our internal partnerships within Sharp. That is what allows us to succeed.”

Roxanne Krail
Global Programme Director,
Sharp Clinical Services

Link to strategy

1. 2. 3.

Purpose

Our employees live our purpose every day, delivering innovative healthcare solutions to our clients that improve patients' lives.

As the pharmaceutical industry evolved, Ashfield Healthcare Communications identified the vital role that patients play in the development of healthcare solutions. Jo Fearnhead-Wymbs is Vice President of Patient Engagement.

"Looking across the whole drug development lifecycle, we advise on when and where patient input and perspective could add value and influence the decisions our clients make, in order to deliver solutions and outcomes that matter to patients, whether in a clinical trial, starting a new treatment, or simply discussing their concerns with their doctor. This requires a strategic approach to innovation that's collaborative, entrepreneurial, agile and continuous. Working in partnership with patient stakeholders and our clients, our aim is to have a positive impact on the lives and experiences of people living with health conditions, and ultimately to improve their health outcomes. For me, this is why I come to work."

Jo Fearnhead-Wymbs
Vice President Patient Engagement,
Ashfield Healthcare Communications

Link to strategy

1. 2. 3.

Progress

Through the acquisition of SmartAnalyst in 2018, we have strengthened our Advisory pillar, expanded into a new geography and grown our service offering.

SmartAnalyst set up its first operation in India providing outsourced research across verticals in 2002. With a background in audit, finance, accounts and management consulting, Ritu joined SmartAnalyst in 2004 as Country Manager India and V.P Research. Today Ritu leads a team of over 110 talented employees based in our office in Gurgaon, India.

"We have a global approach to growing our business and our Indian operation is an integral part of delivering our long-term strategy. Our established centre of excellence in life sciences research and analytics based in Gurgaon is responsible for frameworks, research, collaboration platforms and foundational data. By establishing our business model in this way we have access to a high quality talent pool that delivers effective research and analytical support to overseas consulting teams in an efficient and effective way."

Ritu Kishwar
Country Manager, India,
SmartAnalyst

Link to strategy

1. 2. 3.

"The Group delivered good financial growth with adjusted earnings per share increasing by 7% on a constant currency basis. We were particularly pleased with the continued expansion of the Group's operating margins and the improved cash flow conversion."

Nigel Clerkin

48.44c

Adjusted diluted earning per share

+5% (2018: 45.94c)

16.80c

Dividend per share ($)

+5% (2018: 16.00c)

Revenue
Revenue of $1,298.5 million for the year is 1% behind 2018 (1% ahead on a constant currency basis).

Under IAS 18, revenue is in line with 2018 (2% ahead on a constant currency basis) with a 3% increase in Ashfield revenue and a 16% increase in Sharp revenue. Group underlying net revenue increased by 9%, excluding the impact of foreign exchange, acquisitions, disposals and IFRS 15 adjustments.

Adjusted operating profit
Adjusted operating profit of $154.8 million is 5% ahead of 2018 (7% on a constant current basis).

Under IAS 18, adjusted operating profit has increased by 7% (9% on a constant currency basis).

Adjusted net operating margin
The adjusted net operating margin for the businesses for the year is 14.0%.

Under IAS 18, this is 14.2%, an increase on the 13.1% margin reported in 2018.

Adjusted profit before tax
Net interest costs, pre-exceptional items, for the year of $8.1 million are 6% lower than 2018, due to interest income on U.S. cash deposits. This delivered an adjusted profit before tax of $146.7 million.

Under IAS 18, the adjusted profit before tax is $150.3 million, which is 8% ahead of 2018 (10% on a constant currency basis).

Taxation
The effective taxation rate has increased from 17.1% in 2018 to 19.1% in 2019 (19.2% on an IAS 18 basis), due to an increase in the proportion of profit earned in the U.S.

Adjusted diluted earnings per share
Adjusted earnings per share ('EPS') is 3% ahead (4% on a constant currency basis) of 2018 at 47.31 $ cent.

Under IAS 18, adjusted diluted earnings per share ('EPS') is 5% ahead (7% on a constant currency basis) of 2018 at 48.44 $ cent.

Exceptional items
The Group incurred an exceptional charge of $37.9 million before tax for the year.

In 2018, the Group received notification of a potential claim from McKesson arising from its purchase of United Drug from the Group in 2016. The potential claim was settled in April 2019 (without admission by any party) at a cost of $14.3 million. The Group also incurred trademark litigation costs during the year amounting to $0.7 million.

A charge of $12.5 million was incurred in relation to restructuring of the Group's internal operating structures, principally in respect of Ashfield Commercial & Clinical's European operations. The charge primarily relates to redundancy.

Following a review of the operations in Sharp Europe, it was decided to rationalise the operations and close the Sharp plant at Oudehaske, Netherlands. The Group has incurred a charge of $10.5 million including redundancy, asset impairment, plant decommissioning and contract termination costs.

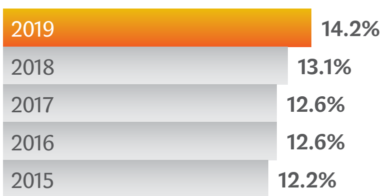
Impairment of assets relating to intangible software and property, plant and equipment resulted in a cost of $4.1 million in the year.

Deferred contingent consideration of $4.1 million in respect of Drug Safety Alliance ($2.8 million), MicroMass Communications ($0.8 million) and Sellxpert ($0.5 million) was released in the year following review of expected performance against earn-out targets.

A tax credit of $4.2 million was incurred in relation to these exceptional items.

Adjusted net operating margin

14.2%



Adjusted profit before tax ($'m)

Group PBT +8%

(+10% constant currency)

Overview of Results

The Group delivered an adjusted profit before tax of $150.3 million in 2019, an 8% increase on 2018 (10% on a constant currency basis).

IFRS based	30 September 2019 $'m	30 September 2018 $'m	Increase/(decrease) %
Revenue	**1,298.5**	1,315.2	(1)
Operating profit	**78.3**	5.5	n/m
Profit before tax	**74.3**	8.4	n/m
Diluted earnings per share ('EPS') (cent)	**22.92**	1.52	n/m
Dividend per share (cent)	**16.80**	16.00	5

Alternative performance measures	30 September 2019 IFRS 15 $'m	30 September 2019 IAS 18 $'m	30 September 2018 IAS 18 $'m	Increase/(decrease) IAS 18 %	Constant currency increase/ (decrease) IAS 18 %
Revenue	**1,298.5**	**1,309.5**	1,315.2	–	2
Net Revenue	**1,102.9**	**1,114.2**	1,129.7	(1)	1
Adjusted operating profit	**154.8**	**158.4**	147.5	7	9
Adjusted profit before tax	**146.7**	**150.3**	138.8	8	10
Adjusted diluted earnings per share ('EPS') (cent)	**47.31**	**48.44**	45.94	5	7

Alternative performance measures ('APMs') are 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. APMs are presented to provide readers with additional financial information that is regularly reviewed by management. See "Additional Information" on page 182 for more information and reconciliations to the closest respective equivalent GAAP measures.

Following the adoption of IFRS 15 "Revenue from Contracts with Customers" on 1 October 2018, the Group's statutory results for the year ended 30 September 2019 are presented on an IFRS 15 basis, whereas the Group's statutory results for the comparative year ended 30 September 2018 are presented on an IAS 18 basis as previously reported. Comparisons between the two bases of reporting are not considered meaningful. Consequently, the review of the performance of the Group and review of operations is primarily on an IAS 18 basis for all years presented. Note 34 to the consolidated financial statements outlines the transition impact for the Group and discloses the financial statement line items impacted for the year ended 30 September 2019.

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 U.S. dollar for Group reporting purposes. The re-translation of overseas profits to U.S. dollar has decreased IAS 18 constant currency EPS growth of 7% to a reported EPS growth rate of 5%, which is primarily due to the strengthening of the U.S. dollar against sterling and euro in the year versus 2018.

The average 2019 exchange rates were $1: £0.7839 and $1: €0.8865 (2018: $1:£0.7436 and $1:€0.8403).

Cash flow

Net cash inflow from operating activities

The net cash inflow from operating activities was $129.3 million (2018: $102.5 million).

Working capital decreased by $6.5 million (2018: $50.4 million increase). The decrease in working capital is principally due to the reversal of the temporary cash flow delays and timing of supplier payments arising from the implementation of Oracle under the Future Fit programme in 2018 and improved cash management. Other cash outflows of $31.8 million relate to transaction costs paid of $2.5 million and exceptional items outflow of $29.3 million primarily in respect of the McKesson legal settlement and restructuring costs (2018 cash flows of $1.1 million relate to transaction costs paid of $5.3 million and exceptional items inflow of $4.2 million).

Net cash outflow from investing activities

Net cash outflow from investing activities is $130.7 million, compared to $76.3 million in 2018. This increase is principally due to deferred consideration outflows on acquisitions of $25.1 million, higher acquisition outflows during the year of $69.1 million and lower capital expenditure in the current year. During the year, $27 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 U.S. and U.K., and its commercial packaging facility in the Netherlands. Computer software outflows of $12.5 million included investments in Future Fit.

Net cash outflow from financing activities

Net cash outflow from financing activities increased by $6.0 million to $39.1 million in the year, principally due to payment of a higher dividend as compared to prior year.

Balance sheet
Net debt at the end of the year was $80.5 million ($135.2 million cash and $215.7 million debt). The net debt to annualised EBITDA ratio is 0.4 times debt (2018: 0.3 times debt) and net interest is covered 28.1 times (2018: 22.0 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.

Return on capital employed ('ROCE')
The Group's ROCE is 13.1%, up from 12.7% in 2018. Under IAS 18, the Group's ROCE in 2019 is 13.4%. Details on how this was calculated are on page 184.

Dividends
The directors are proposing a final dividend of 12.34 $ cent per share representing an increase of 5% on the 2018 final dividend of 11.75 $ cent per share. This represents 5% growth in the total dividend for the year to 16.80 $ cent per share. This continues the Group's 30 year history of consistently increasing dividends.

Subject to shareholder approval at the Company's Annual General Meeting, the proposed final dividend of 12.34 $ cent per share will be paid on 5 February 2020 to ordinary shareholders on the Company's register at 5.00 p.m. on 10 January 2020.

Investor relations
UDG Healthcare's executive management team spend a significant amount of time meeting with shareholders and the international financial community. We have a dedicated investor relations function, 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 both results and non-results roadshows with senior management and investor relations, and attendance at conferences and investor events. During 2019, the UDG Healthcare senior management team conducted over 250 institutional investor one-on-one and group meetings, and participated at nine investor conferences, including five in the U.S.

The number of independent equity analysts covering the Group remained at 13 during the year – this is well ahead of average number of covering analysts for a FTSE250 company of nine, and reflects the continued 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.

Cash flow
The following table displays cash flow information for the years ended 30 September 2019 and 2018:

	2019 $'000	2018 $'000
Net cash inflow from operating activities	**129,252**	102,516
Net cash outflow from investing activities	**(130,653)**	(76,323)
Net cash outflow from financing activities	**(39,085)**	(33,063)
Net change in cash and cash equivalents	**(40,486)**	(6,870)
Effect of exchange rate changes on cash and cash equivalents	**(4,385)**	(500)
Cash and cash equivalents at beginning of year	**180,099**	187,469
Cash and cash equivalents end of year	**135,228**	180,099

Net cash inflow from operating activities
The net cash inflow from operating activities was $129.3 million (2018: $102.5 million).

	2019 $'000	2018 $'000
Adjusted EBITDA	**189,776**	181,790
Interest paid	**(9,910)**	(9,682)
Income taxes paid	**(25,329)**	(18,107)
Working capital decrease/(increase)	**6,516**	(50,350)
Other cash outflows	**(31,801)**	(1,135)
Net cash inflow from operating activities	**129,252**	102,516

Ashfield

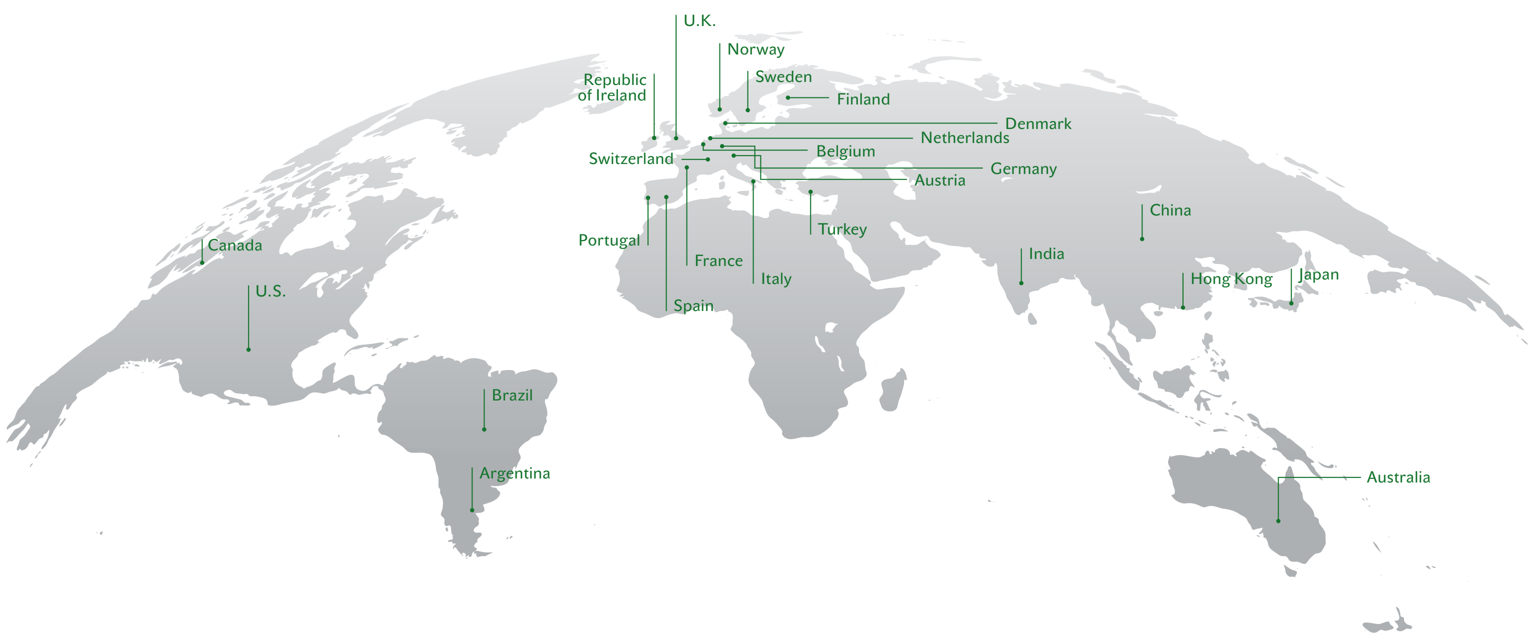
Continuing to strengthen and diversify our service offering through organic growth and targeted acquisitions.

During 2019, we continued to evolve the Ashfield business through organic growth and the acquisition of two businesses. Our strategy of expanding our communications and advisory capabilities in higher growth and margin businesses continues to be successful.

Our people remain at the core of our business and we continue to focus on providing sustainable careers, development opportunities and a culture that is built on our purpose.

$414.7m
Ashfield Commercial & Clinical Net Revenue

$339.2m
Ashfield Communications & Advisory Net Revenue



About Ashfield

Ashfield is a global leader in healthcare advisory, communications, commercial and clinical services. We continuously deliver innovative, high quality services for our clients that improve patients' lives, offering a broad range of services across the product life cycle. From strategic consulting and advisory services to patient solutions and healthcare communications, we partner with our clients to deliver best-in-class tailored healthcare solutions. We also provide field and contact centre sales teams, medical information, pharmacovigilance (drug safety) and event management to the global healthcare industry.

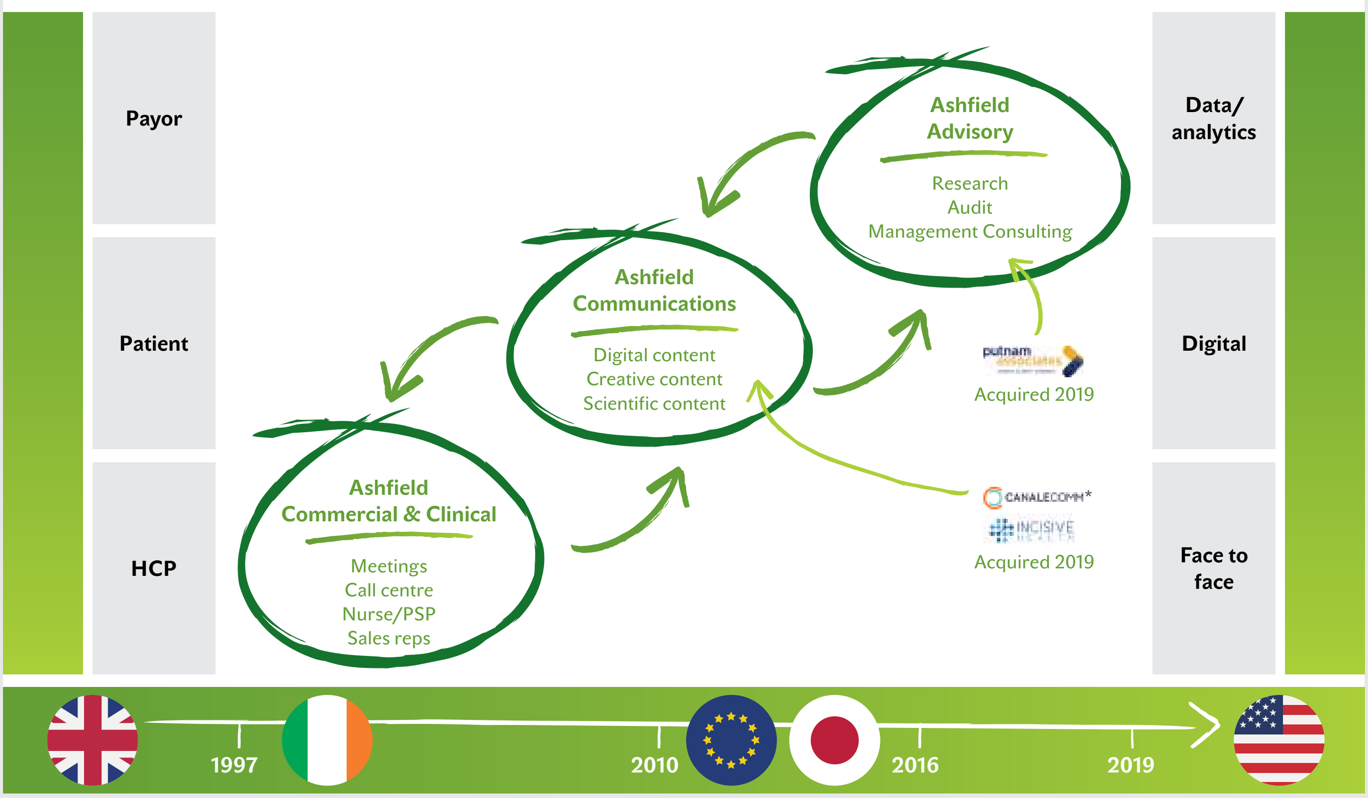
Ashfield's evolution

Ashfield is the larger of UDG Healthcare's two divisions with over 6,900 employees across 25 countries. Over the past decade we have evolved from a tactical provider of field-based sales representatives to a business where the vast majority of our offering is strategically focused on delivering a full suite of end-to-end advisory, communications, commercial and clinical services to the global healthcare industry. This evolution has been driven by a combination of good underlying growth, investments in systems and infrastructure, and the completion of 21 acquisitions during this period.

We operate in three broad areas of activity: Advisory, Communications and Commercial & Clinical services.

> **"Since 2016, UDG Healthcare has acquired nine businesses that have joined the Ashfield division including the four organisations that now make up the Ashfield Advisory business."**
>
> **Brendan McAtamney**

Development of Ashfield



* Completed in November 2019

Ashfield

	IFRS 15 2019 $'m	IAS 18 2019 $'m	IAS 18 2018 $'m	IAS 18 Actual Growth	IAS 18 Underlying Growth[2]
Revenue					
Communications & Advisory	**383.3**	**383.3**	323.9	18%	8%
Commercial & Clinical	**566.9**	**565.9**	597.5	(5%)	(2%)
Total	**950.2**	**949.2**	921.4	3%	1%
Net revenue[1]					
Communications & Advisory	**339.2**	**339.2**	287.7	18%	6%
Commercial & Clinical	**415.4**	**414.7**	448.2	(7%)	(5%)
Total	**754.6**	**753.9**	735.9	2%	–
Adjusted operating profit[3]					
Communications & Advisory	**75.2**	**75.2**	62.1	21%	10%
Commercial & Clinical	**34.8**	**33.2**	36.3	(9%)	(7%)
Total	**110.0**	**108.4**	98.4	10%	4%
Adjusted operating margin[3]					
Operating margin (on revenue)	**11.6%**	**11.4%**	10.7%		
Net operating margin (on net revenue)	**14.6%**	**14.4%**	13.4%		

1 Net revenue represents reported revenue adjusted for revenue associated with pass-through costs, for which the Group does not earn a margin. There are no pass-through revenues in Sharp.
2 Underlying growth adjusts for the impact of currency translation movements and any acquisition or disposal activity.
3 Adjusted operating profit is operating profit before amortisation of acquired intangible assets, transaction costs and exceptional items.

Ashfield Performance

Ashfield delivered a good performance during the year, driven by the benefit of acquisitions and good underlying growth, particularly in Ashfield Communications & Advisory. Ashfield generated net revenue of $753.9 million and adjusted operating profit of $108.4 million, 2% and 10% respectively ahead of the prior year. Adjusting for the impact of currency translation movements and the contribution from acquisitions, underlying net revenue growth was flat and underlying operating profit was up 4%. Ashfield's net operating margin increased from 13.4% to 14.4%

Ashfield Communications & Advisory

Ashfield Communications & Advisory, which now accounts for close to 70% of Ashfield's operating profits, performed strongly during the year. Net revenue increased by 18% and operating profit increased by 21%, including the benefit of acquisitions. Underlying net revenue growth increased by 6% and underlying operating profit increased by 10%, with operating margins also increasing.

Ashfield Advisory

Ashfield Advisory is a group of specialist healthcare consultancy and advisory businesses comprising of STEM Healthcare, Vynamic, SmartAnalyst and our most recent acquisition Putnam Associates. Our services include healthcare brand advisory, strategic consulting, product commercialisation strategy, analytics and commercial audit services.

We remain focused on growing our existing specialist healthcare consultancies whilst also acquiring complementary businesses that enhance our service offering. In the year under review, Ashfield continued to make significant progress in strengthening its Advisory pillar. Ashfield Advisory's evolution and strong growth story demonstrates the success of our strategy of acquiring new complementary services and supporting these newly acquired businesses to meet our long-term growth goals.

In 2019, we continued to invest in our STEM aXcellerate expansion programme to grow our core pharmaceutical customer base and into other adjacent healthcare markets. The STEM aXcellerate investment programme progressed in line with expectations, with a total investment of approximately $3 million during the year.

We have also already launched complementary commercial and medical projects working with our clients to accelerate performance by quantifying and benchmarking the alignment and execution of coaching provided by First Line Managers.

In September we celebrated the first anniversary of the opening of Vynamic's London office. The growing team now has six consultants working with three global clients across both the life sciences and healthcare technology sectors. We are also continuing to focus on growing our presence in Boston as well as reviewing our geographic reach and collaboration opportunities with our sister companies to grow our client base.

SmartAnalyst in Gurgaon, India has also seen a growth in the number of employees resulting in a need for bigger offices. We continue to focus on expanding the number of services offered to current clients while attracting new clients.

Acquisitions

In May 2019, we completed the acquisition of Putnam, a U.S.-based strategic management healthcare consultancy for a total consideration of up to $87.7 million. See our case study on the opposite page for further detail on this acquisition.

Case Study

Acquisitions add complementary services and new talent

Putnam

In May 2019, we acquired Putnam a U.S.-based strategic management healthcare consultancy. Based in the U.S., Putnam is a specialist consultancy focused on product commercialisation strategy, exclusively for the life sciences industry. Putnam has grown to become a respected advisory brand for biopharmaceutical companies. With over 120 employees across offices in Boston and San Francisco, Putnam offers consultancy services across the product life cycle with particular strengths in product commercialisation, pricing, reimbursement and market access strategy.

Incisive Health

Incisive Health is a U.K.-based healthcare communications consultancy, which specialises in healthcare policy, public affairs and communication services. Across its head office in London and an office in Brussels, the consultancy employs 36 people and provides a suite of consultancy and communications services including clinical advocacy, corporate and digital communications, direct payer engagement, public affairs, stakeholder campaigning, strategic and policy development and training programs. Incisive Health has a diversified client base of predominantly pharmaceutical and biotech companies. Both businesses are aligned with our strategy to expand into higher growth and higher margin areas, complementing to our existing service offering.

The acquisitions of Putnam and Incisive Health significantly strengthen the Ashfield Advisory and Communications business, adding significant expertise and capability.

Case Study

Partnering to create a flexible, customised and differentiated solution

Ashfield Commercial & Clinical, Vynamic and Micromass have successfully partnered with a leading pharmaceutical client to deliver an integrated full contact centre solution across medical information, business services, a commercial affordability programme and a patient support solution across three brands.

The new innovative solution focuses on efficiencies, innovation, flexibility and leveraging the client's internal infrastructure and technology. The tailored solution specifically focused on the client's future needs, which leads to aggregating existing individual operations thereby reducing costs, harmonising operation ties and ultimately improving service levels and performance metrics.

Case Study

Joining forces to create a global alliance

Ashfield Healthcare Communications has created a global alliance with two leading healthcare communications networks. Argon Global Healthcare Network is one of the largest international networks of independent healthcare agencies and MIMs is Asia's largest multi-channel provider of drug information, medical communications, events management and marketing services.

Collectively this partnership provides our clients with unprecedented access to a full breadth of communications services, tailored with a deep understanding of cultural and business nuances for their regional and local brand needs. With our new alliance we can help established companies and scale-ups efficiently create meaningful narratives and gain strategic traction for their businesses on a global scale, while assuring quality and compliance at a local level.

A collaboration opportunity was identified for Vynamic, Micromass and Ashfield Commercial & Clinical to work with a large pharmaceutical client to provide unique and innovative solutions.

Ashfield Communications

Ashfield Communications is a global network that works with clients at the intersection of science, data and creativity to commercialise molecules, markets and brands. Our healthcare communications experts support the expanding role of medical affairs, brand commercialisation and activation from the rarest diseases to high-profile brands and large disease franchises. We leverage data to bring positive and measurable impact across our clients' businesses by generating insights, targeting patient populations, educating healthcare professionals and measuring the impact of our work.

Acquisitions

In May 2019, UDG Healthcare acquired Incisive Health, a U.K.-based healthcare communications consultancy, which specialises in healthcare policy, public affairs and communication services for a total consideration of up to £13.2 million ($16.9 million). See our case study on page 37 for further details.

Post the year end, in November 2019 the Group completed the acquisition of Canale Communications,a San Diego based scientific strategic communications agency, providing a range of public relations, investor relations and communications services to life science companies. Canale Communications was acquired for a total consideration of up to $31 million.

Ashfield Commercial & Clinical

Ashfield Commercial & Clinical performed in line with expectations with revenues and operating profits both declining compared to the prior year. While the U.S. business performed well, this was offset by softer demand for Ashfield's services in Europe. The restructuring of the European business completed in FY2019 led to an adjustment in its cost base and enables it to evolve its service mix to better align to client demand, and diversify its offering.

Ashfield Commercial & Clinical is a global provider of commercial, clinical, medical affairs and meetings and events solutions to the healthcare industry. We provide multi-channel (field-based and contact centre) sales and clinical educator solutions, in-depth knowledge and unsurpassed expertise in all aspects of medical affairs and deliver healthcare meetings and events throughout the product lifecycle.

During the year, the business successfully collaborated with Vynamic and Micromass to secure a new contract with a key pharmaceutical client to provide a blended service of commercial, clinical and call centre support services. While Vynamic acted as strategic project manager to the client, Micromass provided licenced contact centre communicator training based on their core capability of behavioural science training services.

Our business mix continues to evolve by diversifying and broadening our service portfolio we are able to provide a unique and tailored approach to our clients and at the same time reduce the risk and reliance on one side of the business.

We continue to invest in new service development by enhancing our multi-channel contact centre capabilities, our patient support programmes based on Saleforce's Health Cloud CRM platform and leverage our data and analytics.

Ashfield Meetings & Events' strong reputation for high quality, innovative events also resulted in a good performance for this side of the business.

Management changes at Ashfield

During the year there have been a number of management changes within the Ashfield division:

- As part of the division's succession planning, in September 2019, Greg Flynn was appointed President of Ashfield Commercial & Clinical replacing Julian Tompkins, who retired after almost 20 years with the business. During Greg's 15 years with Ashfield, he established and operated our joint venture in Japan with CMIC, he was President of Ashfield Commercial & Clinical's U.S. business, and most recently was COO of Ashfield Commercial & Clinical.
- Doug Burcin retired as President of Ashfield Communications in June 2019 on health grounds. A search is at an advanced stage for his successor. In the interim the business is being led by Nigel Clerkin, Group CFO.
- Colin Stanley was appointed President of Ashfield Advisory in October 2019. Colin replaces Rob Wood who retired after successfully completing his earn-out having joined the Group as part of the acquisition of STEM in October 2016. Colin joins from ICON plc, where he has held a number of global senior operational and management roles, most recently as President of ICON's Functional Services Group.

Outlook

Ashfield is well positioned to continue to deliver good underlying operating profit growth over the medium term, as the business continues to diversify its service offering and expand its global market positions. While Commercial & Clinical faced some particular challenges in Europe, we are confident our restructuring progress in 2019 and diversification of the service portfolio will strengthen the business for future growth.

Over the next five years we will continue to drive organic growth and make strategic acquisitions to enhance and diversify the service offering, add complementary capabilities and expand the geographical reach to meet the evolving needs of our clients.

Sharp

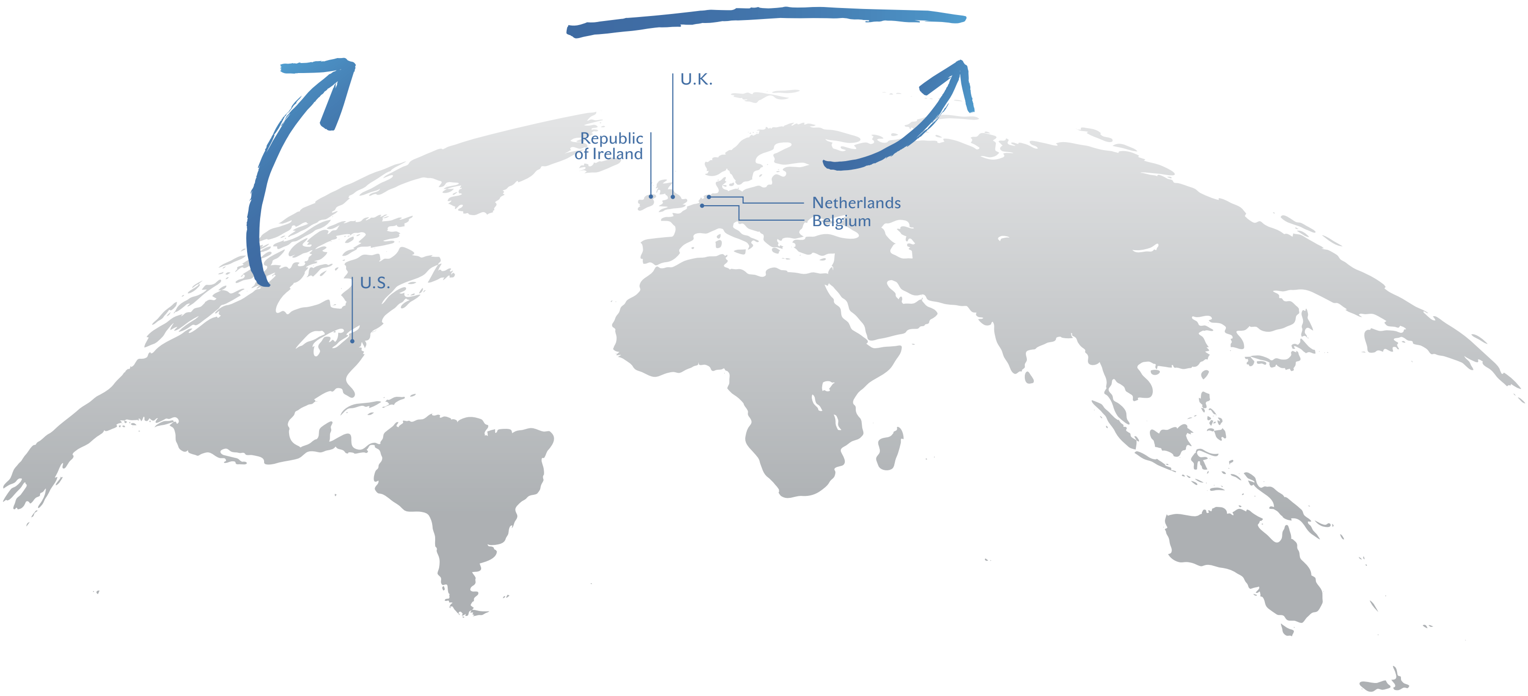
Although not without its challenges, 2019 was another successful year of solid organic growth.

Unprecedented customer demand and production capacity challenges both had an impact on the Sharp division during 2019. Yet despite those challenges, the division achieved a record volume of production in Sharp Packaging and a transformational increase in operational scale for Sharp Clinical.

In addition, both Sharp businesses added further capacity in 2019 with Sharp Clinical now offering clients a clinical depot service from our existing facility in Heerenveen, The Netherlands.

$311.7m
U.S. revenue

$48.6m
E.U. revenue



About Sharp

Sharp provides clinical trial management and contract packaging solutions to the pharmaceutical and life science industries. With over 1,600 employees in eight different locations, we offer a broad portfolio of contract services in clinical trial management, commercial packaging, design and technology for our global pharma clients, from Phase 1 drug discovery through to full commercial launch and delivery.

Our commercial packaging business supports the packaging, labelling and assembly of the full range of formats, including blisters, bottles, specialty and biotech formats such as vials, pre-filled syringes, auto-injectors and pens.

Our project management expertise extends to packaging design and engineering, pre-production, implementation and serialisation services that ensure success from design origination to commercial delivery.

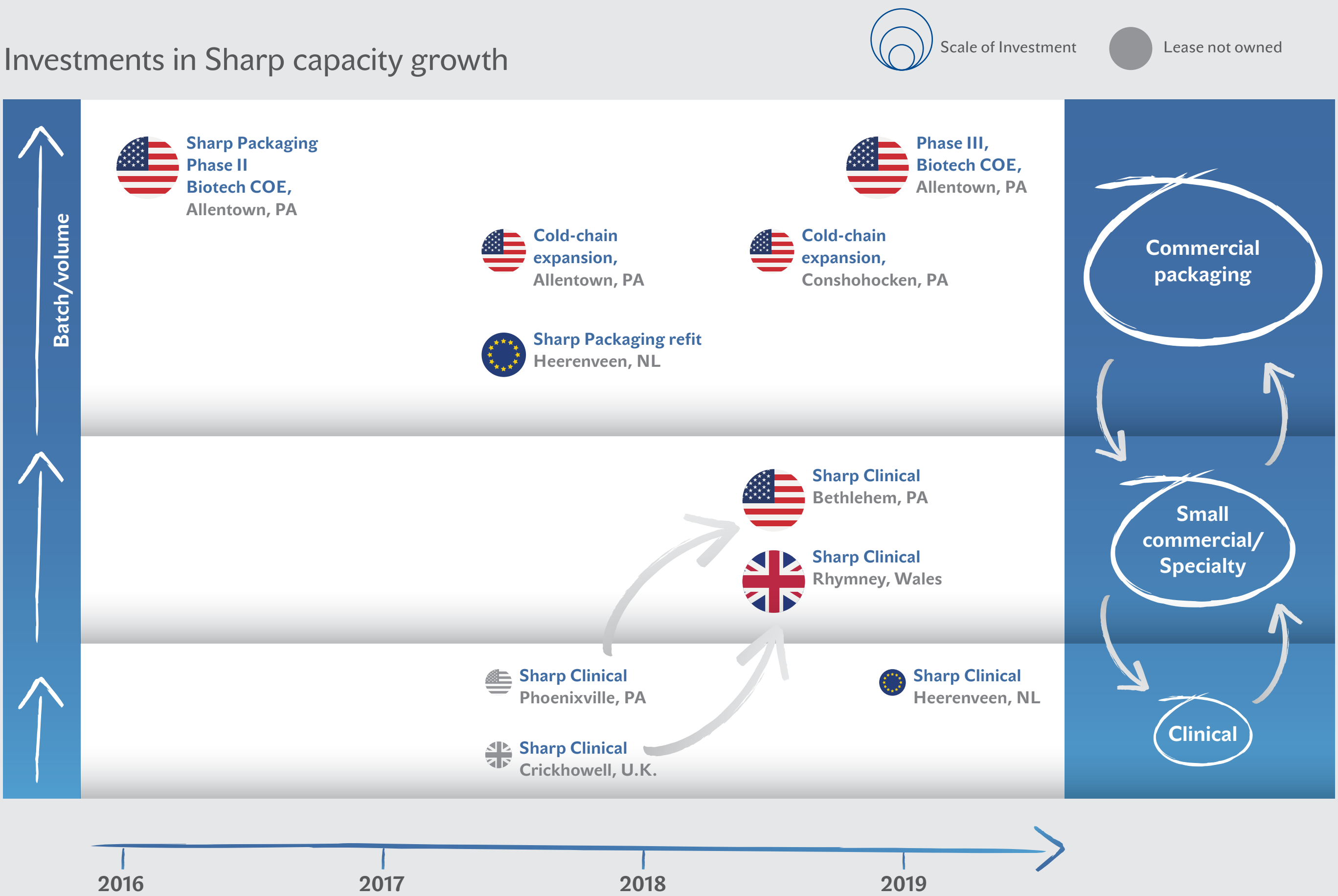
Working in partnership with our clients and using the very latest technology, we develop packaging solutions that deliver optimal compliance, usability and ensure production efficiencies.

Our Clinical Service business offers a full range of clinical trial supply and management solutions, from formulation development and analysis and manufacturing through to clinical supplies packaging, labelling, distribution and clinical IRT. These services are supported by an expert commercial services and project management team with many years of experience in the successful delivery of global clinical trials.

"Our U.S. packaging business achieved record volumes of production during 2019, driven by an unprecedented level of customer demand."

Kevin Orfan
President,
Sharp Packaging U.S.

Investments in Sharp capacity growth



Sharp

	IFRS 15 2019 $'m	IAS 18 2019 $'m	IAS 18 2018 $'m	IAS 18 Actual Growth	IAS 18 Underlying Growth[1]
Revenue					
U.S.	**300.4**	**311.7**	267.7	16%	16%
Europe	**47.9**	**48.6**	43.4	12%	19%
Total	**348.3**	**360.3**	311.1	16%	17%
Adjusted operating profit[2]					
U.S.	**46.0**	**51.7**	46.9	10%	10%
Europe	**(1.2)**	**(1.7)**	(1.1)	(59%)	(68%)
Total	**44.8**	**50.0**	45.8	9%	8%
Adjusted operating margin %[2]	**12.9%**	**13.9%**	14.7%		

1 Underlying growth adjusts for the impact of currency translation movements and any acquisition or disposal activity.
2 Adjusted operating profit is operating profit before amortisation of acquired intangible assets, transaction costs and exceptional items.

Sharp performance

Sharp delivered a good performance during the year generating revenue of $360.3 million and adjusted operating profit of $50.0 million, 16% and 9% ahead of the same period last year respectively.

Sharp U.S. performance

Sharp U.S.'s underlying revenue and operating profit was 16% and 10% respectively ahead of the same period last year. This strong growth was driven by increased demand for the packaging of serialised biotech and specialty products from both new and existing clients. As previously disclosed, the accelerated demand in the second half of the year for these services, coupled with the added complexity of these product offerings, resulted in the requirement for increased investment in people and capacity to efficiently meet this demand and capitalise on the opportunity.

"The latest expansion at our Biotech Centre of Excellence in Allentown, PA will offer an additional 21,000 square feet of capacity."

Hal Lewis
General Manager,
Biotech Centre of Excellence

Hal Lewis, General Manager, Biotech Center of Excellence, Sharp Packaging U.S. talking with Board members

Sharp Europe performance

The performance of Sharp Europe improved during the second half of the year and for the full year delivered strong underlying revenue growth and an operating loss of $1.7 million. During the year, the business took the decision to consolidate its packaging operations in Europe and close its Oudehaske packaging plant in the Netherlands resulting in a cash exceptional charge of $10.5 million pre-tax.

A process has begun to transfer customers at this site to Sharp's remaining three sites in Europe. The centralisation of Sharp's European operations to the existing plants will lead to greater operational and cost efficiencies for Sharp Europe. From FY2020, the Sharp U.S. and Sharp Europe financial results will be presented on a consolidated basis.

Sharp Packaging

Sharp U.S. experienced increased demand for its contract packaging services in 2019. This growth was largely attributable to demand for the packaging of biologic and other specialty injectable products but also to strong activity in traditional packaging formats through 2019.

An operational restructuring programme was undertaken early in 2019 that resulted in the establishment of two separate business units – Blister & Bottle and Injectable & Specialty. The intention was to improve overall customer experience and to allow us to better address the market opportunity presented in each of those segments.

Managing customer demand became a key focus in 2019 for the U.S. packaging business. Unprecedented volumes of production were achieved at our Allentown campus in the second half of the year as production backlogs were tackled and new clients were on-boarded. This record output was achieved due to an intense focus on improving operational and business efficiencies, as well as additional investment in capacity during 2019.

$21 million was invested between Allentown and Conshohocken on additional cold-chain capacity and new service capabilities, including cold-chain and sterilisation systems. In June, Sharp commenced the third phase of development of its Biotech Centre of Excellence at Penn drive. The construction project – which is client co-funded – will add an additional 21,000 square feet of packaging capacity.

Sharp Clinical U.S. Business Development team

Sharp also began evaluating further expansion opportunities in both Allentown and Conshohocken that will support additional organic growth in the U.S. in the coming years.

Several business-critical initiatives were also completed during 2019, including supply chain optimisation and the outsourcing of the print operations from Conshohocken.

The pace of production set during Q4 FY2019 is promising as we go into 2020 and the focus will remain on improving operational efficiencies and adding capacity to service on-going demand.

Sharp Clinical

2019 was a transformative year for Sharp Clinical, having completed the construction, qualification and relocation into two new facilities. In what was a significant logistical and operational achievement, all operational activities transitioned over to these new sites without disruption to Sharp Clinical's existing client production.

Also during 2019, Sharp established a partnership with Berkshire Sterile Manufacturing, a CMO offering sterile-fill capabilities. This service broadens and complements Sharp's existing offering to the clinical Biotech sector and together with vial labelling, pre-filled syringe assembly and

"With our U.S. and U.K. clinical facilities now complemented by a new E.U.-based hub, we have a really credible solution for larger scale, global clinical projects."

Frank Lis
President,
Sharp Clinical

cold-chain capabilities; it was the main driver of growth for Sharp Clinical in the U.S. this year.

Brexit was, without doubt, the most significant commercial challenge Sharp Clinical faced in 2019. In order to address that challenge, Sharp established a clinical distribution depot within the existing packaging facility at Heerenveen, The Netherlands. Awarded with both a Wholesale Distribution Authorisation ('WDA') and an Investigational Medicinal Product ('IMP') license, Sharp has established a Brexit-ready solution for its clients globally.

Finally, as part of our on-going commitment to technology and innovation, investments were made to enhance our clinical IRT platform. These upgrades offer the ability to forecast patient supplies and to manage drug returns more efficiently – both of which will greatly benefit our clients' studies in 2020.

Sharp Europe

During 2019 Sharp Europe made good progress on its strategy to develop new partnerships with pharma clients in biotech, a market characterised by high-value, low-volume drug products.

With a growing reputation as a specialist packager in this sector, our Belgian facility saw increased demand for its services, most notably for vial labelling, pen assembly and labelling as well as secondary kitting. Throughout the year, the team in Sharp Europe continued to deliver operationally, adhering to demanding client production schedules in the face of pressure on capacity availability, as well as a challenging labour market.

At our client-dedicated facility in Heerenveen the management team oversaw the completion of the site rebuild, equipment installation and validation and, as expected, the first commercial product was delivered at the site in November 2018. After an initial lag in demand by the client during the early part of 2019, output has increased and continues to do so, as this client partnership gets up and running.

During the last quarter of FY2019, as part of the on-going review of Sharp Europe's business, the decision was taken to close the commercial packaging facility in Oudehaske, The Netherlands. This was due to the level of investment that would have been required to bring the facility to the standard necessary to win the biotech clients that we target as part of our growth strategy in Europe. Production at the facility is expected to cease during the second half of 2020.

Overall, Sharp Europe had a stronger second half to the year that we will look to build on this as we move into 2020.

Investment in facilities

During 2019, Sharp continued to invest in new facilities and capacity across both its commercial and clinical facilities. Sharp Clinical completed the relocation of its businesses in the U.S. and U.K. to new facilities while in early 2020, Sharp U.S. Commercial will open additional capacity at its Allentown, Pennsylvania campus. Both investments provide additional capacity to support the continued growth of the business.

Outlook 2020 and beyond

Sharp has a strong pipeline of business which, supported by the benefit of investments made and additional resources added, leaves it well positioned to deliver underlying operating profit growth in line with the Group's medium-term expectations of double-digit growth in FY2020 and beyond.

Looking ahead to FY2020, the Sharp division is firmly set for further organic growth. The broad industry dynamics are positive and customer demand in key segments – particularly biotech and specialty – is expected to continue at a good level.

Focus will remain on developing capacity opportunities as well as winning new business that aligns with Sharp's existing capabilities and strategic goals to ensure long-term sustainable growth.

Sharp Clinical is now firmly focused on winning new larger-scale studies from global pharma clients in 2020 and beyond.

For Sharp Europe the drive will be to achieve operational efficiencies in order to contribute to overall profitability while growing market share in the biotech sector in Europe.

"Throughout 2019 the team in Sharp Europe delivered operationally, adhering to demanding production schedules in the face of pressure on capacity availability as well as a challenging labour market."

Robert O'Beirn,
Divisional Head, Corporate Development and Strategy

Case Study

The transformative impact of Quality

Quality operates at the very heart of an organisation like Sharp, ensuring that we meet industry standards in our processes and in the products we deliver to our clients. Its impact however, can go far beyond that. As a function, Quality offers Sharp a unique platform to improve and transform practices right across our organisation. By facilitating regular, reflective and transparent discussions between our many inter-dependant functions, the Quality team can identify and foster opportunities for truly impactful outcomes.

Sarah Lamendola, a Quality Systems Manager in Allentown PA, embodies this new way of thinking in Quality. "By looking holistically at Sharp we can act as an internal 'pulse-check' on the health of the entire organisation."

Case Study

Reducing our environmental impact at Sharp Rhymney

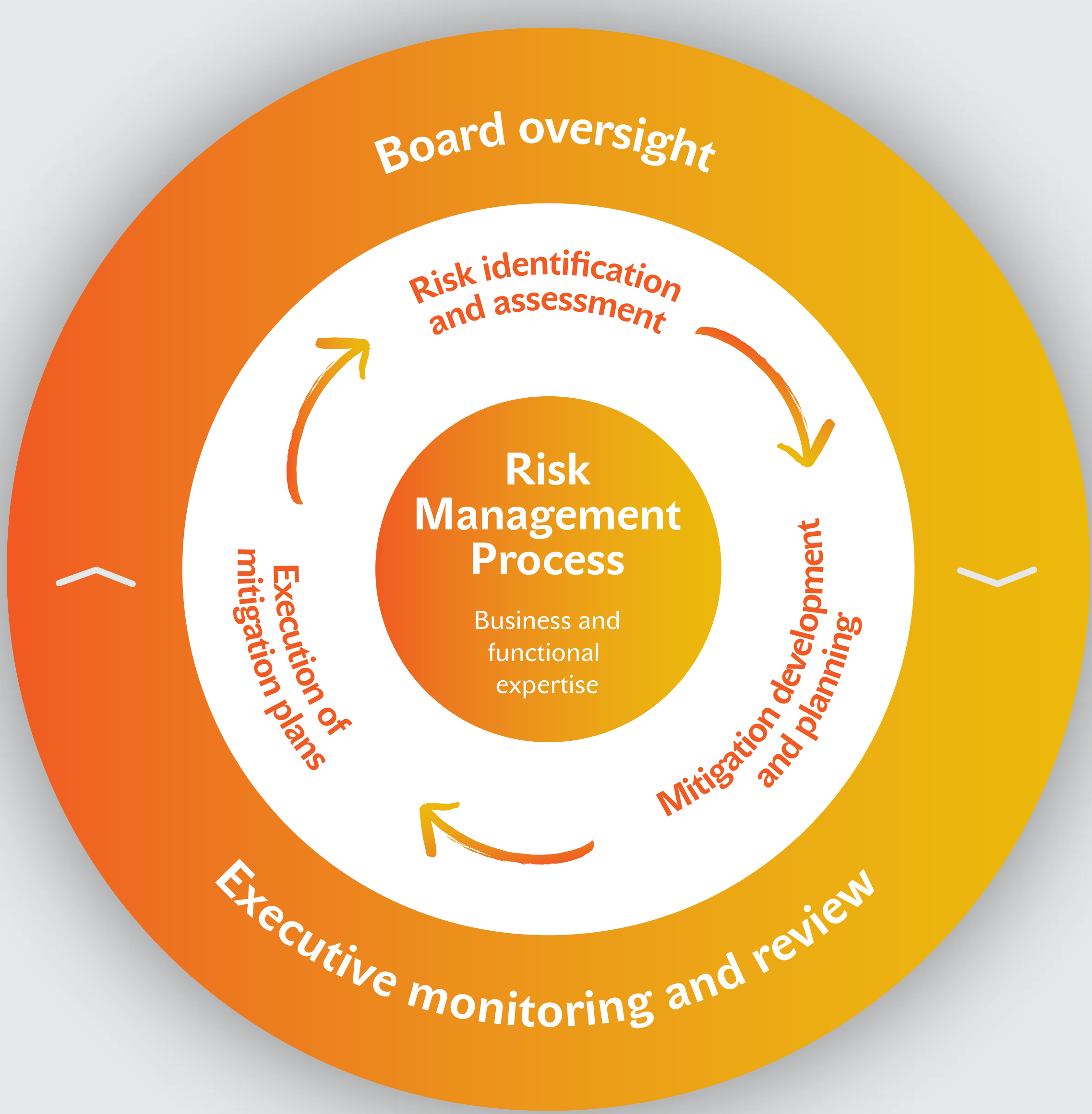
As the Sharp team planned the complete renovation of their newest facility in Rhymney, South Wales, they had a unique opportunity to ensure the environment was a central consideration of their design.

In April 2019, a 250kWp roof-mounted solar panel system, consisting of 888 individual panels, was successfully installed at the site. Using the latest solar panel technology, this system is expected to make over 1,700 tonnes of carbon savings over its 25-year lifespan, which will also save the company just under £1 million in energy costs.

As a result of this solar installation, as well as other environmental initiatives, the site was recently awarded a grade 'B' environmental performance certificate.

Our Risk Management

The strategy for the risk management process at UDG Healthcare is centrally co-ordinated and locally managed. The senior team and divisional heads in each division maintain their local registers and manage and lead the mitigation plans.



Risk Management Overview

In 2019, we have continued to roll out our Risk Management process across our recently acquired businesses.

Ashfield, for the purposes of risk management is considered as three separate divisions; Commercial & Patient Solutions, Healthcare Communications, and Advisory, Sharp is considered one single division. The key risks for each division are identified and mitigation plans put in place. These key risks are amalgamated to identify the key risks of the whole organisation, known as the Group Risks. The Group Risks are reviewed by both the Senior Executive Team ('SET') and the Risk Investment and Finance ('RIF') Committee. The connected and coordinated nature of this process reduces the risk of omitting potential threats to the business.

Acquisition activity continues to support the growth of the organisation and reduce risks to its future viability. An improved integration process and an improved technology infrastructure leads to a smoother capture of the advantages brought by these acquisitions.

The prevailing themes of cyber security and talent remain centre stage in the risk profile for UDG Healthcare plc in 2019. In addition, there is increasing uncertainty generated by Brexit and international trade disputes and sanctions. Some significant initiatives are underway to mitigate the exposure to cyber-attacks. Recognising that technical solutions are only one element of mitigation, considerable effort has gone into awareness for all employees and in particular those employees who are, by nature of their roles, high risk from a cyber-attack perspective. A combination of mandatory training, screen savers, newsletters and webinars have been deployed. A cyber security update detailing near misses, incidents, if any, and prevailing themes is presented twice per year to the RIF for their assessment of adequacy. The information security team is led jointly by the Heads of IT and Compliance to ensure that the focus is based on both technical solutions and behaviours.

Talent and talent retention remains a key focus with the emphasis during 2019 being on developing specific business development skills and processes throughout the organisation as growth through business development consistently represents a high risk to the Group.

Viability Statement

In accordance with the relevant provisions set out in the U.K. 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 these risks are addressed in the Principal Risks and Uncertainties section on pages 49 to 51.

Using the Group's Long Term Strategic Plan, (the '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 2022. 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 analyses 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. there is significant weakening of euro and sterling foreign exchange rates relative to the U.S. dollar;
2. the largest site by profit generation becomes inoperable for an extended period of time;
3. a large-scale acquisition significantly underperforms;
4. there is an imposition of price controls or price reductions in the U.S. 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 2022.

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 Financial Review on pages 30 to 33. 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.

Emerging risks

In addition to the Group's existing risk management framework, the Board (through the RIF), acknowledges the requirements of the Financial Reporting Council's 2018 U.K. Corporate Governance Code (the 'New Code') applicable to the Group from 1 October 2019.

This requires the Group to carry out a robust assessment of emerging risks as well as principal risks, to explain the procedures that are in place to identify emerging risks, in the 2020 Report and onwards, and finally to explain how these emerging risks will be managed or mitigated.

A Risk and Controls Sub-Committee has been established to address, among other matters, these requirements. The Risk and Controls Sub-Committee comprises executives from across the Group and will report to the RIF on such emerging risks on a biannual basis.

High Level Summary

The principal risks are categorised as Strategic, Operational and Financial and are developed from review of the Group Risk Register, the business performance and the prevailing global trends.

1. Developing and growing market leading positions

Key considerations

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.

Key risks

- Acquisitions including Integration
- Client management
- Growth strategy, including innovation

2. Transforming through people

Key considerations

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.

Key risks

- Talent management
- Regulatory compliance

3. Continuous improvement

Key considerations

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.

Key risks

- IT Systems and cyber security
- Contract management
- Business continuity
- Financial controls

Key to strategic linkage in this report

1. Developing and growing market leading positions
2. Transforming through people
3. Continuous improvement

Strategic risks

Risk	Impact	Mitigation	Update
Acquisition and growth strategy: **Value generation from acquisitions** 1. 3.	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, its ability to capitalise on the synergies they bring and/or the development and retention of 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**
Acquisition and growth strategy: **Innovation and Insight** 1. 2. 3.	The continued success of the Group has been dependent upon the development and delivery of innovative solutions to our clients. Examples include serialised packaging and multichannel Contract Sales Organisation ('CSO'). An inability to predict client and market trends and develop 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 and acquisition strategies set down by the SET. At a divisional level, each management team has a responsibility to identify current and projected client and market demands for new service offerings and market changes and have designated roles within their business units tasked to deliver on this.	— **No change**
Clients: **Client diversification** 1. 2. 3.	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.	— **No change**
Clients: **Client outsourcing strategy** 3.	Changes to pharma company outsourcing strategy such as reduced roster of preferred vendors, or a wholesale move to outsource to holding companies that meet all of their service requirements.	In order to maintain or develop a preferred vendor relationship with our target clients, acquisitions can be used to fill any key gaps in client coverage or service offering. The key is to maintain strong client relationships and to keep abreast of potential changes in their business strategies. We have developed an agile business development strategy to maximise our value to clients.	↓ **Reduced risk** Concerns around client outsourcing strategy have not materialised
Talent management 1. 2.	The success of the Group is built upon effective management teams that consistently deliver superior performance. If the Group cannot attract, retain and 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 anticipated requirements in term 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. A formal talent review process is implemented globally and local talent reviews are conducted and linked to the global process.	↑ **Increased risk** Anticipated to be a temporary increase due to recent changes and transition of leadership
Brexit 1. 3.	The continuing trading uncertainty associated with Brexit may result in some UDG Healthcare clients reducing the size of their U.K. operations or have a negative impact on our ability to conduct business profitably in the U.K.	The overall Group exposure to the U.K. as a proportion of our total profitability has declined as we have acquired and developed businesses with greater exposure to markets other than the U.K. Uncertainty remains in relation to the outcome and impact of Brexit.	↓ **Reduced risk**

Strategic risks (continued)

Risk	Impact	Mitigation	Update
Economic, Political, Legislative, Regulatory and Tax 1. 2. 3.	The global macroeconomic, political, regulatory, legislative and taxation environment may have a detrimental impact on our client base, the markets in which they operate, the services we can offer them and our operations in those markets. For example, a slowing economic outlook and increasing trade tensions may negatively impact our clients, while changes to labour or tax laws, or potential changes to the pricing environment in markets in which we operate may impact our offering and operations if implemented	The Group continues to review its portfolio of investments through the annual strategic review process and through constant challenge at a SET 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 and geographies.	— **No change**

Operational risks

Risk	Impact	Mitigation	Update
Patient risk 1. 2. 3.	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.	The level of automation within the Group's packaging facilities continues to increase. The serialisation of packaging processes continues and in addition, the use of electronic batch records will improve assurance and reduce the possibility of human error in packaging. Health Cloud CRM for patient support programmes has gone live and is a fully validated system. Administration of medicines to patients or providing patient support is covered by a detailed client contract with the Marketing Authorisation Holder ('MAH'), fully approved scripts, and a divisional clinical governance framework.	— **No change**
IT systems 1. 3.	The ability of the Group to support operations and 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 1. 2.	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.	↑ **Increased risk** Slight increase due to increased pressure from client procurement teams
Business continuity 1. 2. 3.	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 the operational business continuity plans in line with this. Mitigation strategies and continuity plans are part of a structured risk review process as are disaster recovery and communications.	— **No change**

Key to strategic linkage in this report

1. Developing and growing market leading positions
2. Transforming through people
3. Continuous improvement

Operational Risks (continued)

Risk	Impact	Mitigation	Update
Regulatory compliance 1. 3.	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 Falsified Medicine's Directive ('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 E.U. locations in 2019 while data protection training and gap analyses have commenced outside the E.U. to focus on local data protection law compliance.	— **No change**
Cyber security 2. 3.	The global threat is increasing due to the activities of criminal organisations and nation states targeting valuable business and personal information through increasingly sophisticated means. These are advanced persistent and other sensitive threats targeted at business-critical data using, for example, ransomware, impersonation etc. for financial and other 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 continuously being developed and resources are being deployed to detect and respond effectively to any cyber security events that may occur. Specific training is being sourced for continuing awareness programmes throughout 2019.	— **No change**

Financial Risks

Risk	Impact	Mitigation	Update
Financial controls 1. 2. 3.	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, Interest Rates and Credit 1. 3.	The Group is exposed to liquidity, interest rate 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 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 1. 3.	UDG Healthcare plc's reporting currency is the U.S. 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 strategic intent is to proportionally grow the U.S. as a source of earnings at a faster rate than other markets which will lower the foreign exchange risk for the Group.	— **No change**

Our sustainability strategy

At UDG Healthcare we want to build a sustainable business while remaining cognisant of our responsibilities to our people, our environment and our community.

Each year we strive to integrate sustainability into the Group's fabric and this year with the help of our employees, we have clearly articulated our sustainability strategy.

In July 2019 we consulted with a representative group of employees from across the Group to help refine our approach and to focus on critical areas to prioritise within People and Culture, Environment and Community involvement.

The results of this materiality survey have reassured us that our activities are aligned with our employees own values and priorities. While we accept that there is still much to do in the future, we are confident that our direction is aligned to this key stakeholder group.

People and Culture

We are proud of our people who are at the core of our services and who shape our values-based culture.

Environment

We are committed to conducting our business in a way that protects the environment.

Community

We want to have a positive impact on the communities in which we operate.

Sustainability – What matters most to our employees:

The results of our materiality study show that the key topics for the sustainability of UDG Healthcare are:

Being in a great place to work

Key issues identified:

- Employee and leadership development
- Wellbeing and work life balance initiatives

Culture

Key issues identified:

- Developing our people
- Driving a values-based culture
- Improving employee engagement

Ethical business behaviours

Key issues identified:

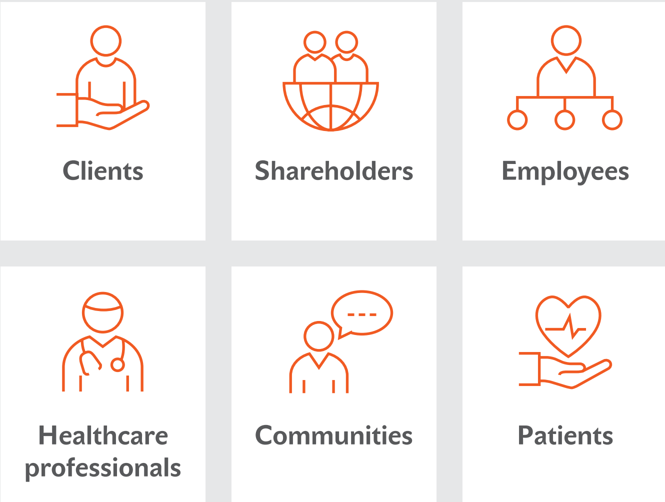
- Code of Conduct
- Leadership support at webinars/town halls etc.
- Online policies and training
- Zero tolerance policy

We fully endorse the UN Sustainable Goals and we consider the following goals to be most relevant to the activities of UDG Healthcare.

Identifying our stakeholders

We believe that, to maximise value and secure our long-term success, we must take account of what is important to our key stakeholders. This is best achieved through proactive and effective engagement.

In 2019, as outlined on the previous page, we completed a materiality study focusing on our internal stakeholders. Over the coming years, we plan to advance and grow this study to encompass all our stakeholders.



Compliance with Section 172 of the U.K. Companies Act 2006 ('s.172')

We set out in the adjacent infographic our key stakeholder groups. Each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships. By understanding our stakeholders, the Board can factor the potential impact of its decisions on each stakeholder group and consider their needs and concerns, in accordance with s.172 (see pages 68 and 69).

By engaging further with all our stakeholders we can continue to deliver on our purpose: to partner with clients to deliver innovative healthcare solutions that improve patients' lives (see pages 12 and 13).

Economic Contribution to all our Stakeholders

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 2019, UDG Healthcare added economic value of $794.8 million (being revenue of $1,298.5 million less $503.7 million of input costs paid to suppliers). Remuneration to employees of $640.0 million, corporate taxes of $28.1 million, net interest paid to lenders of $8.1 million and dividends paid to shareholders of $40.3 million resulted in 90% of total value generated being redistributed to our economic community.

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 Healthcare's approach to these non-financial matters. Many of our policies can be viewed on our website.

Reporting requirements	Policies and programmes which govern our approach	Page references
Environmental matters	• Environmental sustainability	page 58
Social and employee matters	• Diversity, Equality and Inclusion policy and Diversity and Inclusion Champion Network • Driver safety management • Health and Safety • Community Support • Code of Conduct • Confidential reporting programme and policy	page 54 page 57 pages 56 and 57 page 59 page 55 page 78
Human Rights	• Anti-Modern Slavery	page 55
Anti-bribery and corruption	• Code of Conduct • Compliance policy • Anti-Bribery & Corruption policy	page 55 page 76 page 55
Description of the business model	Please refer to pages 12 and 13	
Non-Financial Key Performance Indicators	Please refer to pages 20 and 21	

People and Culture

We are committed to building a culture that creates a sustainable organisation. We do this through developing our people, contributing to the betterment of our communities and always being conscious of our impact on our environment. Most importantly, this is underpinned by the focus we place on ethical business behaviours by all our employees.

Talent

Identifying and developing talent is a key priority in our business. A structured annual talent and succession review process exists across all our businesses culminating in the annual talent review by the SET. This meeting provides an opportunity for the CEO and his team to review all leaders across the business and understand the talent pipeline and the actions underway in individual businesses. We continued to develop our *Inspire* curriculum delivering further leadership programmes and launching a new 'Helping Clients Succeed' module for our client facing people across the globe. Five cohorts of participants attended these basecamps in the U.S. and Europe to enhance skills and provide an opportunity to network internally.

We also continued to implement initiatives for specialist businesses where demand for talent is high. Ashfield Healthcare Communications launched Career Pathways, a new initiative designed to accelerate the flow of talent through the organisation and increase retention of critical staff by supporting an individual's career journey. Working closely with line managers, individuals can choose to Enrich, Elevate, Evolve or Explore their careers. Also in this business the Allegro programme now in its second year, provides the knowledge and practical expertise to develop core scientific, technical and creative writing skills in a highly supportive environment. Coaching, feedback and a focus on individual strengths are central to the success of Allegro, contributing towards an outstanding employee experience, which was recognised this year when the team won the GOLD award in the 'Employee Engagement – Learning & Development' category at the prestigious U.K. Employee Experience Awards.

Focus on Culture

Our culture is key to our success and we want to engage our people through the way we conduct our business, rewarding talent, providing them with prospects to grow and develop and the opportunity to make a difference.

In this financial year, the focus on culture continues as we embed our values using activities such as our performance and development processes and the annual CEO awards.

During our annual talent review process we highlight not just the hard measures of success but also the cultural aspects recognising the importance of potential successors role modelling our values.

In 2019, we implemented a number of pulse check surveys across our businesses. These surveys are a good opportunity to get real time feedback from our employees about some of the important issues that matter to them and to build on the themes evidenced in our first global engagement survey conducted in late 2017. We are currently undertaking an analysis of the pulse survey results and will report on the findings in next year's Annual Report.

Inclusivity, Diversity and Equality

At UDG Healthcare we recognise that people are critical to sustaining competitive advantage and long-term success. In 2019, we further increased our focus on diversity and inclusion, implementing a pragmatic programme aimed at continuing to increase awareness throughout the organisation.

Our global Diversity & Inclusion Champions Network, with support from Senior Leadership, continues to visibly and vocally support and drive initiatives within their business units, some of which included World Day for Cultural Diversity and Pride.

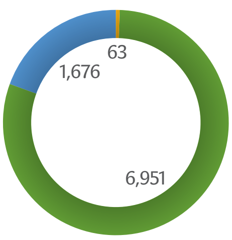
This year, our head office hosted students from the Trinity Centre for People with Intellectual Disabilities, and also announced an ongoing partnership with the University to provide internships for some of their students.

Ethical business behaviours

Our purpose and values are underpinned by our desire to maintain the highest legal and ethical standards in everything that we do. A key element in the control processes designed to support this is the UDG Compliance programme. In the past year this programme has been enhanced by an expansion of our

UDG Healthcare head count by division

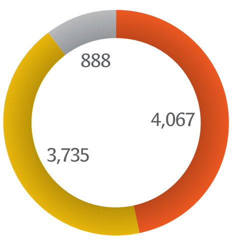
8,690



- Ashfield
- Sharp
- UDG Head Office

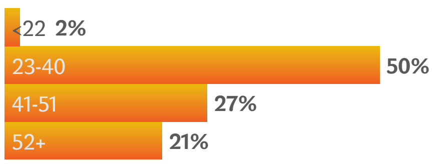
UDG Healthcare head count by location

8,690



- Europe
- America
- Australasia

Age distribution of employees



Gender composition – all leaders and managers

Relevant SDGs

in-house learning management system, Campus and a refresh of the Anti-Bribery and Corruption programme as well as significant improvements in the management and use of our IT assets such as laptops and mobile phones.

Culture is one of the biggest determinants of how employees behave. We expect all our employees to adhere to the highest standard of ethical behaviour and our Code of Conduct is the framework within which we set these standards for our employees. A culture of integrity and ethical behaviour is central to UDG Healthcare's Compliance programme and this is articulated clearly in our Code of Conduct.

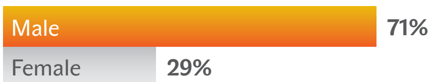
In the past year we have invested in an upgrade of our online Compliance Centre in order to simplify access for all employees and to be able to include more material on compliance-related issues.

Human Rights & Anti-Slavery

Our business model is intended to fully comply with applicable human rights legislation in the countries in which we operate.

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. On an annual basis, our Quality and Compliance department reviews progress of all training on this Policy.

Gender composition – senior leadership



Gender composition – all employees

Living Our Values – celebrating role models across our business.

The annual UDG CEO awards is an opportunity to recognise those people that live our values. In April, we celebrated the second group of winners of this prestigious award and welcomed them to Dublin for an evening of appreciation with the CEO and his senior team. The number of people recognised in the nomination process increased by 15% this year with some outstanding examples of excellence in role modelling our values.

Energy Award Winner:
Allentown Packaging Team (Sharp, U.S.)

Ingenuity Award Winner:
Hiroyuki Tanaka (CIMC, Ashfield C&PS, Japan)

Quality Award Winner:
GCC Haematology Franchise Team (AHC, U.K.)

Expertise Award Winner:
Shirley Kavanagh (UDG Healthcare, Ireland)

Energy Award Winner:
Teresa Gallagher (UDG Healthcare, Ireland)

Partnership Award Winner:
Sarah Burlew (Vynamic, Ashfield Advisory, U.S.)

Quality Award Winner:
Tara Schweighardt (Sharp, U.S.)

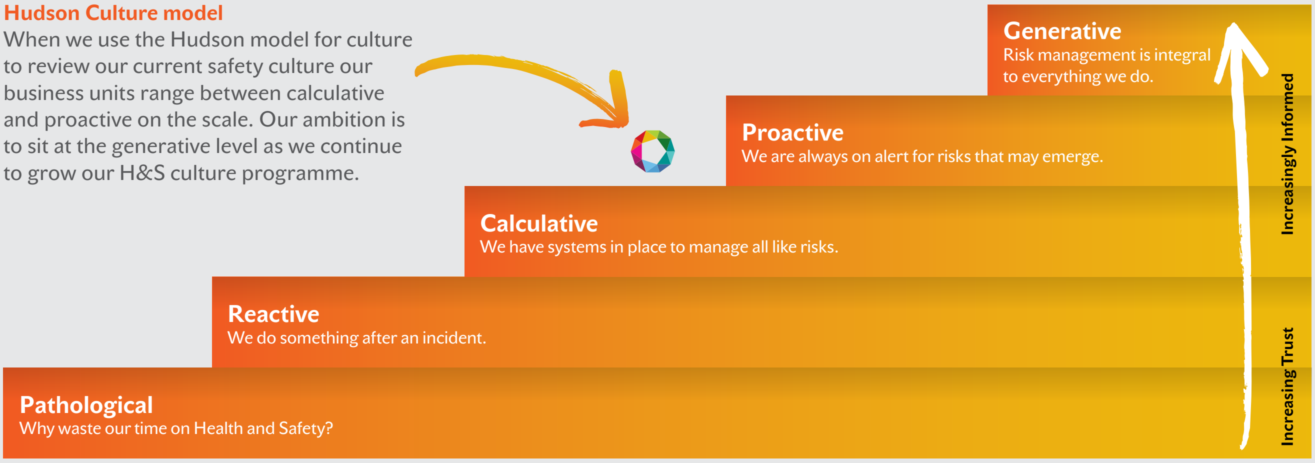
Global Head of HR
Eimear Kenny

Health, Safety and Wellbeing

We are committed to a safe and healthy work environment for our employees, contractors, visitors and our communities.

Hudson Culture model

When we use the Hudson model for culture to review our current safety culture our business units range between calculative and proactive on the scale. Our ambition is to sit at the generative level as we continue to grow our H&S culture programme.



Incident management

Our Incident Management Process allows us to monitor, analyse and investigate our health and safety incidents.

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.

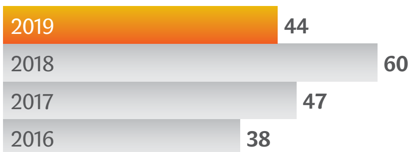
The data below shows that between 2016 and 2018 we saw a decrease in the number of incidents across all categories. However, this year we have seen a slight increase, which could be attributed to our efforts to encourage near miss reporting and our consistent messaging about the importance of reporting any incident no matter how small.

Total number of incidents

2. Lost Time Accidents ('LTAs')

This year we saw a decrease in the number of lost time accidents across the organisation. We continue to evolve our early intervention programmes which has a direct effect on the number of incidents leading to lost time.

Lost Time Accidents

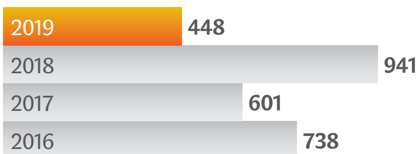


3. Total days lost

This year we have seen the lowest number of days lost as a result of lost time accidents since 2015.

We believe that this is predominantly linked to advances in our incident investigation practices and our early intervention programmes.

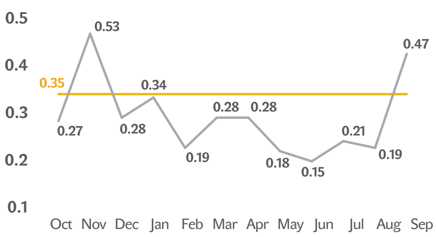
Total days lost



4. Incident rate

Our incident rate is a measurement against pharmaceutical industry average of 0.35. Positively, this year we have seen a further improvement in our incident rate against our FY2018 rate.

Total Incident Rate by month in FY2019 (Cases per 100 colleagues)



Relevant SDGs

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Near miss reporting

A near miss is an unplanned event that did not result in an H&S incident but had the potential to do so. For us, identifying and investigating near misses is a key element to discovering and controlling risks before they become an incident. As referenced on the Hudson culture model, our ambition is to sit at the generative level as we continue to grow our H&S culture program. Identification and proactive management of near misses plays an integral role in this culture development.

The top three causes of incidents during 2019 were:

CAUSE
SLIPS, TRIPS AND FALLS
CONTACT WITH SHARP, ABRASIVE/NEEDLES
ROAD TRAFFIC ACCIDENT

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

EHS Audit

Our EHS audit programme helps us locate and remediate health, safety and environmental issues. In addition, a robust EHS audit programme demonstrates to our employees that their environment is safe and up to standard.

In 2019 we completed 12 new corporate EHS audits and five audit action reviews. We are pleased to see progress across our locations.

In addition to our corporate audit programme we also underwent a number of successful client led EHS audits. Our success in this area continues to demonstrate to our clients our commitment and appetite for continuous improvement in EHS management.

Driver safety

We rely on our drivers to deliver our services and therefore it is essential that we have adequate controls in place to keep our safety standards high. With this in mind our driver safety programme is constantly evolving to meet our business needs.

In 2019 we reviewed and sourced a suitable online driver safety training platform which will be adopted and implemented across our fleet locations.

In addition, we completed our second submission of KPI data to NETS allowing us to benchmark our driver safety performance against similar industries.

NETS Network of Employers for Traffic Safety

NETS is a collaborative group of companies dedicated to road safety. The organisation was founded by the National Highway Traffic Safety Administration.

Wellbeing

Our employees' health and wellbeing matter to us and the provision of a healthy working environment remains one of our key areas of focus.

During the year a variety of wellness events were run across the organisation including mindfulness sessions, health screening, lunchtime workout classes, Yoga, wellness seminars and healthy recipe demonstrations.

In addition, our global EHS group continues to participate and drive wellbeing activities across the Group. On World Health Day in April we ran a global campaign with an aim to get our employees more active in the workplace by providing tips on being more active when at work.

Global campaign for World Health Day.

Local campaign for World Health Day encouraging employees to take the stairs at work.

Environment

Relevant SDGs

Our CDP submission this year can be summarised as follows:

1,2,3

We reported on Scope 1, Scope 2 and Scope 3 emissions.

14

This year we reported emissions across 14 countries compared to 13 countries reported last year.

7.33%

Overall Scope 1, 2 and 3 emissions decreased in 2018 by 7.33% when compared to 2017.

12%

Scope 1 and Scope 2 emissions decreased by 12% per unit of revenue when compared to 2017.

As UDG Healthcare continues to grow and expand throughout the world we remain focused on our environmental performance.

In alignment with the Paris agreement we want to take ambitious environmental mitigation action and have committed to ongoing identification of environmental impacts of our activities whilst continually improving our environmental performance.

Environmental performance

Through Group reporting and governance, we continue to focus on high priority environmental issues and make progress against KPIs. Last year, we launched our Environmental KPI programme across the organisation to improve the quality and consistency of our environmental data, establish business specific environmental initiatives, and to deliver energy savings through reduced consumption and resource efficiency. This year we have improved the quality of our data, enhanced the transparency of environmental impact and have plans in place to expand on our KPI set for the coming year.

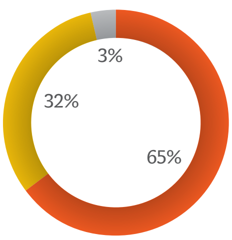
In addition to our KPI programme a number of location specific environmental improvements have been made. In March we installed a 250kWp roof mounted solar panel system at our Sharp Rhymney site, in an effort generate 15% of power for the site reducing our carbon emissions and costs in purchased power. We are delighted that this system is currently exceeding its 15% power generation. Further details can be found on page 45.

Other improvements include: installation of heat recovery units on some air handling units, foil packet recycling programmes, LED lighting replacement and a full review of our packaging processes in the Sharp business in an effort to identify where we can make positive environmental changes to our packaging process.

CDP

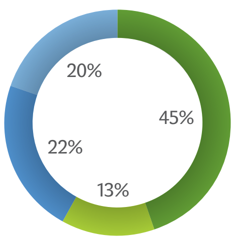
The Carbon Disclosure Project ('CDP') provides a globally recognised disclosure system that enables companies to measure and manage their environmental impacts. For CDP 2019, (based on 2018 data) UDG Healthcare disclosed emissions and environmental data across the Group covering all countries. We have seen great improvements in the quality of our data collection and have improved our reporting process.

CO_2 emissions by scope (tonnes)



- Scope 1 (direct) 22,734
- Scope 2 (indirect) 11,122
- Scope 3 (other indirect) 1,173

CO_2 Emissions by business unit (Scope 1 and 2)

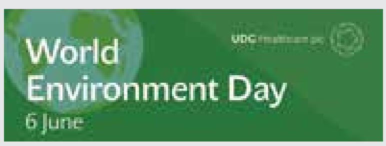


- Ashfield: Scope 1 (direct) 15,232
- Ashfield: Scope 2 (indirect) 4,449
- Sharp: Scope 1 (direct) 7,502
- Sharp: Scope 2 (indirect) 6,673

Carbon footprint was calculated to the ISO 14064-1 Standard and Verification was consistent to ISO 14064-3. Emissions factors were consistent with DERFA 2018. CDP data year 2018.

World Environment Day

Each year World Environment Day is organised around a different theme and for 2019, it was 'Beat Air Pollution'. This topic encouraged us to think about how we can make small changes in our everyday lives to reduce the amount of air pollution we produce. We shared various tips across our global organisation to encourage our employees to participate.



Community

Relevant SDGs

We work in a dynamic and successful Group. However, we are continually aware of those in our community who benefit from our time and our efforts.

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 €500,000.

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 2019 were the Jack & Jill Children's Foundation, Pieta House and The Alzheimer Society of Ireland.

A successful participant in our UDG Healthcare Golf Day in 2019.

Charities of choice

The Jack & Jill Children's Foundation is a nationwide charity offering support, advocacy and in-home nursing service to help children and their families under the age of five years who have a significant neurodevelopmental delay involving severe learning difficulties. This may include infants whose developmental future is uncertain. Support is also offered to all families whose child is approaching end of life regardless of their diagnosis. Since 1997, Jack & Jill has assisted over 2,000 children and their families all over Ireland.

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.

Vynamic employees showing their support for the PennVet Working Dog Centre.

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 fourth 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.

Staff from Vynamic in London helping in the Old English Garden in Battersea Park.

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.

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 2019, Sharp employees raised funds for the U.S. Veteran Appeal directly supporting Fisher House Foundation and the Intrepid Fallen Heroes Fund.

Sharp also once again supported the March of the Dimes Foundation during 2019. The Foundation focuses on research that addresses problems such as premature births and polio in children.

Other charities Sharp supports include:

1. United Way;
2. American Cancer Society;
3. MacMillan Cancer Support;
4. American Red Cross – hurricane relief.

In addition to financial support our Sharp business in Allentown, PA also participates in community outreach programmes with a number of schools and organisations in the surrounding areas. Students in these schools are given an insight into life inside a pharma packaging plant.

Northwestern Lehigh Middle School in Northwestern Lehigh School District on their visit to Sharp Packaging Services.

Board of Directors

						
	Peter Gray Chairman (65)	**Brendan McAtamney** Chief Executive Officer (57)	**Nigel Clerkin** Chief Financial Officer (46)	**Chris Brinsmead CBE** Non-Executive Director (60)	**Linda Wilding** Non-Executive Director (60)	**Myles Lee** Senior Independent Director (66)
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 U.S. 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 U.K., President of AstraZeneca U.K. and Ireland and President of the Association of the British Pharmaceutical Industry ('ABPI'). Chris held the position of Senior Independent Director of UDG Healthcare plc from 1 July 2017 until 30 April 2019.	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.	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.
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.	Myles was appointed to the Board of UDG Healthcare as a non-executive director on 1 April 2017 and has served as Senior Independent Director since 1 May 2019.
Independent	On appointment	No	No	Yes	Yes	Yes
External appointments	Peter is a non-executive director of Jazz Pharmaceuticals plc and a director of two venture capital backed private companies.	Brendan is a non-executive director of Scapa Group plc.	Not applicable.	Chris joined Consort Medical plc as a non-executive director in February 2019 and became Chairman in April 2019. Chris is also Chair of Collagen Solutions plc and is a member of the Council at Imperial College.	Linda is a non-executive director of BMO Commercial Property Trust, Foreign & Colonial Commercial Property and the Wesleyan Assurance Society.	Myles is a non-executive director of both Ingersoll-Rand Inc. and Babcock International Group plc.
Committee membership	N R			R R N	A R N	A N

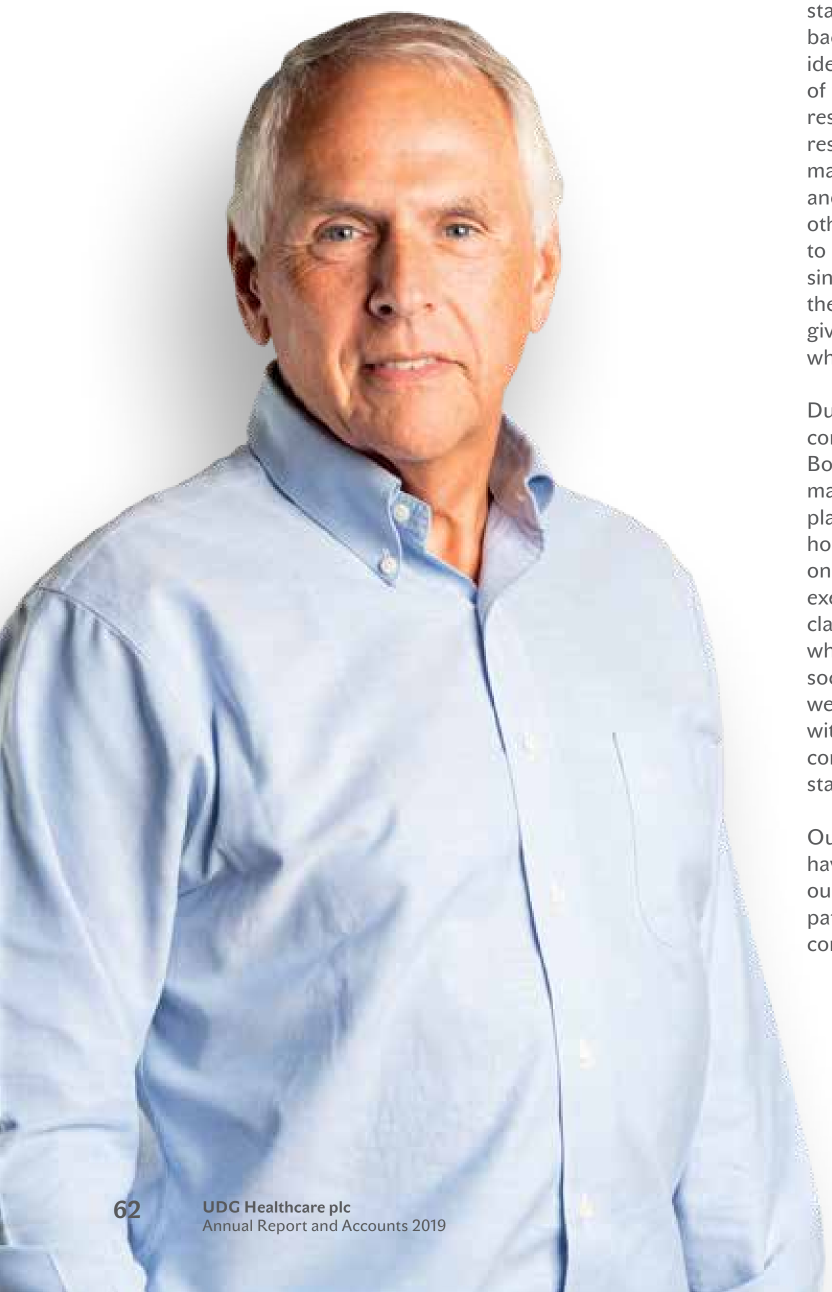
Committee Membership Key

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

					
Peter Chambré	**Lisa Ricciardi**	**Nancy Miller-Rich**	**Chris Corbin**	**Erik van Snippenberg**	**Shane Cooke**
Non-Executive Director (64)	Non-Executive Director (59)	Non-Executive Director (60)	Non-Executive Director (64)	Non-Executive Director (55)	Non-Executive Director (57)
Biography					
Peter was Chief Executive Officer of Cambridge Antibody Group plc until 2006 and, before that, held the roles of Chief Operating Officer of Celera Genomics Group and Chief Executive Officer of Bespak plc (now Consort Medical plc). More recently, Peter was a non-executive director of Spectris plc until December 2016, and of Touchstone Innovations plc until January 2017.	Lisa Ricciardi has been CEO & Chief Business Officer with sell-side experience in VC-backed life science companies (biotech, genomics, medical devices) and buy-side experience as Global Licensing SVP of Pfizer and SVP of U.S. International and business development at Medco Health Solutions. She has led significant and transformational deals at both Pfizer and Medco. From 1 October 2019, Lisa was appointed as a Designated NED for the purposes of the New Code.	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 U.S. 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.	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.	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 U.K. and Ireland. Erik was also appointed Designated NED from 1 October 2019 for the purpose of the New Code.	Shane Cooke was President of Alkermes plc, from September 2011 until his retirement in March 2018. Prior to this, Shane spent 10 years as Chief Financial Officer of Elan Corporation plc from 2001 and from 2007 he also was Head of Elan Drug Technologies. Prior to Elan he held the role of Chief Executive Officer of Pembroke Capital Ltd, an aviation leasing company of which he was a founder.
Term of office					
Peter was appointed to the Board of UDG Healthcare as a non-executive director on 1 February 2019.	Lisa was appointed to the Board of UDG Healthcare as a non-executive director on 14 June 2013.	Nancy was appointed to the Board of UDG Healthcare as a non-executive director on 20 June 2016.	Chris was appointed to the Board of UDG Healthcare as an executive director on 20 June 2003.	Erik was appointed a non-executive director of UDG Healthcare on 2 July 2018.	Shane was appointed a non-executive director of UDG Healthcare on 1 February 2019.
Independent					
Yes	Yes	Yes	No	Yes	Yes
External appointments					
Peter is Chairman of Immatics Biotechnologies GmbH and a Trustee of Cancer Research U.K.	Lisa advises various biotechs across the industry.	Nancy is an adviser with the Gerson Lehrman Group, a director of Intercept Pharmaceuticals Inc. and executive chairman of Altum Pharma.	Chris is a director of a number of privately held companies.	Erik is a non-executive director of Eurovite Group.	Shane serves as a non-executive director on the board of Alkermes plc, Prothena Corporation plc and Endo International plc, all publicly-quoted companies.
Committee membership					
R	R R	R		A	R

"Creating value while honouring our collective responsibilities to our stakeholders and society."

Peter Gray
Chairman



Dear Shareholder
I am pleased to report that for the year ended 30 September 2019, UDG Healthcare is again fully compliant with the requirements of the 2016 U.K. Corporate Governance Code. We also note that the New Code (as defined below) comes into effect for UDG Healthcare from 1 October 2019 although, as you will see elsewhere in this Report, we have already adopted new practices ahead of time and on foot of these requirements. We set out important details of our work during the year on the following pages.

The Board has seen a number of changes during 2019. With Philip Toomey stepping down at our 2019 AGM and in anticipation of the pending retirements of Chris Brinsmead and Chris Corbin at the 2020 AGM, we were delighted to welcome Peter Chambré and Shane Cooke to the Board in February 2019. In common with Erik van Snippenberg, who joined in the summer of 2018, both Peter and Shane bring many years' industry and M&A experience to the Board, and both have worked in very senior roles in U.S.-based and focused companies. Please see page 61 for further details. Sadly, Nancy Miller-Rich has recently indicated that due to increasing other commitments, she is not in a position to go forward for re-election at the upcoming AGM. We have thus begun the process of seeking a replacement.

Today, the Board comprises 12 members: myself, two executives and nine non-executives. 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. After the AGM retirements noted above, the Board will comprise of nine members. Of the nine, two are female, five board members are resident in Ireland (two executives and three non-executives), one is resident in the U.K., one is resident in the U.S. and one is resident in mainland Europe. In addition, seven have pharmaceutical company and/or pharma-related services experience, while two come from other industries entirely. With good governance in mind, it is important to note that I have served on the Board since 2004, and as Chairman since 2012. As noted in the Chairman's Statement, I have agreed with the Senior Independent Director to step down in September 2020, giving him and his fellow Board colleagues time to select a successor, whether internal or external.

During 2019, we engaged Clare Chalmers Ltd, an external independent consultant that we have used previously, to conduct an independent Board Evaluation. We note some good recommendations which materialised from this evaluation including further refining strategic planning to ensure close Board and management alignment and holding more frequent NED-only sessions. Further details are available on page 66. Overall the evaluation supported the view that the Board exercises its governance responsibilities with diligence, but also with a clarity that the purpose is to help the management team create value while honouring our collective responsibilities to our stakeholders and society. Indeed I would draw your attention to pages 68 and 69 where we provide further colour on our stakeholders and how we engage with them. We remain committed not just to the highest standards of corporate governance but on being a positive contributor to our stakeholder community.

Our Board is united in its view that good governance comes from having clarity of purpose, a values-based culture and focusing on our responsibilities to our stakeholders: our clients, our employees, patients and healthcare professionals, our shareholders and the community and society of which we are part.

Corporate Governance

UDG Healthcare Governance Framework

Chairman – Peter Gray

Board of Directors

Chief Executive – Brendan McAtamney

Audit Committee
Chair
Myles Lee
Read our Committee Report on pages 75 to 78

Remuneration Committee
Chair
Linda Wilding
Read our Committee Report on pages 81 to 94

Nominations & Governance Committee
Chair
Peter Gray
Read our Committee Report on pages 72 to 74

Risk, Investment & Financing Committee
Chair
Chris Brinsmead
Read our Committee Report on pages 79 to 80
Risk & Viability sub-Committee

Senior Executive Team
Quality & Compliance sub-Committee

Compliance with the U.K. Corporate Governance Code

The Code

The 2016 U.K. 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 2019.

The New Code

The Board notes that the Financial Reporting Council's 2018 U.K. Corporate Governance Code (the 'New Code') comes into effect for UDG Healthcare from 1 October 2019. In particular, the Board acknowledges the increased focus on relationships between a company and its various stakeholders and, as addressed in previous years, acknowledges the important relationships it has with, for example, its valued clients, patients, healthcare professionals, employees, shareholders and the wider community.

During FY2019, the Board has begun taking steps to enable it to comply with the provisions set out in the New Code from the start of FY2020. In particular, and in light of the new requirements on workforce engagement, the Board is pleased to appoint Lisa Ricciardi and Erik van Snippenberg as designated non-executive directors ('Designated NED') to facilitate engagement with UDG Healthcare's workforce across the globe. Through a variety of channels, including through UDG Healthcare's *Inspire* programme (see page 69 for more details), Lisa and Erik will provide an open channel of communication through which employee issues can be discussed directly with the Board by members of UDG Healthcare's workforce. This will allow such matters to be discussed and considered in the Board's analysis and decision-making. The Company will report on the findings of its designated non-executive directors in its FY2020 Annual Report.

Also in light of the New Code, the Board is taking steps to ensure a framework is in place to identify and assess the Group's emerging risks, in conjunction with its principal risks. Further updates will be provided in FY2020 Annual Report

Copies of both the Code and the New 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.

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 regularly and are available on the Group's website. The Chair of each Committee reports to the Board 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 the individual Committee reports.

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 will engage with the Chair of the Board or the relevant Committee to communicate their views on any items to be raised at the meeting through the Chair.

Directors	Number of meetings held during the year when the director was a member	Number of meetings attended
Chris Brinsmead	9	9
Peter Chambré[1]	6	6
Nigel Clerkin	9	9
Shane Cooke[2]	6	6
Chris Corbin	9	9
Peter Gray	9	9
Myles Lee	9	9
Brendan McAtamney	9	9
Nancy Miller-Rich	9	8
Erik van Snippenberg	9	9
Lisa Ricciardi	9	9
Philip Toomey[3]	3	3
Linda Wilding	9	9

1 Joined the Board on 1 Feb 2019.
2 Joined the Board on 1 Feb 2019.
3 Stepped down from the Board on 30 January 2019.

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 which is located on our website.

Both Peter Chambré and Shane Cooke were appointed during the year and will offer themselves for election at the AGM on 28 January 2020. 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 74.

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.

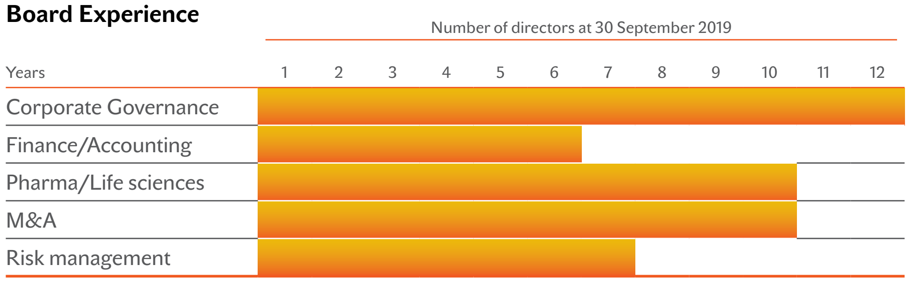
In March, the Board met with the Ashfield Healthcare Communications team at their new offices in Manchester, U.K., and later in the year, the Board visited the Group's operations in Pennsylvania, meeting teams from Sharp's Commercial and Clinical operations, as well as teams from Ashfield's Clinical & Commercial and Advisory businesses. In each case, these visits provided an excellent opportunity for the Board to see these operations up close and meet with senior managers from these 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 U.K.'s Listing Rules and the EU's Market Abuse Regulation, and external advisers were invited to provide training on the upcoming changes that would be brought about by the New Code. In addition to this, members of the Board Committees 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. As noted last year, Chris Brinsmead has also now passed the nine-year mark with UDG Healthcare and both he and Chris Corbin will retire from the Board at the AGM on 28 January 2020.

Board Experience



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;
- be available to act as an intermediary for directors, if necessary; and
- this coming year, conduct the process for selecting the Chairman's successor.

Changes to the Board

During the year to 30 September 2019, the following changes to the Board occurred:

Philip Toomey stepped down from the Board following the 2019 AGM.

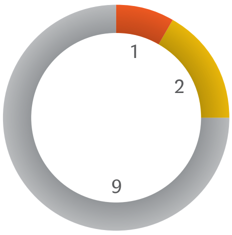
Peter Chambré joined the Board as a non-executive director on 1 February 2019 and became a member of the Remuneration Committee with effect from 1 May 2019.

Shane Cooke joined the Board as a non-executive director on 1 February 2019 and became a member of the Risk, Investment and Financing Committee with effect from 1 May 2019.

Time commitment of the non-executive directors

Non-executive directors are required to devote sufficient time to fulfil their responsibilities to the Group, 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. The performance of individual directors was primarily assessed through discussions held by the Chair with directors on an individual basis. During September 2019, the performance assessment of the Chairman was led by the SID and feedback was communicated by the SID to the Chairman following the review.

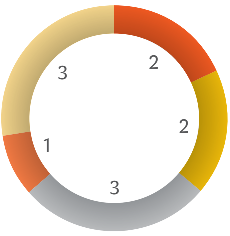
Board composition as at 30 September 2019*



- Chairman
- Executive directors
- Non-executive directors

*Chris Brinsmead, Chris Corbin and Nancy Miller-Rich will step down at the next AGM, reducing the number of Non-executive directors to 7.

Years of service as at 30 September 2019



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

2018 Board Evaluation – progress update

The 2018 Board Evaluation resulted in a number of recommendations and below is a summary of the progress made to-date in addressing the issues raised:

Recommendations	Actions taken/progress
Alignment of activity with strategy – focus on ensuring that capital expenditure and M&A opportunities continue to align with the Group's strategy.	The Board has reviewed its strategic planning calendar to better align with the Group's budgeting process, and M&A and capital expenditure opportunities are being rigorously evaluated against the Group's strategy.
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, including the New Code were arranged during the year, some of which addressed specifically the areas of governance particularly where there were impending changes in the landscape.

2019 Board Evaluation

Following a tendering process, the Board engaged Clare Chalmers ('CC') Ltd to facilitate this year's external Board evaluation. CC has no other relationship with the Group. From May through to July, CC conducted one-to-one interviews with each director, the Company Secretary and a number of Senior Executives who regularly attend Board or Committee meetings. CC reviewed Board papers and attended a meeting of the Board in June to observe Board interaction and debate.

The review focused on the following aspects of Board effectiveness:

- Board Skills, Experience and Diversity;
- Board Succession;
- Executive Succession and Talent Development;
- Culture and Behaviours;
- Workforce Engagement and the New Corporate Governance Requirements;
- Strategic Direction
- Risk Framework
- Board Committees;
- Secretariat; and
- Shareholder Engagement

A report was prepared by CC and the output from this review was presented to the Board at its August meeting. The report concluded that the Board directors demonstrate strong and varied industry experience, exhibit good engagement, healthy debate and constructive working relationships. Strategy was focused on value creation and disciplined growth, primarily led by acquisitions.

In addition, some areas for improvement were noted:

1. Further refine the strategic planning process to ensure the Board and management are fully aligned as acquisition opportunities arise.
2. Continue to focus on talent management to enhance the number of high calibre individuals available for senior appointments.
3. Build upon the new workforce engagement model to enable the Board to better engage with the Group's employees and improve insights into other stakeholder relationships.
4. Hold independent non-executive director sessions more frequently after Board meetings, with feedback to the CEO and CFO as appropriate.

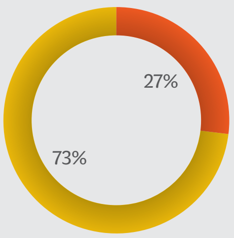
The Company Secretary in conjunction with the Chair of the Board will follow up on these action items and work to address them throughout FY2020. The Board will continue to review its performance on an annual basis

Board policy on diversity

The Board believes that diversity is an essential foundation for building long-term sustainability in business. 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 professional backgrounds). The Board believes diversity introduces different perspectives into the Board debate and confirms that diversity will continue to be taken into account when considering all new appointments to the Board.

Pages 60 and 61 detail our directors' gender, age, and professional background. The diagram below sets out the gender diversity of the Board as at 30 September 2019.

Board Gender Diversity as at 30 September 2019



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 have been discharged throughout the year are set out in the Audit Committee Report on pages 75 to 78.

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 have been discharged throughout the year are set out in the Risk, Investment & Financing Committee Report on pages 79 to 80.

The Quality & Compliance sub-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 performance-related elements are both stretching and rigorously applied. The current Directors' Remuneration Policy Report ('Remuneration Policy') was approved by shareholders at the 2017 AGM and, in accordance with the three-year timeframe set out in Directors' Remuneration Reporting regulations, UDG Healthcare is submitting a revised Remuneration Policy to shareholders at the 2020 AGM. Further details are set out on pages 82 and 83.

In light of this, during 2019, we reviewed our Remuneration Policy with our external advisers to ensure that it is aligned with market practice, continues to support the delivery of our strategy and our continued geographic expansion, particularly in the key U.S. market which now accounts for over 62% of the Group's revenue. In particular, the Committee is mindful of the changes to the U.K. Corporate Governance Code and developing shareholder views on remuneration especially in the context of the increasing importance of the U.S. market for the Group.

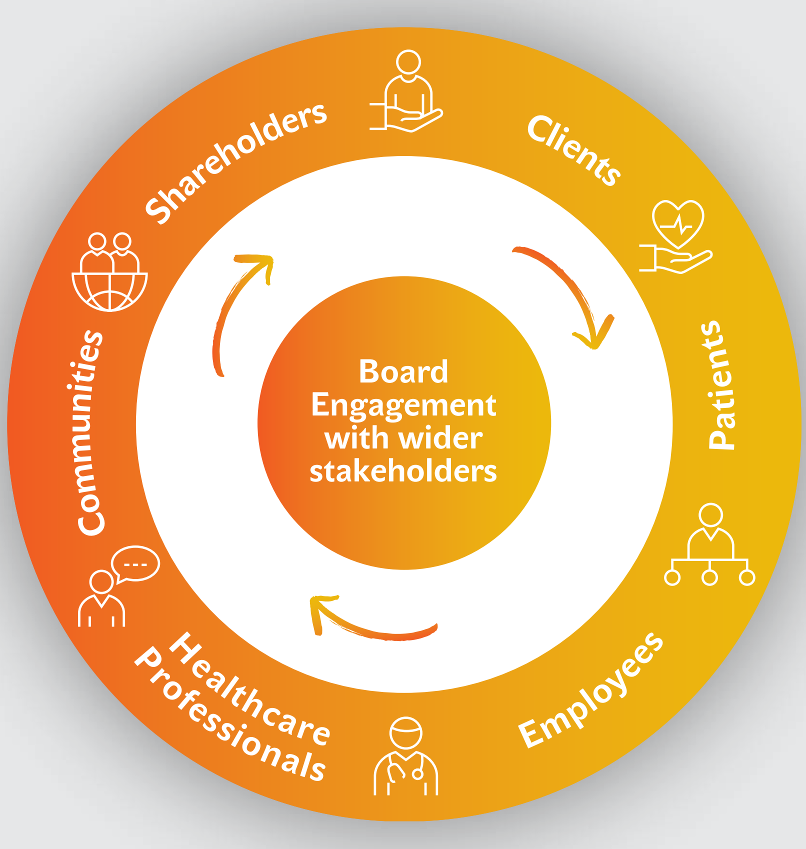
Following our review, and subsequent consultation with shareholders we determined that our existing Remuneration Policy continues to be strongly aligned with shareholder interests and thus remains fit for purpose. We are therefore not proposing any major changes to our current approach, which was approved by 98.4% of shareholders at our 2017 AGM. The Committee does, however, believe that a limited number of changes are appropriate to reflect emerging views on executive pay in FTSE-listed companies and to ensure that, in the round, our policy remains competitive.

Further details of our review and consultation process on these proposed changes are set out on pages 82 and 83.

The Group again presents the Directors' Remuneration Report for FY2019 in accordance with the requirements of the U.K. 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 81 to 94.

At the Company's 2019 AGM, the company's new share plans were put forward to, and approved by, shareholders. These share plans which encapsulated the Board's desire to reflect current corporate governance guidelines, establish best practices and provide the company with sufficient flexibility to compete effectively for talent, both now and in the future.

Our Stakeholders



	How the Board engages
Clients	Building trusted partnerships with our clients is critical for the success of the Group. Strengthening the right relationships with the right clients ensures the Group is consistently delivering high-quality and innovative healthcare services and solutions. The Board maintains engagement through regular reporting by the CEO and the SET on business development and strategic management activities.
Shareholders	Our shareholders play an important role in monitoring and safeguarding the governance of our Group. Through shareholder consultation processes and our investor relations program, which includes regular updates, meetings, roadshows and our AGM, we ensure shareholder views are brought into our Boardroom and considered in our decision-making.
Employees	We have an experienced, diverse and dedicated workforce, which is recognised as a key asset of our business. The Board and its Committees routinely invite members of the management team to attend meetings to present on the matters being discussed, enabling their input into discussions. We have also appointed Lisa Ricciardi and Erik van Snippenberg as Designated NEDs for gathering the views of the workforce.
Healthcare professionals	Healthcare professionals are a key stakeholder for the Group. Board engagement with healthcare professionals and their counterparts in related industries is through management updates and meetings with various business units across the Group.
Communities	Through our sustainability strategy we aim to make a positive contribution to the communities in which we operate. We support communities, both locally and nationally, through our charitable work, including financially and giving time, energy and leadership to support local efforts. Members of the executive directors and management regularly attend and contribute to these charitable events.
Patients	Our purpose is to partner with clients to deliver innovative healthcare solutions that improve patients' lives. The Board receives its updates on patient insights through a number of channels including meeting with the various business units, which allow it to understand and consider the patients' perspectives in its collective decision-making.

Relations with Shareholders

Shareholder engagement

The Board recognises the importance of regular dialogue with shareholders and accordingly, the Group and its SET maintain an ongoing investor relations program. 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's Head of Investor Relations. Committee Chairs also support these efforts. 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 major developments including M&A transactions. During the year, the UDG Healthcare senior management team conducted over 250 institutional investor one-on-one meetings and participated in nine investor conferences, including five in the U.S.

The key means of communicating with the company's shareholders is through the AGM. The company's AGM is an opportunity for the Chairman, the Senior Independent Director, the Committee Chairs and the rest of 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 2020 AGM will be held at 12.30pm on Tuesday, 28 January 2020 at the Westbury Hotel in Dublin 2, Ireland.

Workforce engagement and s.172

The New Code provides that outside of shareholders, the Board should understand the views of the company's other key stakeholders and describe how their interests and the matters set out in section 172 of the U.K. Companies Act 2006 ('s.172') have been considered in Board discussions and decision-making. While s.172 is a provision of U.K. company law, and there is no direct comparator in the Irish Companies Act 2014 the Committee acknowledges that, as a premium listed issuer on the FTSE 250, it is important to address the spirit intended by such provisions. Please see page 68 and pages 52 and 53 in the Strategic Report for further details on UDG Healthcare's stakeholder engagement.

With respect to workforce engagement, like many issuers, UDG Healthcare believes that the appointment of a NED would be the preferred option – in UDG Healthcare's case, it was considered appropriate to appoint two NEDs to bring both a U.S. and European perspective. For FY2020, we have identified a series of employee programmes on both sides of the Atlantic that our designated NEDs will attend, where they will have the opportunity to meet and discuss matters with all attendees and will regularly report back to the Board allowing the Board to consider any such inputs in its decision-making.

From 1 October 2019, Lisa Ricciardi and Erik van Snippenberg have been appointed Designated NEDs for UDG Healthcare.

What the Board did in 2019

The Board continued to focus on strategy, growth and succession planning during FY2019.

During 2018 and 2019, Erik van Snippenberg, Peter Chambré and Shane Cooke joined the Board, bringing new perspectives, experience and strengths to the Board. In keeping with the Group's long term strategy, the Board supported the continued investment in Sharp Clinical's facilities in the U.K. and the U.S. and approved the acquisitions of Incisive Health and Putnam Associates, augmenting the capabilities of both Ashfield Healthcare Communications and Advisory teams and bringing new talent into the Group.

27 meetings

5 locations

November

- The Board received updates from its Committees as outlined below. Following recommendations from the Audit Committee it approved the Directors' Compliance Statements, the Group's Viability Statement, the Annual Report ('AR') for FY2018 and the FY2018 final dividend to be proposed to shareholders. It also received a presentation from the Group's external legal advisors on change to the U.K. Corporate Governance Code.
- The Nominations & Governance Committee ('NomCo') considered potential non-executive director candidates.
- The Risk, Investment & Financing Committee ('RIF') confirmed the principal risks and uncertainties for inclusion in the 2018 ARA, agreed to conduct a review of the Group's Internal control and risk management systems and received an update on cyber security.
- The Audit Committee met twice in November. Firstly to review the FY2018 external auditor report and the Group's draft preliminary announcement of results for FY2018. Secondly to receive updates from the Internal Audit team, and make the above mentioned recommendations.
- The Remuneration Committee reviewed performance against the Group's incentive and bonus schemes and to review the draft Remuneration Report for the 2018 AR.

December

- The RIF conducted post transaction reviews for Sellxpert, Cambridge BioMarketing, MicroMass and Vynamic.
- The Board convened to approve the 2018 AR and notice of AGM.
- The Remuneration Committee agreed the grant of awards under one of its incentive schemes and tested performance criteria set of previous option award.

January

- The Board approved the appointments of Peter Chambré and Shane Cooke.
- The Audit Committee reviewed and approved the draft Q1 Trading Statement, and discussed FY2019 guidance to the market and external auditor fees.
- 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, including the adoption of the Group's new share option plans. While together, the Board met with senior management from the Group over the course of two days to discuss the Group's strategy and key objectives and activities. In addition to its strategy discussions, the Board approved the renewal of finance facilities and received a number of updates from Group functions, including tax and M&A and held talent discussions with HR.

March

- The RIF met in early March to consider three potential M&A opportunities, approving two of these for due diligence.
- NomCo also met to discuss Board succession.
- The Board visited the new Ashfield Healthcare Communications office and the senior management team in Manchester. During this meeting, the Board also further considered a number of the strategy discussions that had taken place in January and approved capital expenditure in Sharp.

April

- The Board discussed progress on potential transactions, considering the alignment of these opportunities with the Group's strategy.

May

- With the Group's half-year approaching, the Audit Committee convened to discuss the draft Interim Report and receive updates on the Viability Statement, Internal Audit, Treasury, Directors' Compliance Statements. The Group's working capital and effective tax rate were also discussed. EY presented the audit plan at the meeting.
- The RIF reviewed the Risk Management Framework and approved the Principal Risks and Uncertainties for inclusion in the Interim Report. It also received updates in relation to quality & compliance, cyber security, M&A and financing.
- The NomCo confirmed the re-appointment of non-Executive directors, received a corporate governance update, confirmed the appointment of Clare Chalmers Ltd to carry out the external evaluation of the Board and recommended a proposal on the Group's approach to workforce engagement.
- The Board approved the draft Interim Report and the proposed interim dividend. It also approved the acquisitions of both Incisive Health and Putnam Associates and approved NomCo's recommendation to appoint two non-executive directors as 'designated NEDs' in response to the New Code's requirements in relation to workforce engagement.

June

- Management updated the Board on Investor Relations following the release of the Interim Report, and on Sharp EU's operations.
- The Board also further discussed the Group's tax strategy and approved capital expenditure for Sharp. Clare Chalmers joined the meeting as an observer in the context of the Board's ongoing external evaluation.

July

- The RemCo reviewed executive compensation in connection with the preparation of the FY2020 budget and considered potential revisions to the Group's Remuneration Policy which had been prepared by the Committee's external adviser, Deloitte, who attended the meeting. Deloitte noted that the revised Remuneration Policy would be submitted to shareholders for approval at the 2020 AGM. Further details are set out on page 83.
- The RIF considered requests to approve due diligence in relation to two potential M&A transactions.

August

- The Audit Committee reviewed the draft Q3 2018 Trading Update and the Group balance sheets.
- Later in August, the Internal Audit team provided an update and the Audit Committee noted good progress on EY's management letter points.
- The Board received updates from the Chairs of the Audit Committee, RIF and RemCo, a trading update from the CEO and reviewed the draft budget for FY2020.
- The Board also received the external Board Evaluation Report and Clare Chalmers attended to summarise its findings.

September

- As FY2019 drew to a close, the Board convened in the U.S. for a three-day Board visit to a number of the Group's U.S. facilities. This included tours of Sharp facilitates in Allentown and Bethlehem. The Board also visited operations in Fort Washington, Philadelphia.
- The Board met a broad group of managers from the U.S. businesses both formally and informally. Throughout these three days, the Board received updates from the Sharp Commercial and Sharp Clinical businesses, from the Ashfield Clinical & Commercial business and from the Ashfield Advisory and Ashfield Healthcare Communications business, including the two newly-acquired Ashfield businesses, Incisive Health and Putnam Associates.
- The Board approved due diligence requests in relation to a number of potential M&A targets and the strategic merits of other capital expenditure and restructuring opportunities were also considered.
- The Board approved of the FY2020 budget and considered a number of other Board-related matters.
- The RemCo met in September to consider the FY2020 goals for the SET and, in connection with the revised Remuneration Policy to be put to shareholders for approval at the 2020 AGM, the Committee agreed and confirmed communications to shareholders as part of its consultation process.

"In addition to the Board's External Evaluation, the Committee has focused on the new corporate governance rules and the important matter of Board succession."

Peter Gray
Chair of the Nominations & Governance Committee

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	13 years
Chris Brinsmead	3	3	7 years
Myles Lee	3	3	1 year
Linda Wilding	3	3	1 year
Philip Toomey[1]	1	1	10 years

1 Philip Toomey retired at the AGM in January 2019.

Composition as at 30 September 2019

Peter Gray (Chair)
Chris Brinsmead
Linda Wilding
Myles Lee

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 2019. Individual attendance at these meetings is set out on the opposite page. The Committee is chaired by the Chair of the Board and apart from the Chair, 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 2019

- Recommended the appointment of Peter Chambré and Shane Cooke as non-executive directors;
- Recommended the appointment of Peter Chambré as a member of the Remuneration Committee and Shane Cooke as a member of the Risk, Investment & Financing Committee, and oversaw their inductions;
- Considered the New Code requirements in relation to workforce engagement and recommended the appointment of two non-executive directors to act as 'designated NEDs' from 1 October 2019 for the purposes of meeting these new requirements; and
- Reviewed Board succession, tasking the Senior Independent Director ('SID') with commencing the Chair succession process.

New non-executive director appointments

In light of Philip Toomey's retirement from the Board at the 2019 AGM and the impending retirements of Chris Brinsmead and Chris Corbin noted in the 2018 Annual Report. PwC and Korn Ferry were engaged to assist with the search for additional non-executive directors. Given also the requirement to commence the process of selecting a successor to the Chair, it was the intention that candidates identified during 2018 and 2019 possessed not only strong international industry and M&A experience but, in addition to current members of the Board, were also capable of being considered as candidates in the Chair succession process.

Having already appointed Erik van Snippenberg to the Board in late 2018, and following interviews with a number of potential candidates, the Committee recommended the appointment of both Peter Chambré and Shane Cooke to the Board as non-executive directors, and members of the RemCo and RIF respectively. The Board subsequently approved these appointments with effect from 1 February 2019. Peter brings a wealth of industry and international experience to the Board having held numerous senior positions in the pharmaceutical and life sciences sectors including as Chief Executive Officer of Cambridge Antibody Group plc, Chief Operating Officer of Celera Genomics Group and Chief Executive Officer of Bespak plc (now Consort Medical plc), while Shane brings significant international, financial and M&A experience in the pharmaceutical and life sciences sectors in both Europe and the U.S. He served as the President of NASDAQ-listed Alkermes plc until his retirement in March 2018 and prior to this, as Chief Financial Officer of Elan Corporation plc and Head of Elan Drug Technologies. Further details on Peter and Shane's current roles are set out on page 61.

Future succession planning for non-executive directors, including the Chair

With Nancy Miller-Rich stepping down at the upcoming AGM, we have begun a search for a replacement with a focus on female candidates.

As noted last year, I myself have now been Chair for over seven years and a director for over 15 years. My succession is therefore a priority and Myles Lee, as SID has taken on the task of selecting my replacement. Myles has worked with the Board to determine and agree the competencies, skills, experience and characteristics required for the role and has formed a sub-committee to facilitate the selection. Recognising this I have since indicated that I will step down in September 2020.

Board appointment and tenure

Director Name	Length of tenure as at 30 September 2019 (Year 1, Year 2, Year 3, Year 4, Year 5, Year 6, Year 7, Year 8, Year 9+)	Date of Appointment	Date of next election or re-election
Peter Gray		28-Sep-04	28-Jan-20
Brendan McAtamney		16-Dec-13	28-Jan-20
Nigel Clerkin		15-May-18	28-Jan-20
Chris Brinsmead		12-Apr-10	28-Jan-20
Myles Lee		01-Apr-17	28-Jan-20
Linda Wilding		16-Dec-13	28-Jan-20
Lisa Riccardi		14-Jun-13	28-Jan-20
Nancy Miller-Rich		20-Jun-16	28-Jan-20
Chris Corbin		20-Jun-03	28-Jan-20
Erik van Snippenberg		02-Jul-18	28-Jan-20
Peter Chambré		1-Feb-19	28-Jan-20
Shane Cooke		1-Feb-19	28-Jan-20

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 this year, the Committee engaged Clare Chalmers Ltd. to conduct the external independent audit of the Board. For details of this evaluation, please refer to page 66.

The Committee considered the recent changes to the U.K. Corporate Governance Code and, as noted above, important new developments such as workforce and stakeholder engagement were then discussed at Board level.

Succession planning for the Senior Executive Team

During the year, the Committee considered succession planning for the Senior Executive Team, facilitating discussion with other non-executive directors, the CEO and the Group Head of HR.

Priorities for 2020

- Selecting a successor for Chair of the Board; and
- Further development of our governance practices to enable full compliance with the New Code.

Peter Gray
Chair of the Nominations & Governance Committee

Audit Committee Report

"The Committee has remained focused on safeguarding shareholder value by ensuring effective governance and financial reporting."

Myles Lee
Chair of the Audit Committee

Attendance record and tenure

Member	Number of meetings held when director was a member	Number of meetings attended	Committee tenure
Myles Lee (Chair)	6		2 years
Erik van Snippenberg	6		1 year
Linda Wilding	6		6 years

The activities undertaken by the Committee in fulfilling its key responsibilities in respect of the year to 30 September 2019 are detailed below.

Composition as at 30 September 2019

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 2019. 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 Chair 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 Group's Viability Statement are set out on page 47 and details of the Directors' Compliance Policy and Directors' Compliance Statement are set out on page 102.

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 2019, the Committee reviewed the Group's Trading Updates issued in January and August 2019, the Interim Report for the six months to 31 March 2019 and the Preliminary Announcement and Annual Report for the year to 30 September 2019.

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 115 to 124;
- 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 2019 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. Internal Audit maintained a high level of audit emphasis on revenue recognition during the year.

Goodwill impairment

The Committee considered the carrying value of goodwill in the 2019 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, was 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 13 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. Under all five scenarios, described in the Viability Statement, the Group remained viable. For further details, please refer to page 47.

Changes in IFRS Standards

The Group transitioned to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) in the year. The Committee reviewed the Group's transition implementation conclusions and the changes in accounting policies. The Committee received updates on the preparation for, and impact of, the implementation of IFRS 16 (Leases) which is effective for the Group in the financial year beginning on 1 October 2019. As previously noted, the Group has decided that the 'modified retrospective' transition approach is the most practical method for implementation of IFRS 16 (as it was for IFRS 15). For IFRS 16, the project to implement the necessary changes from 1 October 2019 has been substantially completed.

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 46 to 47.

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.

As previously reported, KPMG undertook an external quality assessment of the Group's Internal Audit function in 2018. In addition to reporting positively on the Group Internal audit function KPMG made a number of recommendations. The Committee notes the progress made within the Internal audit function particularly with regard to the increased use of data analytics and also the increased use of KPIs during the year. The Committee also notes the increased audit focus on cyber related risks by the Internal Audit function. The Committee will continue to monitor the progress of the Internal Audit function in fulfilling any outstanding recommendations of the KPMG report.

The Committee also actively monitors the resourcing requirements of the Internal Audit function. The Committee notes that the staffing number increased during FY2019 and that a further increase is anticipated in FY2020.

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 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.

In accordance with the Companies Act 2014, the Group has committed to rotate its external auditor at least every ten years. Following a tender process conducted in July 2016, EY were appointed external auditors with effect from the financial year ending 30 September 2017. Breffni Maguire has been the Group's lead audit engagement partner with effect from that date. 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 adopted the E.U. Directive such that the fees for non-audit services payable to the auditors will be no more than 70% of the average audit fee for the previous three years.

During FY2019, the external auditor did not perform any non-audit services for the Group. A member of the EY team was seconded to the Group to undertake specialist valuation work. EY confirmed that the secondment did not conflict with EY's independence and the Committee approved the request. 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

"The Committee has maintained its focus on risk oversight and the review of potential acquisition and investment opportunities during FY2019."

Chris Brinsmead
Chair of the Risk,
Investment & Financing Committee

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	8 years
Shane Cooke[1]	2	2	<1 year
Lisa Ricciardi	5	5	6 years
Nancy Miller-Rich[2]	5	2	2 years

1 Shane Cooke joined the Committee on 1 May 2019.
2 Nancy Miller-Rich was unable to attend the RIF meeting on 5 March due to a prior engagement. The meetings which took place on 14 May and 23 July were short-notice ad hoc meetings which Nancy was unable to attend due to travel, and a prior engagement respectively.

The Principal Risks and Uncertainties for the Group are set out on pages 49 to 51.

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 Chair of the Board sits on the Quality & Compliance sub-committee.

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

The Committee received regular cyber security updates and the progress made has been noted. Acknowledging the ever-changing risks, the Committee has asked that EY be commissioned to conduct a follow-up cyber security review during FY2020. Cyber security awareness training is regularly carried out across the Group and a cyber security governance framework has been implemented.

Composition as at 30 September 2019
Chris Brinsmead (Chair)
Lisa Ricciardi
Nancy Miller-Rich
Shane Cooke

Meetings

The Committee met five times during the year ended 30 September 2019. Individual attendance at these meetings along with the tenure of each member is set out on page 79. 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 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. The Committee acknowledges the New Code's requirements to identify and manage not just the Group's principal risks but also to implement new procedures to help identify emerging risks and to manage and mitigate these. The Group is implementing additional procedures to identify and assist with addressing such emerging risks and will report on this in the FY2020 AR.

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.

Investment

As was the case in previous years, and in accordance with its terms of reference, the Committee was heavily involved in reviewing requests to proceed to due diligence for a number of potential acquisitions. During the year, and pursuant to its terms of reference, the Committee reviewed and assessed more than 10 potential acquisitions including Incisive Health and Putnam Associates, reflecting the importance of the Committee's activities to the Group's overall growth strategy.

The Committee's terms of reference provide that the Committee is authorised to approve capital expenditure requests of up to $10 million. During the year, the Committee approved capital expenditure requests to invest in important additional equipment and the fit out of packaging rooms as part of the continued development of the Allentown facility, part of our Sharp division.

At the close of FY2019, the Committee undertook a number of one and three-year post-transaction reviews including one-year reviews of the acquisitions of SmartAnalyst and Create NYC and a three-year review of both Pegasus and STEM.

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. The Committee notes the renewal of the Group's senior bank debt facilities and the addition of new shelf private placement facilities.

Chris Brinsmead
Chair of the Risk, Investment & Financing Committee

Directors' Remuneration Report

"Following adoption of the Group's new share plans at the 2019 AGM, the Committee has focused on the Group's new Remuneration Policy."

Linda Wilding
Chair of the Remuneration Committee

Attendance record and tenure

The following table details the members of the Committee, their attendance at meetings held during the year to 30 September 2019 and their tenure.

Member	Number of meetings held when director was a member	Number of meetings attended	Committee tenure
Linda Wilding (Chair)	4	4	5 years
Chris Brinsmead	4	4	8 years
Peter Gray	4	4	6 years
Lisa Ricciardi	4	4	5 years
Peter Chambré [1]	2	2	<1 year

1 Peter was appointed as a member of the Committee on 1 May 2019.

Key responsibilities

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.

Composition as at 30 September 2019

Linda Wilding (Chair)
Chris Brinsmead
Peter Gray
Lisa Ricciardi
Peter Chambré

Dear Shareholder

I am pleased to present, on behalf of the Board, our Directors' Remuneration Report for the year ended 30 September 2019.

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 U.K. 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 Code which is applicable to UDG Healthcare from 1 October 2019. We followed the provisions of the 2016 U.K. Corporate Governance Code during FY2019, including the alignment of remuneration arrangements with the Group's strategy.

UDG Healthcare plc is an Irish incorporated company and is therefore not subject to the U.K. company law requirement to submit its Directors' Remuneration Policy to a binding vote. At the AGM in January 2017, our revised Policy was approved by 98.4% of our shareholders by way of an advisory vote. In accordance with the three-year timeframe set out in Directors' Remuneration Reporting regulations, UDG Healthcare is submitting a revised Remuneration Policy to shareholders at the 2020 AGM. In light of this, during 2019, we have reviewed our Policy with our external advisers to ensure that it is aligned with market practice, continues to support the delivery of our strategy and our continued geographic expansion, particularly in the key U.S. market which alone now accounts for over 62% of the Group's revenue and over 40% of our employees and growing. In particular the Committee is mindful of the changes set out in the New Code and evolving shareholder views on remuneration. Following the review, we found that our existing Policy continues to be strongly aligned with shareholder interests, remains largely fit for purpose and we are therefore not proposing any major changes to our current approach.

At the same time, the Committee is mindful that the Group has grown and changed fundamentally in the last three years. With this growth has come increased complexity right across the business as we have moved to higher margin businesses and new service offerings following recent acquisitions and with continued geographic expansion. The Committee therefore believes that a limited number of changes are appropriate to ensure that, in the round, our Policy remains competitive and to reflect emerging views on executive pay. Over the past number of months we have engaged in a consultation process with our shareholders and shareholder advisory groups in relation to the proposed changes and we have taken a number of their views on board. A summary of these changes is set out in the table on the opposite page and it is anticipated that such changes would come into effect immediately post the 2020 AGM, subject to the support of our shareholders.

Overall performance and context

The Group delivered a strong financial performance in 2019 with adjusted earnings per share increasing by 5% (7% on a constant currency basis) for the year. The Board has proposed a final dividend of $12.34 cent per share, giving a total dividend for the year of $16.80 cent per share, which represents an increase of 5% over 2018. Our Relative Total Shareholder Return ('TSR') tested against the constituents of the FTSE 250 index over the last three years to 30 September 2019 ranked the Company in the 53rd percentile with TSR performance of 33.6% over the three years.

Executive remuneration for 2019

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 2019, the financial performance of the Group resulted in an actual bonus achievement (as a percentage of their maximum opportunity) of 77.2% for both Brendan McAtamney and Nigel Clerkin. Details of this assessment are on pages 86 and 87.

LTIP awards

The Committee has assessed the performance against targets for the December 2016 LTIP awards, which performance period runs from 1 October 2016 to 30 September 2019 (the 2016 LTIP Awards). The cash flow performance of the Group ($152.1m) resulted in 100% vesting of this element for the three-year period to 30 September 2019. As mentioned above, TSR tested against the constituents of the FTSE 250 index over the three-year period ranked the Group at the 53rd 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, 35.9% of this element of the award will vest. Accordingly, in total 67.95% of the overall 2016 LTIP Awards will vest on their prescribed vesting date in December 2019 and be held until in December 2021 subject to the fulfilment of all other conditions of the LTIP scheme.

Executive remuneration for 2020

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, and in the context of the revised Remuneration Policy to be submitted to shareholders at the 2020 AGM, the Committee concluded this to be the case. In coming to this conclusion, the Committee took into account a limited number of changes proposed in the revised Policy which are considered appropriate to reflect emerging views on executive pay yet ensure that, in the round, the Policy and the remuneration arrangements thereunder, remain competitive particularly in light of the increasing complexity and geographical breadth of the Group's businesses.

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 2019.

Annual bonus

We intend to retain the same mix of financial and non-financial goals in relation to bonus arrangements for executive directors in FY2020. Further details are set out on page 85.

LTIP scheme

In relation to the LTIP for FY2020, (which is usually granted in or around December). Brendan McAtamney and Nigel Clerkin will participate in the LTIP scheme at 150% of base salary in line with current policy. Should shareholders support the revised Remuneration Policy at the 2020 AGM, including the changes outlined below, a balancing grant (i.e., of up to 50% of base salary) may be made to Brendan McAtamney and Nigel Clerkin in relation to FY2020 and within the parameters of the revised Remuneration Policy. Any such grant would be subject to approval of the Remuneration Committee and would be made at the next window for granting awards under the LTIP scheme (i.e., post release of the Group's interim results in May). It is anticipated that again, given the growth of the business in FY2019, the performance measures for awards granted in FY2020 will be more stretching than for those awards granted in FY2019, acknowledging both increased EPS and total cash generation targets and the increasing challenge of delivering strong TSR in the context of the increasing scale, complexity and geographic spread of the Group's business. Outside of such changes, there are no proposed changes to the performance measures for awards to be granted in FY2020.

Linda Wilding
Chair of the Remuneration Committee

Summary of Policy changes:

Enhanced shareholding guidelines: we have operated shareholding guidelines for a number of years whereby the executive directors are expected to build up a shareholding of 100% of salary. In line with investor expectations, executive directors will now be expected to build up a shareholding of 200% of salary.

Maximum LTIP opportunity: the current maximum LTIP award is limited to 150% of salary. We are proposing to increase this to 200% of salary, in line with median levels of opportunity in the FTSE 250. As noted above, performance measures become more stretching year-on-year. It is also worth noting that we are maintaining the existing Remuneration Policy on annual bonus, most notably in relation to quantum which, at a maximum of 100% of salary, remains in the lower quartile.

U.K. Corporate Governance Code: the Committee is mindful of the changes arising from the New Code and has taken these into account when considering changes to the Remuneration Policy. For new appointments, the Committee will set pension contributions in line with rates available in the wider workforce in the executive's local market. We have also sought to align our executives' interests with those of our shareholders on cessation. Following departure, outstanding LTIP awards will continue to their normal date and we will rely on the current LTIP vesting and two-year holding period rules to ensure that executives maintain a meaningful interest in the Group's equity.

Maintaining flexibility on recruitment: our current policy has the flexibility to award maximum variable remuneration of 300% of salary on recruitment, which effectively incorporates 50% of salary 'headroom' above the current bonus and LTIP maximums. We are proposing to maintain this headroom and therefore the overall maximum becomes 350% of salary. This is vital to us, as we need to be able to reflect practice in any local market that we recruit from. This is particularly so in the case of the U.S. market, where, as mentioned above, an increasing majority of our revenue now comes from and where variable pay is significantly higher.

Pension changes

The Committee notes recent attention surrounding the level of pension contributions. Over the past number of years, UDG Healthcare has independently been reducing the level of pension contributions for its executive directors with both incumbents at levels lower than their predecessors. The previous CEO originally participated in a defined benefit scheme before moving to a pension contribution benefit of 40% of base salary. The current CEO currently receives a pension contribution of 25% of base salary. Similarly, whereas the previous CFO participated in a defined benefit scheme before moving to a pension contribution of 25%, the current CFO now receives a pension contribution of 20% of base salary. As noted above, for new appointments, the Committee will set pension contributions in line with rates available in the wider workforce in such executive local market. For incumbent executive directors, the Committee notes recently released guidance from shareholder advisory groups. The Committee will consider this new guidance and provide an update in its FY2020 ARA.

Directors' Remuneration (Audited)

The following table sets out the total remuneration for directors for the year ending 30 September 2019 and the prior year.

	Salary and fees(a)		Benefits(b)		Annual bonus(c)		Long-term incentives(d)		Pensions(e)		Total	
€'000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive directors												
Nigel Clerkin[1]	**485**	198	**31**	13	**374**	46	**–**	–	**97**	40	**987**	297
Brendan McAtamney	**676**	663	**40**	41	**522**	119	**758**	856	**169**	166	**2,165**	1,845
Non-executive directors[3]												
Chris Brinsmead	**91**	94	**–**	–	**–**	–	**–**	–	**–**	–	**91**	94
Peter Chambré[5]	**46**	–	**–**	–	**–**	–	**–**	–	**–**	–	**46**	–
Chris Corbin[2]	**70**	496	**–**	60	**–**	–	**–**	335	**–**	82	**70**	973
Shane Cooke[6]	**46**	–	**–**	–	**–**	–	**–**	–	**–**	–	**46**	–
Peter Gray	**212**	208	**–**	–	**–**	–	**–**	–	**–**	–	**212**	208
Myles Lee	**88**	82	**–**	–	**–**	–	**–**	–	**–**	–	**88**	82
Nancy Miller-Rich	**69**	68	**–**	–	**–**	–	**–**	–	**–**	–	**69**	68
Erik van Snippenberg[4]	**70**	17	**–**	–	**–**	–	**–**	–	**–**	–	**70**	17
Lisa Ricciardi	**69**	68	**–**	–	**–**	–	**–**	–	**–**	–	**69**	68
Philip Toomey[7]	**24**	69	**–**	–	**–**	–	**–**	–	**–**	–	**24**	69
Linda Wilding	**86**	84	**–**	–	**–**	–	**–**	–	**–**	–	**86**	84
	2,032	2,047	**71**	114	**896**	165	**758**	1,191	**266**	288	**4,023**	3,805

1 On 15 May 2018, Nigel Clerkin joined the Board as executive director.
2 Chris Corbin's salary has been converted to euro at the average rate of 0.8849 for FY2018. 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. Chris will retire at the 2020 AGM.
3 Variances in non-executive director fees are primarily related to travel allowances.
4 Erik van Snippenberg joined on 2 July 2018.
5 Peter Chambré joined on 1 February 2019.
6 Shane Cooke joined on 1 February 2019.
7 Philip Toomey retired from the Board at the 2019 AGM.

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 €590,460 (2018: €1,402,707) and in respect of pension benefits is €265,965 (2018: €398,217).

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 86 to 87.

(d) Long-term incentives: For the year ended 30 September 2019, this is the market value of the LTIP awards earned based on performance to 30 September 2019. These LTIP awards (structured as nominally priced options) were granted in December 2016 and the performance period was the three-year period from 1 October 2016 to 30 September 2019. They are subject to an additional two-year holding period, vesting in December 2021. These awards are also entitled to dividend equivalents during the vesting period. The value above only includes dividend equivalents earned to 30 September 2019.

The Committee has assessed performance for these awards and determined that 67.95% of the original award will vest at the end of the five-year vesting period. See pages 88 and 89 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 2019 (£7.78) and the exercise price per share option (€0.05) to calculate a representation of the value attributed to these options.

For the year ended 30 September 2018, this is the market value of the LTIP awards (structured as nominally priced options) that 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. The Committee reviewed actual performance relative to the performance targets in November 2018 and determined that 84% 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 each of the grant dates (being £6.79 and £6.25) 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 2018 report where in accordance with the Regulations the disclosure was based on the average share price over the quarter ended 30 September 2018 (£7.65). This gave values of €407,692 for Chris Corbin, and €1,006,191 for Brendan McAtamney. The value of dividend equivalents accrued during the period and up to the third anniversary of the grant date is also included.

(e) Pension: Please see page 90 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 2019 and detail how we intend to operate our policy with respect to each element of remuneration for the year to 30 September 2020.

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 relation to both Brendan McAtamney and Nigel Clerkin, the Committee determined that their base salaries for FY2020 will increase by 2%, consistent with the average increases awarded across the wider Group. Changes to base salary are generally effective from 1 October.

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

	1 October 2019 €'000	1 October 2018 €'000
Brendan McAtamney	**690**	676
Nigel Clerkin	**494**	485

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 2019

For the year ended 30 September 2019, the maximum bonus opportunity, as a percentage of salary, was 100% for each of Brendan McAtamney and Nigel Clerkin. The bonus opportunity for on-target performance was 70% of maximum.

The following table sets out the performance measures applied for executive directors for the year ended 30 September 2019.

	% of maximum bonus
Financial targets	
Profit	65%
Underlying Group Net Revenue Growth	5%
Cash flow	15%
	85%
Non-financial targets	15%
	100%

The performance targets were set by the Committee at the start of the financial year.

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	35.0	35.0
Stretch PBT	30.0	7.2
Underlying Group Net Revenue Growth	5.0	5.0
Group cash flow	15.0	15.0
Total bonus for financial performance	**85.0**	62.2

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 $145.8 million and if achieved, leads to a pay-out of the relevant Group basic PBT bonus. Threshold performance equates to $140.0 million or 96% of budget PBT. 20% of the potential Group PBT bonus pays out when actual PBT reaches 96% of budget, and then increases to reach 100% pay-out when 100% of Group PBT budget is achieved. No portion of basic bonus is paid where actual PBT is below threshold performance. Payment for performance between threshold and budget is on a pro-rata basis.	Reported PBT excluding currency impacts was $152.4 million. Excluding unbudgeted acquisitions and disposals gives PBT for bonus purposes of $147.3million. As the results were 1.0% above budget (or 101% of target), this resulted in 100% 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 $167.7 million.	Including the net impact of acquisitions and disposals during the year results in a PBT of $152.4million. As the results were 4.0% above the 100% threshold stretch, a bonus of 7.2% is payable.
Underlying Group Net Revenue Growth	Reported Group Revenue compared to prior year, before application of IFRS 15 and excluding (a) any revenues from acquisitions included in only one of the periods and (b) any pass-through revenues, on a constant currency basis.	Underlying Group Net Revenue growth to exceed 4%	The Committee determined that Underlying Group Net Revenue Growth exceeded 4% for the purposes of this performance target. Accordingly, this element of the bonus was achieved.

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 $112.6 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 $152.1 million being ($157.4 million operating cash flows less capex, less $5.3 million from acquisitions) exceeded the budget target of $112.6 million. Accordingly, 100% 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. 2019 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 2019 meeting.

In the case of Brendan McAtamney, personal objectives included the evaluation and acquisition of appropriate businesses that would add shareholder value, the realisation of operational synergies across the Group, the retention of key talent and succession in critical roles and initiatives relating to improving business development capability and metrics. The Committee assessed performance against these objectives and judged that a good performance had been achieved with respect to all objectives.

In relation to the evaluation and acquisition of appropriate businesses, more than 10 potential acquisitions had been thoroughly evaluated and two of these, namely Putnam Associates and Incisive Health had been delivered. In relation to operational synergies, material savings have been achieved through procurement and restructuring activities, while in relation to talent retention and succession, good progress was made in succession planning and execution particularly in the Ashfield business.

In terms of business development, improvements were made to business development capability and the introduction of key performance indicators. The Committee considered all objectives had been met and therefore recommended that the full 15% bonus allocable to personal objectives should be payable.

In the case of Nigel Clerkin, personal objectives included the evaluation and acquisition of appropriate businesses that would add shareholder value, the realisation of operational synergies across the Group, ensuring the successful implementation of certain stages of the Group's new ERP system and the retention of key finance talent. Again, the Committee assessed performance against these objectives and determined that a good performance had been achieved with respect to all objectives.

In relation to both acquisitions and operational synergies (i.e. the assessment of potential acquisition targets and savings achieved), the performance was the same as for Brendan McAtamney, while the implementation of the Group's new ERP system was on track. Finally, in relation to the retention of key talent, this was achieved during the period. The Committee, therefore determined that these objectives had been achieved and recommended that the full 15% allocable to personal objectives should be payable.

Total bonus payable

The total bonus payable is 77.2% of maximum for both Brendan McAtamney and Nigel Clerkin. The Committee considers that this level of bonus pay out is a fair reflection of the performance achieved during the year and the value created for shareholders.

Bonus for the year ending 30 September 2020

For the year ending 30 September 2020, 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 FY2019. The bonus opportunity for on-target performance will continue to be 70% of maximum.

Long Term Incentive Plan ('LTIP')

The outstanding LTIP's were granted under rules approved by shareholders in 2010. Replacement share plan rules were put forward and approved by shareholders at the AGM in January 2019. Future LTIP awards will be granted under these new rules.

Award for which the year to 30 September 2019 was the last year of the performance period

The following table sets out details in respect of the 2016 LTIP awards, for which the final year of performance was the year to 30 September 2019. Awards are subject to a two-year holding period and will be delivered to participants in December 2021.

	Targets for performance period (1 October 2016 to 30 September 2019)	Performance against targets
TSR performance (50% of award)	**TSR measured against constituents of the FTSE 250 Index** Vesting schedule for first 75% Below median = 0% At median = 25% Upper quartile = 100% Pro-rating between points Vesting schedule for final 25% 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 53rd percentile. In relation to adjusted diluted EPS growth, FY2016 EPS of €28.61 cents compounded by 5% for three-years and converted to U.S. dollars (based on an exchange rate of 0.8865 for FY2019) equals $37.35. Actual EPS for FY2019 is $48.44 and therefore exceeded the underpin. Accordingly, 35.9% of this element of the award will vest.
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 $323 million over the performance period.	The PBIT conversion rate was 100% over the three-year period, and aggregate cash generation was $422 million. Accordingly, 100% of this element of the award will vest.
Total		**67.95% of awards will vest and become exercisable in December 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 $323 million had been set. Similarly, the target of $323 million has also been adjusted in respect of disposals completed after the target level had been set.

LTIP awards made during the year to 30 September 2019

The following table sets out details of LTIP awards made during the year to 30 September 2019.

	Number of options	Date of award	Share price at date of grant £	Face value £'000	Threshold vesting %	Maximum vesting %
Brendan McAtamney	133,367	4 December 2018	6.79	905,562	25	100
Nigel Clerkin	95,550	4 December 2018	6.79	648,785	25	100

The awards in the table above are subject to performance over the three-year period to 30 September 2021. The award is then subject to a further two-year holding period and the vested portion will be delivered in December 2023. 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 each of Brendan McAtamney and Nigel Clerkin (number of options multiplied by the share price at the date of grant) equated to 150% of his base salary.

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 2018 to 30 September 2021)
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 $389.39 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 2020

As noted on page 83, Brendan McAtamney and Nigel Clerkin will participate in the FY2020 LTIP at 150% of base salary in line with current policy. This award is usually granted in December. Subject to the approval of the revised Remuneration Policy at the 2020 AGM, a balancing grant (i.e., of up to 50% of base salary) may be made to Brendan McAtamney and Nigel Clerkin in relation to FY2020 within the parameters of the revised Remuneration Policy for FY2020. Any such grant would be made at the next window for granting awards under the LTIP scheme (i.e., post release of the Group's interim results in May). Any balancing award approved following the 2020 AGM will be set at a level that the Remuneration Committee believes to be the appropriate level of award given the Group's ambitious growth plans over the next three to five years, and taking into account 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 2020 will continue to be based on the performance conditions as outlined above. It is anticipated that again, given the growth of the business in FY2019, the performance measures for awards granted in FY2020 will be more stretching than for those awards granted in FY2019, acknowledging both increased EPS and total cash generation targets and the increasing challenge of delivering strong TSR in the context of the increasing scale, complexity and geographic spread of the Group's business.

The performance period will be the three years to 30 September 2022 and awards meeting their vesting criteria will be released to participants on the fifth anniversary of their grant, following a two-year holding period.

Pensions

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 receive taxable, non-pensionable cash allowances of 25% and 20% of base salary respectively. In each case, this reflects a reduction against the pension benefits received by their predecessors as a percentage of base salary. Pension contributions for new appointments will be set in line with the rates available to the wider workforce in the executive's local market. For more information on current and future pension contributions please see page 83.

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 October 2018 to 30 September 2019, he received fees of £42,000.

Payments to former directors

Except as previously disclosed, there were no payments to former directors during the year.

Payments for loss of office

Except as previously disclosed, there were no payments for loss of office during the year.

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. As noted above, and subject to the approval of the revised Remuneration Policy at the 2020 AGM, a change is proposed that the guidelines will be increased to 200% of 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 2019.

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 2019 Share Price £	Value of Shareholding £	30 September 2019 Salary (or last applicable salary where relevant)[1]	% of base Salary[1,2]
Brendan McAtamney	115,000	7.51	863,650	€676,260	144%
Nigel Clerkin	40,000	7.51	300,400	€484,500	70%

1 Amounts have been converted to Euro at the average exchange rate for the year of 1.1309.
2 Brendan McAtamney has met the current shareholding guideline. Nigel Clerkin has achieved 70% of the current shareholding guideline as at the date of this report and has until 30 April 2023 to meet the current shareholding guideline.
3 Subject to approval of the new Remuneration Policy at the 2020 AGM, the shareholding guidelines will increase to 200% of salary from the date of such approval. Executive directors will have five years from such date to achieve the new shareholding guideline.

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 fees for their role and membership of Committees. Non-executive directors who travel to/from meetings from Europe receive an additional €500 travel allowance per trip and those travelling to/from the U.S. receive an additional €1,000 per trip. The Senior Independent non-executive Director ('SID') is also entitled to an additional fee of €10,200 per annum. With the introduction of the New Code requirements concerning workforce engagement, designated non-executive directors will, from 1 October 2019, receive an additional fee of €5,000 per annum.

Following a review of the fees of the non-executive directors and the Chairman in December 2019, a 2% increase was agreed in each case, with the exception of the Designated non-executive director ('Designated NED') fee. This increase will be effective from 1 January 2020.

Non-executive directors' fees:

	From 1 January 2020 €	From 1 January 2019 €
Basic fee (including Committee membership)	**68,979**	67,626
Chairman's fee (including basic fee)	**217,548**	213,282
Committee Chair[1]	**15,606**	15,300
SID fee	**10,404**	10,200
Designated NED fee	**5,000**	–

1 This is an additional fee payable to the Chairs of the Audit, Remuneration, and Risk, Investment & Financing Committees. 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)

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 2018	Granted during the year[1]	Exercised during the year	Lapsed during the year	At 30 September 2019	Market price at date of award	Exercise price €	Market price at date of vesting	Date of award	Vesting date	Expiry date
Chris Corbin[3]											
	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]	–	–	8,781	46,103	£5.52	0.05	n/a	03.12.15	03.12.20	02.12.22
	209,868	**–**	**–**	**–**	**201,087**						
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]	–	–	9,273	48,681	£5.52	0.05	n/a	03.12.15	03.12.20	02.12.22
	77,354[2]	–	–	12,377	64,977	£5.12	0.05	n/a	05.02.16	05.02.21	04.02.23
	122,180[4]	–	–	–	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
	–	133,367	–	–	133,367	£6.79	0.05	n/a	04.12.18	04.12.23	04.12.25
	545,478	**133,367**	**–**	**21,650**	**657,195**						
Nigel Clerkin											
	–	95,550	–	–	95,550	£6.79	0.05	n/a	04.12.18	04.12.23	04.12.25
	–	**95,550**	**–**	**–**	**95,550**						

1 Details regarding the grant of awards to directors during the year to 30 September 2019 are set out on page 89.
2 Denotes the 2015 LTIP awards. 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 As previously disclosed, as part of Chris Corbin's transition arrangements, he has received no further share awards since 2015.
4 Denotes the 2016 LTIP awards. Following a performance assessment, the Committee determined that 67.95% of the 2016 LTIP awards would vest, and accordingly 32.05% of the shares subject to their awards will lapse in due course.

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 2019 was €0.00 (2018: €0.00).

Directors' Shareholding and Share Interests (Audited) (continued)

Directors' interests in share capital (Audited)

The beneficial interests, including family interests, of the directors and Secretary in office at 30 September 2019 in the ordinary share capital of the Company are detailed below.

	30 September 2019 Ordinary shares	1 October 2018 (or date of appointment if later) Ordinary shares
Chris Brinsmead	**12,500**	12,500
Nigel Clerkin	**40,000**	40,000
Peter Chambré	**5,000**	–
Chris Corbin	**259,481**	259,481*
Shane Cooke	**–**	–
Peter Gray	**114,000**	114,000
Myles Lee	**10,000**	4,000
Brendan McAtamney	**115,000**	115,000
Nancy Miller-Rich	**–**	–
Erik van Snippenberg	**7,500**	–
Lisa Ricciardi	**22,745**	16,000
Linda Wilding	**19,304**	19,304
Damien Moynagh (Company Secretary)	**–**	–

* Updated for RNS filings in 2018.

There were no other changes in the above directors and Secretary's interests between 30 September 2019 and 2 December 2019. 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 2019 AGM in respect of the Directors' Remuneration Report and the actual votes at the 2017 AGM in relation to the Directors' Remuneration Policy.

Directors' Remuneration Report	For	Against	Withheld[1]
Number of votes (millions)	148.7	0.8	0.11
Percentage %	99.4	0.6	–

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.

External advisors

The Committee seeks and considers advice from independent remuneration advisors where appropriate. In 2012, 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 2019, fees payable to Deloitte in respect of services which materially assisted the Committee amounted to £28,750 and included advice in relation to the revised Remuneration Policy which shareholders will be asked to approve at the 2020 AGM. 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 relating to share plans. The Committee is satisfied that the provision of these services does not constitute a conflict of interest.

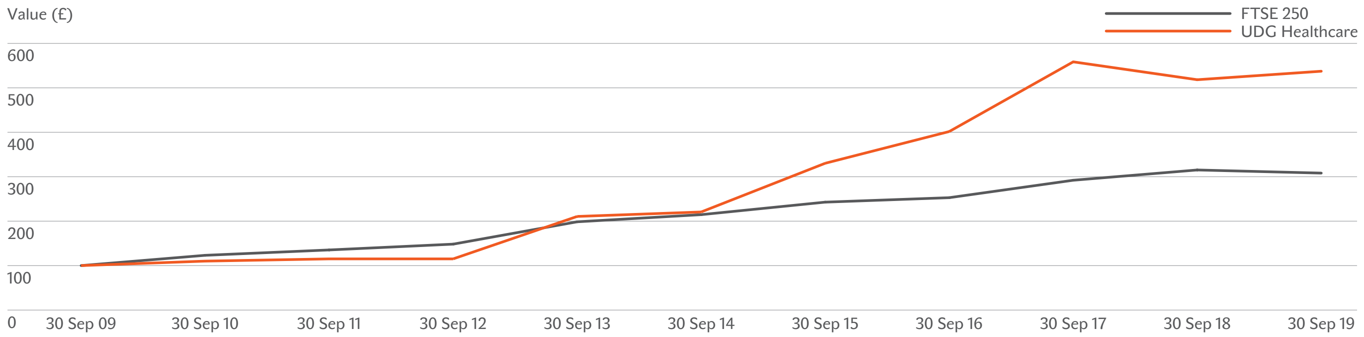
Performance graph and table

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
2019	Brendan McAtamney	2,165	77.2%	68%
2018	Brendan McAtamney	1,845	18.0%	84.0%
2017	Brendan McAtamney	2,306	75.0%	100%
2016[1]	Brendan McAtamney	1,265	74.0%	100%
2016	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]

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 88 and 89. 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 former employee share option scheme. 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 2019.



This graph shows the value of £100 invested in UDG Healthcare plc on 30 September 2009 compared with the value of £100 invested in the FTSE 250. Values at each year-end date are calculated on a three-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 2019 are set out below.

	2019 Total %
Chief Executive[1]	17.3%
Average employee[2]	7.9%

1 A high proportion of the Chief Executive's remuneration is variable. In FY2018, total bonus payable to the Chief Executive was 18% of the maximum, compared with a figure of 77.2% of maximum total bonus in FY2019.
2 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.

Performance graph and table (continued)

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 2018 and 2019.

	2019 $'000	2018 $'000	Change
Adjusted profit before tax (IAS 18)	**150,261**	138,815	8.2%
Dividends	**40,325**	34,705	16.2%
Overall expenditure on pay	**639,951**	633,884	1.0%

Directors' Remuneration Policy Report

The Directors' Remuneration Policy Report (the Policy) was last approved by shareholders on 7 February 2017 with 98.4% of shareholders voting in favour of the resolution. It has therefore been three years since the Policy was submitted to shareholders and in accordance with the remuneration reporting regulations will be re-submitted for approval at the AGM on 28 January 2020.

This revised Policy will apply from this date. As UDG Healthcare is an Irish incorporated company the report will be subject to an advisory rather than binding vote.

As discussed in the statement from the Remuneration Committee Chair, the key changes between this Policy and the policy that was approved by shareholders at the 2017 AGM are as follows:

- Shareholding guidelines will be increased from 100% of salary to 200% of salary;
- The maximum LTIP opportunity will be increased from 150% of salary to 200% of salary. As a consequence, the maximum variable opportunity on recruitment has also increased by 50% of salary; and
- Pension contribution levels for any new executive director will be in line with the wider workforce in the relevant local market.

The following table sets out a discussion of each element of the remuneration package for directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Salary	Sufficient to attract and retain individuals of the necessary calibre to execute our business strategy by ensuring base salaries are competitive in the market in which the individual is employed.	Reviewed annually. Changes are generally effective from 1 October. The review takes into consideration the scope and responsibilities of the role, the performance and experience of the individual, overall business performance, increases in the size and complexity of the Group and potential retention issues.	The principal external comparator groups against which executive directors' reward is currently reviewed include the FTSE 250. There is no maximum salary. Any salary increases will have regard to increases awarded to the overall employee population, the rate of underlying inflation, and general market conditions as well as reflecting changes in scope of role and responsibilities.	Individual and business performances are considered in setting base salary.
Benefits	Provide competitive benefits within the market in which the individual is employed.	Benefits typically include death, disability and medical insurance, club subscriptions, the provision of a company car or cash allowances taken in lieu of such benefits. In the case of recruitment, benefits may include relocation allowances or other benefits which are considered necessary to facilitate recruitment in line with our recruitment remuneration policy.	There is no maximum benefit value. Benefit entitlements are reviewed periodically.	Not performance related.
Pension	Designed to provide market competitive pension arrangements sufficient to attract and retain individuals of the necessary calibre to execute our business strategy and to honour legacy arrangements.	Current Irish resident executive directors receive a cash allowance in lieu of participation in a pension scheme.	Maximum levels of contributions for any new executive director will be in line with the rates available to the wider workforce in the executive's local market. Legacy arrangements for individuals are honoured and details are provided in the Annual Remuneration Report.	Related to salary.

Directors' Remuneration Policy Report (continued)

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Annual bonus	Rewards the achievement of annual financial and strategic business targets and individual performance.	Annual bonus performance measures and weightings for each executive director are reviewed at the start of each financial year to ensure they continue to support the achievement of the business strategy and represent appropriately stretching financial and non-financial targets. Pay-outs are determined by the Committee based on actual performance against the targets set at the start of the financial year. The Committee has discretion to determine appropriate bonus entitlement on cessation of employment. Bonus amounts will be based on the circumstances of the termination, the portion of the financial year elapsed and performance against targets and of the individual and other relevant factors.	Maximum bonus opportunity for all executive directors is currently set at 100% of base salary.	Performance is measured against clearly defined objectives set by the Committee. At least 75% of the maximum bonus opportunity is based on financial goals. The remainder may be based on achievement of personal and strategic goals. For financial performance, up to 10% of salary is available at threshold performance. For non-financial targets, the minimum level of performance equates to zero bonus pay-out.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
LTIP	Designed to incentivise execution of the business strategy over the longer term and align executives with shareholders' interests by rewarding sustained increase in shareholder value and strong long-term financial performance.	Awards are normally made annually by the Committee following the release of full-year financial results. Performance targets are set at the time of award based on: (i) delivering long-term stretching financial performance aligned with strategic plans; and (ii) delivering long-term superior returns (relative to an appropriate peer group) to shareholders. Performance is normally assessed over three financial years. The vesting period for awards is three years and a post-vesting holding period of two years will normally apply resulting in a five-year time horizon. Dividends or dividend equivalents may be paid. The Committee has discretion to determine appropriate entitlement to unvested LTIP awards on cessation of employment. Typically, pro-rating for time served will apply and performance will be tested at the end of the performance period as part of the normal process. The LTIP scheme rules contain provisions in relation to change of control. In such a scenario, the Committee has discretion to allow outstanding awards to vest to the extent that performance targets have been met. Time pro-rating will generally also be applied.	Under the scheme rules, the maximum value of awards in respect of any one year is limited to 200% of base salary for each individual.	Up to half of any award may be based on a share price based measure (e.g. TSR) and up to half of any award may be based on a financial measure (e.g. cashflow). The Committee retains discretion to introduce measures (e.g. strategic or returns-based) for future awards which will account for no more than one third of the award.

Shareholding guidelines
The Company operates a shareholding guideline, subject to approval of the revised Remuneration Policy at the 2020 AGM, executive directors will generally be expected to build and maintain a shareholding of 200% of base salary. New executives have a period of time, being five years from joining or the date of any change in shareholding guideline, whichever is the later, in which to achieve this target. Our post-cessation shareholding guideline policy is to rely on our existing leaver provisions for subsisting share awards, together with the operation of a two-year post-vesting holding period for LTIP awards.

Notes to Future Policy Table
LTIP limits and recovery provisions (clawback and malus)
The LTIP scheme rules provide for the granting of awards, up to a maximum of 10% of the company's issued share capital over a ten-year period, taking account of any other share scheme operated by the Company. Recovery provisions (clawback and malus) apply to awards granted from 1 October 2019 onwards (provisions applying to previous awards are described in the previous policy). LTIP awards maybe reduced, cancelled or clawed back at any time prior to the fifth anniversary of grant. Recovery provisions may be applied in the event of material misstatement of results in respect of a year in the performance period, factual error in calculating vesting or award grants, reputational damage, serious misconduct and other similar events.

Annual bonus arrangements and recovery provisions (clawback and malus)
In relation to annual bonuses, clawback provisions apply in the event that within three years of payment the basis upon which a bonus payment was determined or paid, is shown to be manifestly misstated.

Notes to Future Policy Table (continued)

Legacy awards

For the avoidance of doubt, the Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 4 February 2014 (the date the company's first shareholder-approved directors' remuneration policy came into effect); or (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or were otherwise approved by shareholders; or (iii) at a time when the relevant individual was not a director of the company (or other person to whom this policy applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the company (or such persons). For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted. This policy applies equally to any individual who is required to be treated as a director under the applicable regulations.

Choice of performance measures

The Committee believes the choice of performance measures for the annual bonus and LTIP represent an appropriate balance between the short and long term focus of the Group's business strategy, as well as an appropriate balance between external and internal assessments of performance.

Differences in Policy

Remuneration arrangements throughout the Group are based on the principle that reward should support the business strategy and should be sufficient to attract and retain individuals of the calibre capable of executing that strategy, without paying more than is necessary.

The Group is an international organisation with employees at different levels of seniority in a number of different countries. Accordingly, the manner in which the above principle is implemented varies by level of employee and geography in which the employee is located.

The practice with regard to the remuneration of senior executives immediately below the level of executive director is consistent with the remuneration policy for executive directors. These executives all have a significant portion of their remuneration package linked to performance. Their financial and non-financial performance targets for annual bonus are cascaded from the targets for the executive directors. They are also eligible to participate either in the LTIP or other similar long-term incentive plans.

Other senior managers are entitled to participate in appropriate multi-year incentive arrangements and also participate in local bonus plans with performance targets aligned with those of executive directors and senior executives. For employees in general, the Group aims to provide remuneration packages that are market-competitive in the employee's country of employment. Where practical, the structure of employees' remuneration cascades from that of executives and senior management.

Discretion

The Committee has retained the discretionary ability to adjust the value of an award under the annual bonus and LTIP schemes, if the award, in the Committee's opinion taking all circumstances into consideration, produces an unfair result. In exercising this discretion, the Committee may take into consideration the individual's or the Group's performance against non-financial measures.

Considerations of conditions elsewhere in the Group

The Committee does not directly consult with employees when formulating executive director pay policy. However, the Committee does take into consideration information on pay arrangements for the wider employee population when determining the pay of executive directors. In particular, it will take into account any relevant views communicated by the Designated NEDs now responsible for engaging with the wider workforce under new initiatives established following the introduction of the New Code and as more fully described at page 69.

Shareholder considerations

The Company has met with a number of its largest shareholders during 2019 (and offered to meet with others), is committed to ongoing dialogue with shareholders and welcomes feedback on directors' remuneration. We continue to incorporate market developments and shareholder expectations within our remuneration frameworks.

In particular, the Company has undertaken a consultation process with its largest shareholders and shareholder adviser groups in connection with the development and finalisation of the revised Policy.

Remuneration Policy for Non-executive Directors

Non-executive directors are not eligible to participate in the annual bonus plan or LTIP and do not receive any benefits other than fees in respect of their services to the company. The company reimburses the non-executives for reasonable expenses in performing their duties and may settle any tax incurred in relation to these.

Non-executive directors receive a basic fee which covers their Board role and membership of one or more Board Committees. Additional fees are paid for chairing the Board and for chairing a Committee, but only one such fee can be received by any one individual. A separate fee is paid for acting as Senior Independent Director or for acting as a Designated NED. An additional modest travel allowance is paid to directors travelling to and from Europe, and to and from the U.S., for each meeting attended in person.

Policy on payment for loss of office

The Company operates the following policy in respect of payments concerning loss of office:

- notice periods do not exceed 12 months;
- termination payments are negotiable but restricted to a maximum of 12 months' salary and other contractual benefits;
- the Committee has discretion to determine appropriate bonus amounts and LTIP vesting. Bonus amounts will be determined based on time spent and the performance of the individual whilst fulfilling the duties of the role. Typically, for LTIP awards, pro-rating for time served will apply and performance will be tested at the end of the performance period as part of the normal process; and
- in any exit payment scenario, the Committee will give due consideration to the circumstances under which the director's employment terminated.

Approach to recruitment remuneration

In the event of appointing a new executive director, the Committee will align the remuneration package of the new director with the policy set out in this Report. However, the Committee retains the discretion to propose remuneration arrangements on hiring a new executive director which are outside the policy set out in the future policy table in order to facilitate the hiring of an individual of the calibre required to deliver the Group's business strategy. The intention is to stay within limits on variable pay as set out within the future policy table. However, in any event, the maximum level of variable remuneration (i.e. bonus and long-term incentive) which may be granted in these circumstances shall not exceed 350% of salary.

When determining the appropriate remuneration arrangements for a new executive director, the Committee will take account of the impact on existing remuneration arrangements for other executive directors when setting the type and quantum of remuneration being offered. The Committee may make awards on hiring an external candidate to compensate the individual for variable remuneration arrangements that will be forfeited on leaving their previous employer. In doing so, the Committee will take into consideration such factors as performance conditions, vesting schedules and the form of the awards being forfeited. To the extent possible, buy-out awards will be made on a basis that closely approximates the benefit that the new director could reasonably have expected to receive had they remained with their previous employer.

Service contracts

Brendan McAtamney and Nigel Clerkin's service contracts can be terminated by either party giving 12 months' notice. The company has retained the right to make payment to the director in respect of salary and other contractual entitlements in lieu of the notice period.

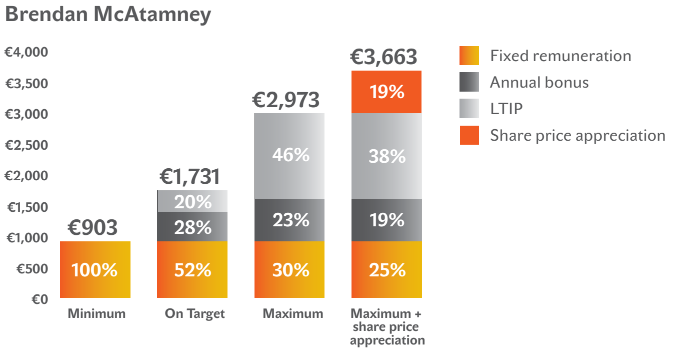
Non-executive directors' Letters of Appointment

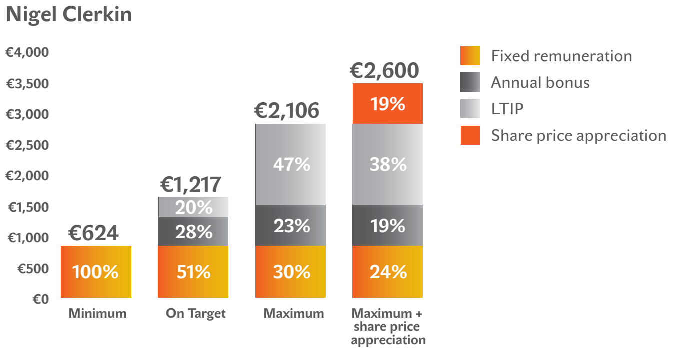
The terms of engagement of non-executive directors are set out in Letters of Appointment. Non-executive directors are currently appointed for an initial three-year term subject to satisfactory performance and annual re-election by shareholders at Annual General Meetings. The appointment can be terminated by either party on giving one month's notice.

Remuneration scenarios

The section below shows hypothetical values of the remuneration package for executive directors under four assumed performance scenarios and has been constructed based on the Remuneration Policy as set out in this Report and uses the same level of salary, benefits and pensions entitlement of each of the executive directors as at 1 October 2019 under all four of the scenarios.

- Minimum remuneration receivable – There is no annual bonus payment and no vesting under the LTIP.
- Remuneration for expected performance – There is a target bonus pay-out of 70% of base salary. There is target vesting under the LTIP of 25% of the maximum award.
- Maximum remuneration receivable – There is a maximum bonus pay-out of 100% of base salary for each executive director and maximum vesting of 200% of base salary for Brendan McAtamney and Nigel Clerkin.
- Maximum remuneration receivable and 50% share price appreciation – As per 'Maximum remuneration receivable' with an assumed share price appreciation of 50%.
- The actual amounts earned by executive directors under the above scenarios will depend on share price performance over the vesting period.





Report of the Directors

The directors present their report and audited financial statements for the year ended 30 September 2019.

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, our Non-Financial Reporting Statement is set out on page 53.

Dividends
An interim dividend of $4.46 cent (2018: $4.25 cent) per share was paid on 26 June 2019. Subject to shareholder approval at the company's AGM, it is proposed to pay a final dividend of $12.34 cent (2018: $11.75 cent) per share on 5 February 2020, to ordinary shareholders on the Company's register at 5.00 p.m. on 10 January 2020, thereby giving a total dividend for the year of $16.8 cent (2018: $16.00 cent) per share.

Board of directors
Peter Chambré and Shane Cooke were appointed as non-executive directors on 1 February 2019. Details of the Board and Committee composition are set out on pages 60 and 61.

In accordance with the recommendation contained in the 2016 U.K. 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 2019, the Company's shares were listed solely on the London Stock Exchange. The price of the Company's shares ranged between £5.51 and £8.21 with an average price of £6.71 during the year ended 30 September 2019. The share price at the end of the 2019 financial year was £7.51 and the market capitalisation of the Group was £1.87 billion.

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

	At 22 November 2019[1]		At 30 September 2019	
	Number of ordinary shares	of issued share capital (excluding treasury shares)	Number of ordinary shares	of issued share capital (excluding treasury shares)
Allianz Global Investors GmbH	24,990,366	10.02%	24,054,314	9.65%
Kabouter Management	12,439,856	4.99%	14,236,063	5.71%
BlackRock Inc	12,311,708	4.94%	11,166,546	4.48%
The Vanguard Group, Inc	9,726,817	3.90%	9,118,911	3.66%
Fidelity Management & Research	8,063,190	3.23%	8,708,837	3.49%

1 22 November is the last practicable date to verify interests before printing this report. Figures adjusted for Form TR1 (notification of major holdings) releases by Allianz and Kabouter on 25 November 2019.

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 2019, 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 2020 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 2021 or the date 15 months after this forthcoming AGM, whichever is the earlier.

Purchase of own shares
At the AGM held on 29 January 2019, 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 2020 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 2021 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 2020 will be subject to shareholder approval at the AGM to be held on 29 January 2020.

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 2020. 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.

Corporate Governance
UDG Healthcare plc is an Irish registered company and is therefore not subject to the disclosure requirements contained in the U.K. 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 17 and the Group's sustainability policies and activities are summarised on pages 52 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 U.K. 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 2019 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 U.K. 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 6 to 45.
Results	Financial Statements – pages 110 to 186.
Corporate Governance	Corporate Governance Report – pages 62 to 99.
Directors' remuneration, including the interests of the directors and secretary in the share capital of the company	Directors' Remuneration Report – pages 81 to 99.
Principal Risks and Uncertainties	Principal Risks and Uncertainties – pages 49 to 51.
Key Performance Indicators	Key Performance Indicators – pages 18 to 21.
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 112; and Financial Statements – Notes 18, 20 and 21.
Long Term Incentive Plan, share options and equity settled incentive schemes	Directors' Remuneration Report – pages 81 to 99.
Events after the balance sheet date	Financial Statements – Note 36
Significant subsidiary undertakings	Financial Statements – Note 45

The Directors' Report for the year ended 30 September 2019 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

2 December 2019

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 2019, 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, the Company Cash Flow Statement and the Notes forming part of the Group and Company 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 2019 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 2019;
- 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 13 (2018: 11) components and audit procedures on specific balances for a further 45 (2018: 44) components. • The components where we performed full or specific audit procedures accounted for 90% (2018: 85%) of Group Profit before tax before non-recurring exceptional items, 95% (2018: 87%) of Revenue and 97% (2018: 96%) of Total assets.
Materiality	• Overall Group materiality of $4.85 million which represents 5% of Group Profit before tax before non-recurring exceptional items. In our prior year audit, we adopted a materiality of $5.3 million based on 5% of Profit before tax before exceptional items.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. There were no changes in key audit matters from our prior year auditor's report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Assessment of the carrying value of goodwill (2019: $547.5 million, 2018: $516.0 million) Refer to the Audit Committee Report (page 75); Accounting policies (page 115); and Note 13 of the Group Financial Statements (page 137). The impairment review of goodwill, with a carrying value of $547.5 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, focusing in particular on the additional disclosures provided in respect of the Ashfield Commercial & Clinical UK CGU which was identified as being sensitive to changes in key assumptions.	Our observations included the headroom level by CGU and movements in headroom over the prior year, 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 (2019: $1,298.5 million, 2018: $1,315.2 million) Refer to the Audit Committee Report (page 75); Accounting policies (page 115); and Notes 3 and 34 of the Group Financial Statements (pages 126 and 166 respectively). 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. The Group adopted IFRS 15 *Revenue from Contracts with Customers* on 1 October 2018.	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 recognised 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 judgements made by management. We examined the additional revenue disclosures under IFRS 15 as set out in Note 3 of the Group Financial Statements, as well as the disclosures related to the Group's adoption of IFRS 15, as set out in Note 34.	Our observations included an outline of the range of audit procedures performed, the key judgements involved, the principal considerations arising from IFRS 15 adoption 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.

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 $4.85 million, which is approximately 5% of Profit before tax before non-recurring exceptional items. In our prior year audit, we adopted a materiality of $5.3 million based on 5% of Profit before tax before exceptional items. 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, adjusted for recurring 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 amended it 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 $2.43 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 $243,000, 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 149 (2018: 158) reporting components of the Group, we selected 58 (2018: 55) components covering entities within Austria, Belgium, Canada, Germany, Japan, the Netherlands, Portugal, Spain, Turkey, the U.K. and the U.S., which represent the principal business units within the Group.

Of the 58 (2018: 55) components selected, we performed an audit of the complete financial information of 13 (2018: 11) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 45 (2018: 44) 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.

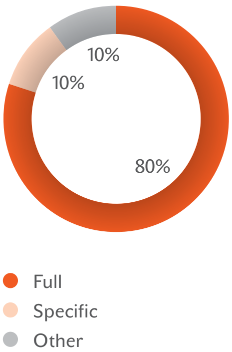
The reporting components where we performed audit procedures accounted for 90% (2018: 85%) of the Group's Profit before tax before non-recurring exceptional items, 95% (2018: 87%) of the Group's Revenue and 97% (2018: 96%) of the Group's Total assets. For the current year, the full scope components contributed 80% (2018: 80%) of the Group's Profit before tax before non-recurring exceptional items, 72% (2018: 65%) of the Group's Revenue and 42% (2018: 43%) of the Group's Total assets. The specific scope component contributed 10% (2018:

5%) of the Group's Profit before tax before non-recurring exceptional items, 23% (2018: 22%) of the Group's Revenue and 55% (2018: 53%) 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.

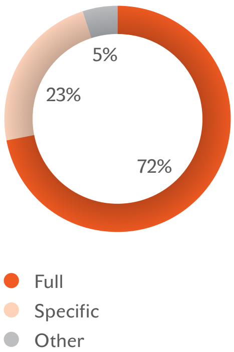
Of the remaining 91 (2018: 103) components that together represent 10% (2018: 15%) of the Group's Profit before tax before non-recurring exceptional items, none are individually greater than 2% (2018: 6%) of the Group's Profit before tax before non-recurring exceptional items. For these components, we 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.

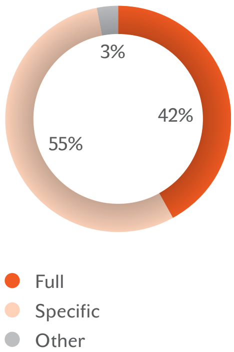
PBT before exceptional items



Revenue



Total assets



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 13 (2018: 11) full scope components, audit procedures were performed on 1 (2018: 1) of these directly by the primary audit team and on 12 (2018: 10) by component audit teams. For the 47 (2018: 43) 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 U.S. and Germany. 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 48 to 51 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 47 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 47 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
- the directors' explanation set out on page 47 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 102, 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 noncompliance 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 third 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
2 December 2019

Group Income Statement
for the year ended 30 September 2019

	Note	2019 Pre-exceptional items $'000	2019 Exceptional items (Note 9) $'000	2019 Total $'000	2018 Pre-exceptional items $'000	2018 Exceptional items (Note 9) $'000	2018 Total $'000
Revenue	3	1,298,523	–	1,298,523	1,315,186	–	1,315,186
Cost of sales		(920,010)	(7,372)	(927,382)	(927,877)	(5,706)	(933,583)
Gross profit		378,513	(7,372)	371,141	387,309	(5,706)	381,603
Selling and distribution expenses		(193,856)	–	(193,856)	(217,475)	(11,042)	(228,517)
Administrative expenses		(21,840)	(1,050)	(22,890)	(17,250)	(1,214)	(18,464)
Other operating expenses		(40,414)	(33,631)	(74,045)	(37,037)	(99,550)	(136,587)
Other operating income		–	–	–	–	8,882	8,882
Transaction costs	29	(2,136)	–	(2,136)	(2,374)	–	(2,374)
Share of joint ventures' profit after tax	15	50	–	50	958	–	958
Operating profit	5	120,317	(42,053)	78,264	114,131	(108,630)	5,501
Finance income	6	16,171	4,143	20,314	5,235	11,576	16,811
Finance expense	6	(24,301)	–	(24,301)	(13,926)	–	(13,926)
Profit before tax		112,187	(37,910)	74,277	105,440	(97,054)	8,386
Income tax expense	8	(20,951)	4,165	(16,786)	(15,792)	11,263	(4,529)
Profit for the financial year		91,236	(33,745)	57,491	89,648	(85,791)	3,857
Profit attributable to:							
Owners of the parent		91,196	(33,745)	57,451	89,586	(85,791)	3,795
Non-controlling interests	23	40	–	40	62	–	62
		91,236	(33,745)	57,491	89,648	(85,791)	3,857
Earnings per share							
Basic earnings per share – cent	11			23.06c			1.53c
Diluted earnings per share – cent	11			22.92c			1.52c

Group Statement of Comprehensive Income
for the year ended 30 September 2019

	Note		2019 $'000		2018 $'000
Profit for the financial year			57,491		3,857
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Remeasurement (loss)/gain on Group defined benefit schemes	30		(3,905)		2,422
Deferred tax on Group defined benefit schemes:	28				
– Pre-exceptional item		846		(187)	
– Exceptional item		–		408	
			846		221
			(3,059)		2,643
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment			(16,675)		(5,466)
Reclassification on loss of control of subsidiary undertakings	21		–		33,383
Group cash flow hedges:					
– Effective portion of cash flow hedges – movement into reserve		21,637		(433)	
– Effective portion of cash flow hedges – movement out of reserve		(12,414)		(3,032)	
Effective portion of cash flow hedges:	21		9,223		(3,465)
– Movement in deferred tax – movement into reserve		(2,704)		54	
– Movement in deferred tax – movement out of reserve		1,551		379	
Net movement in deferred tax	28		(1,153)		433
			(8,605)		24,885
Total other comprehensive (expense)/income			(11,664)		27,528
Total comprehensive income for the financial year			45,827		31,385
Total comprehensive income attributable to:					
Owners of the parent			45,791		31,323
Non-controlling interests			36		62
			45,827		31,385

Group Statement of Changes in Equity
for the year ended 30 September 2019

	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 2018	**14,643**	**197,837**	**(135,955)**	**808,647**	**885,172**	**171**	**885,343**
Change in accounting policy (Note 34)	–	–	–	**3,822**	**3,822**	–	**3,822**
Restated total equity at the beginning of the financial year	**14,643**	**197,837**	**(135,955)**	**812,469**	**888,994**	**171**	**889,165**
Profit for the financial year	–	–	–	**57,451**	**57,451**	**40**	**57,491**
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	–	–	**9,223**	–	**9,223**	–	**9,223**
Deferred tax on cash flow hedges	–	–	**(1,153)**	–	**(1,153)**	–	**(1,153)**
Translation adjustment	–	–	**(16,671)**	–	**(16,671)**	**(4)**	**(16,675)**
Remeasurement loss on defined benefit schemes	–	–	–	**(3,905)**	**(3,905)**	–	**(3,905)**
Deferred tax on defined benefit schemes	–	–	–	**846**	**846**	–	**846**
Total comprehensive (expense)/income for the year	–	–	**(8,601)**	**54,392**	**45,791**	**36**	**45,827**
Transactions with shareholders:							
New shares issued	**35**	**1,141**	–	–	**1,176**	–	**1,176**
Share-based payment expense	–	–	**4,720**	–	**4,720**	–	**4,720**
Dividends paid to equity holders	–	–	–	**(40,325)**	**(40,325)**	–	**(40,325)**
Release from share-based payment reserve	–	–	**(2,923)**	**2,923**	–	–	–
At 30 September 2019	**14,678**	**198,978**	**(142,759)**	**829,459**	**900,356**	**207**	**900,563**

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

Group Balance Sheet
as at 30 September 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Non-current			
Property, plant and equipment	12	**176,305**	179,593
Goodwill	13	**547,520**	515,954
Intangible assets	14	**241,615**	241,538
Investment in joint ventures	15	**10,216**	9,729
Contract fulfilment assets	3	**5,327**	–
Derivative financial instruments	31	**15,395**	330
Deferred income tax assets	28	**5,178**	5,272
Employee benefits	30	**7,636**	12,935
Total non-current assets		**1,009,192**	965,351
Current			
Inventories	16	**25,253**	31,248
Trade and other receivables	17	**370,350**	347,192
Contract fulfilment assets	3	**5,315**	–
Cash and cash equivalents		**135,228**	180,099
Current income tax assets		**4,385**	793
Derivative financial instruments	31	**8,878**	2,474
Total current assets		**549,409**	561,806
Total assets		**1,558,601**	1,527,157
EQUITY			
Equity share capital	18	**14,678**	14,643
Share premium	20	**198,978**	197,837
Other reserves	21	**(142,759)**	(135,955)
Retained earnings	22	**829,459**	808,647
Equity attributable to owners of the parent		**900,356**	885,172
Non-controlling interests	23	**207**	171
Total equity		**900,563**	885,343
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	24	**174,734**	243,099
Other payables	25	**23,853**	5,451
Provisions	26	**74,193**	68,900
Deferred income tax liabilities	28	**39,263**	45,225
Derivative financial instruments	31	**–**	319
Total non-current liabilities		**312,043**	362,994
Current			
Interest-bearing loans and borrowings	24	**65,297**	272
Trade and other payables	25	**246,685**	225,526
Current income tax liabilities		**14,380**	13,477
Provisions	26	**19,633**	39,545
Total current liabilities		**345,995**	278,820
Total liabilities		**658,038**	641,814
Total equity and liabilities		**1,558,601**	1,527,157

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Group Cash Flow Statement
for the year ended 30 September 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before tax		**74,277**	8,386
Finance income	6	**(16,171)**	(5,235)
Finance expense	6	**24,301**	13,926
Exceptional items	9	**37,910**	97,054
Operating profit		**120,317**	114,131
Share of joint ventures' profit after tax	15	**(50)**	(958)
Transaction costs		**2,136**	2,374
Depreciation charge	12	**23,130**	24,477
Profit on disposal of property, plant and equipment		**(571)**	(340)
Amortisation of intangible assets	14	**40,414**	37,037
Share-based payment expense	30	**4,400**	5,069
Increase in contract fulfilment assets		**(3,786)**	–
(Increase)/decrease in inventories		**(6,989)**	4,529
Increase in trade and other receivables		**(5,814)**	(53,361)
Increase/(decrease) in trade payables, provisions and other payables		**23,105**	(1,518)
Exceptional items (paid)/received		**(29,267)**	4,228
Transaction costs paid		**(2,534)**	(5,363)
Cash generated from operations		**164,491**	130,305
Interest paid		**(9,910)**	(9,682)
Income taxes paid		**(25,329)**	(18,107)
Net cash inflow from operating activities		**129,252**	102,516
Cash flows from investing activities			
Interest received		**2,209**	1,662
Purchase of property, plant and equipment		**(27,016)**	(39,580)
Proceeds from disposal of property, plant and equipment		**852**	986
Investment in intangible assets – computer software		**(12,475)**	(21,047)
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	29	**(69,078)**	(33,479)
Deferred consideration paid		**(24,333)**	–
Deferred contingent consideration paid	26	**(812)**	(5,911)
Disposal of subsidiary undertakings (net of cash and cash equivalents disposed)		**–**	21,046
Net cash outflow from investing activities		**(130,653)**	(76,323)
Cash flows from financing activities			
Proceeds from issue of shares (including share premium thereon)		**1,176**	1,364
Repayments of interest-bearing loans and borrowings	31	**(1,859)**	(2,118)
Proceeds from interest-bearing loans and borrowings	31	**1,928**	2,507
Repayment of finance leases	31	**(5)**	(111)
Dividends paid to equity holders of the company		**(40,325)**	(34,705)
Net cash outflow from financing activities		**(39,085)**	(33,063)
Net decrease in cash and cash equivalents		**(40,486)**	(6,870)
Translation adjustment		**(4,385)**	(500)
Cash and cash equivalents at beginning of year		**180,099**	187,469
Cash and cash equivalents at end of year		**135,228**	180,099
Cash and cash equivalents is comprised of:			
Cash at bank and short-term deposits		**135,228**	180,099

Notes forming part of the Group Financial Statements

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 2019 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 E.U. 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 E.U. 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 U.S. 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 E.U. 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 (Note 2).

The parent company's financial statements included on pages 172 to 180 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 Group adopted the following amendments to IFRS with effect from 1 October 2018:
- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers';
- Amendments to IFRS 2, 'Share based payments' – Classification and measurement;
- Amendments to IAS 40, 'Investment property' – Transfer of property;
- IFRIC 22, 'Foreign currency transactions and advance consideration'; and
- Annual improvements to IFRS standards 2014 – 2016 cycle.

The impacts of adopting IFRS 9 and IFRS 15 are described further in Note 34. Other amendments to IFRS that became effective in the period did not have a material effect on the Group accounting policies and the Group or Company financial statements.

Standards and Interpretations Issued and Amended but Not Yet Effective or Early Adopted

IFRS 16 Leases (E.U. Endorsed)

IFRS 16 is effective for the Group for the financial year beginning 1 October 2019 and is expected to have a material impact on the consolidated financial statements. Further details regarding the expected impact of adopting this standard are outlined in Note 35.

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.

1. Significant Accounting Policies (continued)

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.

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.

Investment in Subsidiary Undertakings

Investment in subsidiaries in the Company Financial Statements are stated at cost less any accumulated impairment and are reviewed for impairment if there are any indicators that the carrying value may not be recoverable.

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.

1. Significant Accounting Policies (continued)

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 acquiree 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 of Non-Financial Assets

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.

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.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 U.S. dollars at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to U.S. 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 is recognised for identified contracts with customers. The Group's revenue is derived from providing expert outsourcing services to healthcare companies through contract packaging services in the Sharp division, commercial and clinical outsourced services in Ashfield, and advisory and communications services in Ashfield. Revenue comprises the fair value of the consideration receivable for goods and services sold to third party customers in the ordinary course of business. It excludes sales-based taxes and is net of allowances for volume-based rebates and early settlement discounts.

It is the Group's policy and customary business practice to receive a valid order from the customer in which each parties' rights and payment terms are established. The Group assesses revenue contracts to determine the transaction price and performance obligations to be delivered to customers under contract. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling price. The Group's contracts with customers generally include a single performance obligation and do not contain multiple performance obligations or bundled pricing arrangements.

If the consideration in a revenue contract includes a variable amount (including volume rebates), the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. Accumulated experience is used to estimate and provide for discounts and rebates, using the most likely amount estimation method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. In some of the Group's revenue contracts, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Group recognises revenue as the amount of the transaction price expected to be received for goods and services supplied at a point in time or over time as the contractual performance obligations are satisfied and control passes to the customer. 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. Revenue is recognised over time where (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. Other revenue contracts are recognised at a point in time when control of the good or service transfers to the customer.

Where the contractual performance obligations are satisfied over time and revenue is recognised over time, the Group recognises revenue by reference to the estimated stage of completion of the performance obligations. The primary method of estimating stage of completion of over time revenue contracts is the input method of cost incurred to date over the estimated total cost to complete the revenue contract. Estimates of revenues, costs and stage of completion during the performance of a contract are revised where circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known. Where performance obligations are satisfied at a point in time, revenue is recognised when the risks and rewards of ownership have transferred to the customer. This is at the point where the product is delivered to the customer and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

In certain of the Group's contracts where another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. In circumstances where the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and revenue is recognised at the net amount that it retains for its agency services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services disclosed in Note 3.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2. The following contract balances relate to revenue recognition.

Contract assets: A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are presented within trade and other receivables on the Group Balance Sheet. Amounts previously classified as accrued income are now classified as contract assets.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities are presented within trade and other payables on the Group Balance Sheet. Amounts previously classified as deferred income are now classified as contract liabilities.

Contract fulfilment assets: For certain contracts, the Group incurs costs necessary to fulfil obligations under a contract once it is obtained but before transferring goods or services to the customer. Costs to fulfil a contract are recognised on the Group Balance Sheet where the costs relate directly to a contract, generate or enhance Group resources that will be used in satisfying future performance obligations, and the costs are expected to be recovered. Contract fulfilment assets are amortised to cost of sales on a systematic basis, consistent with the pattern of transfer of the goods or services to which the asset relates.

Accounting policy applied before 1 October 2018

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 measured 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.

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.

1. Significant Accounting Policies (continued)

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 in 2018, 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.

The Group recognises a provision for impairment for trade receivables by applying the simplified approach permitted by IFRS 9 to apply a lifetime expected credit loss provision for trade receivables. Impairment losses on trade and other receivables are recognised in profit or loss. The approach to measuring the provision for impairment of trade receivables is outlined in Note 17.

Accounting policy applied before 1 October 2018

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
Trade receivables and debt instruments issued are initially recognised when they are originated. All other financial instruments are recognised when the Group becomes a party to the contractual provisions. Financial assets and financial liabilities are initially recognised at fair value. For financial instruments that are not measured at fair value through profit or loss, transaction costs are included in the initial measurement of the financial asset or financial liability.

Financial assets are classified as measured at:
- Amortised cost;
- Fair value through profit or loss (P&L); or
- Fair value through other comprehensive income (OCI).

Financial assets are classified based on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are only reclassified between categories where there has been a change in the business model for managing those assets. Financial assets are derecognised when the Group's contractual rights to cash flows from the financial assets are extinguished, expire or transfer to a third party.

Financial liabilities are classified as measured at:
- Amortised cost; or
- Fair value through P&L.

Financial liabilities are derecognised when the Group's obligations in the contracts are discharged, expire or are terminated. Where a financial liability is modified such that the cash flows of the modified liability are substantially different, the existing financial liability is derecognised and a new financial liability based on the modified terms is recognised at fair value. On recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

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, is sold, terminated, exercised or the entity revokes the designation of the hedge relationship but the forecasted hedged transaction is still expected to occur, then hedge accounting is ceased prospectively and the cumulative gain or loss at that point remains in Equity. 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.

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

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.

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

Revenue recognition (Note 3)

Revenue is recognised over time where (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. Determining the stage of completion of contracts to recognise revenue involves estimation techniques, particularly where the contract duration spans accounting periods. The Group estimates stage of completion for fixed price contracts using stage of completion input methods of cost incurred to date as a proportion of the expected overall cost and effort to complete the performance obligations. The amount of in-progress and unbilled revenue as at 30 September 2019 is represented by the contract assets (accrued income) disclosed in Note 3. The weighted average estimated stage of completion of revenue contracts represented by contract assets and a sensitivity analysis of changes in weighted average stage of completion are outlined in Note 3.

As outlined in the accounting policy in Note 1, the Group capitalises certain costs to fulfil a contract with a customer where the costs relate directly to a contract, generate or enhance Group resources that will be used in satisfying future performance obligations, and the costs are expected to be recovered. Contract fulfilment assets are amortised to cost of sales on a systematic basis, consistent with the pattern of transfer of the goods or services to which the asset relates. The carrying value of contract fulfilment assets and amortisation in the year are outlined in Note 3.

Judgement is applied by the Group when determining what costs qualify to be capitalised as a contract fulfilment asset. In the Ashfield division, certain mobilisation costs related to the set up of processes, personnel and systems necessarily incurred to deliver outsourcing services, are deferred during the commencement stage of a project and expensed evenly over the period that the outsourcing services are provided, which usually ranges from 12 to 18 months. The contract fulfilment costs are specific internal costs or incremental external costs directly related to the implementation of the customer contract. Ashfield's contract fulfilment assets are recoverable from the customer on set up of the contract and are contractually protected in the event of early termination. Contract fulfilment assets are monitored regularly for impairment. The Group is aware of a recent IFRS Interpretations Committee ('IFRIC') tentative agenda decision regarding the deferral of training costs as a cost to fulfil a customer contract. The Group will consider the impact of the IFRIC agenda decision on its accounting policy for costs to fulfil customer contracts when the IFRIC agenda decision is concluded.

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.

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.

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 and revenue (if applicable) 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

Revenue recognised over time is recognised as services are rendered. Other revenue contracts are recognised at a point in time when control of the good or service transfers to the customer, primarily upon delivery to the customer. A disaggregation of revenue recognised from contracts with customers by service offering, timing of transfer of goods and services and geographical region is outlined below.

Disaggregated revenue

	2019		
	Over time $'000	Point in time $'000	Total $'000
Ashfield			
Communications & Advisory	383,253	–	383,253
Commercial & Clinical	564,614	2,382	566,996
Ashfield	947,867	2,382	950,249
Sharp	339,110	9,164	348,274
Group	1,286,977	11,546	1,298,523

Geographical analysis of revenue

	2019 $'000	2018 $'000
Republic of Ireland	6,364	38,724
United Kingdom	251,962	305,677
North America	826,420	715,792
Rest of World	213,777	254,993
	1,298,523	1,315,186

Revenue recognised under contracts where the Group was determined to be acting as an agent in the transactions during the period amounted to:

	2019 $'000
Revenue from agent transactions	1,644

Contract assets

	2019 $'000
At 1 October 2018	81,074
At 30 September 2019	84,456
Increase	3,382

At 30 September 2018 accrued income amounted to $63,730,000. Following transition to IFRS 15, accrued income is now classified as contract assets. As a result of IFRS 15 transition adjustments, the contract assets balance at 1 October 2018 amounted to $81,074,000. Refer to Note 34 for further details.

Contract assets are presented in current assets within trade and other receivables (Note 17) and are expected to be realised in less than one year.

Contract assets have increased during the year as a result of acquisitions, and as the Group has provided more services ahead of the agreed contract payment schedules.

The weighted average stage of completion of contract assets for contracts where revenue is recognised over time and a sensitivity of contract assets for the estimation of stage of completion is outlined below.

	2019
Weighted average stage of completion of contract assets	72%

	Impact on revenue/contract assets $'000
1% increase in average stage of completion	2,927
1% decrease in average stage of completion	(3,853)

Contract Liabilities

	2019 $'000
At 1 October 2018	62,517
At 30 September 2019	**80,444**
Increase	**17,927**
Non-current	16,223
Current	64,221
Total at 30 September	**80,444**

At 30 September 2018, deferred income amounted to $61,880,000. Following transition to IFRS 15, deferred income is now classified as contract liabilities. As a result of IFRS 15 transition adjustments, the contract liabilities balance at 1 October 2018 amounted to $62,517,000. Refer to Note 34 for further details.

Contract liabilities have increased during the year as a result of an increase in overall contract activity. Of the contract liability balance as at 1 October 2018, $55,904,000 has been recognised as revenue in the current year.

Contract liabilities are presented within trade and other payables on the Group Balance Sheet and Note 25. The Group expects that long term contract liabilities will be recognised as revenue over an average period of four years.

Assets recognised from costs to fulfil a contract

The Group has recognised an asset in relation to costs to fulfil contracts. The movement in contract fulfilment assets in the year was:

	2019 $'000
At 1 October (Note 34)	7,005
Assets recognised from costs incurred to fulfil contracts	11,483
Amortisation as costs of provided services during the year	(7,623)
Translation adjustment	(223)
At 30 September	**10,642**
Non-current	5,327
Current	5,315
Total at 30 September	**10,642**

Contract fulfilment assets relate to set up costs that are directly attributable to customer contracts and are expected to be recovered. The assets are amortised on a straight-line basis over the term of the specific contracts they relate to, consistent with the pattern of recognising the associated revenue. The amortisation cost is recorded within cost of sales.

The Group adopted the new revenue standard IFRS 15 Revenue from Contracts with Customers for the first time in the year ended 30 September 2019. Further outlined in Note 34, the Group adopted IFRS 15 using the modified retrospective approach without restatement of comparatives. Disclosure of revenue for the prior year ended 30 September 2018 as required under IAS 18 Revenue are as follows:

	2018 $'000
Goods for resale	72,579
Services	1,237,821
Commission income	4,786
Total revenue	1,315,186

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 U.S. and Europe.

Aquilant – In the prior year, the Group disposed of Aquilant (Note 7). Aquilant provides outsourced sales, marketing, distribution and engineering services to the medical and scientific sectors in the U.K., Ireland and the Netherlands.

No operating segments have been aggregated for disclosure purposes.

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 – 2019

	Ashfield 2019 $'000	Sharp 2019 $'000	Group total 2019 $'000
Segment revenue	950,249	348,274	1,298,523
Adjusted operating profit*	110,010	44,830	154,840
Amortisation of acquired intangibles	(30,837)	(1,550)	(32,387)
Transaction costs	(2,119)	(17)	(2,136)
Exceptional items	(26,377)	(15,676)	(42,053)
Operating profit	50,677	27,587	78,264
Finance income			20,314
Finance expense			(24,301)
Profit before tax			74,277
Income tax expense			(16,786)
Profit for the financial year			57,491

* Excluding amortisation of acquired intangibles, transaction costs and exceptional items.

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 and transaction costs.

Segmental assets and liabilities – 2019

	Ashfield 2019 $'000	**Sharp 2019 $'000**	**Group total 2019 $'000**
Segment assets	**1,083,654**	**408,954**	**1,492,608**
Unallocated assets			**65,993**
			1,558,601
Segment liabilities	**(309,747)**	**(90,036)**	**(399,783)**
Unallocated liabilities			**(258,255)**
			(658,038)

Segmental assets and liabilities – 2018

	Ashfield 2018 $'000	Sharp 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)

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.

Other segmental information	**Ashfield 2019 $'000**	**Sharp 2019 $'000**	**Group total 2019 $'000**
Depreciation	**7,619**	**15,511**	**23,130**
Capital expenditure[1]	**106,663**	**22,814**	**129,477**
Amortisation of acquired intangibles	**30,837**	**1,550**	**32,387**
Amortisation of computer software	**6,431**	**1,596**	**8,027**
Share-based payment expense	**3,308**	**1,092**	**4,400**

4. Segmental Information (continued)

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[1]	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

1 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.

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 2019 $'000**	**United Kingdom 2019 $'000**	**North America 2019 $'000**	**Rest of World 2019 $'000**	**Group total 2019 $'000**
Revenue	**6,364**	**251,962**	**826,420**	**213,777**	**1,298,523**
Total assets	**37,466**	**449,991**	**882,931**	**188,213**	**1,558,601**
Capital expenditure[1]	**954**	**30,341**	**91,509**	**6,673**	**129,477**
	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[1]	503	27,604	101,365	9,114	138,586

1 Capital expenditure comprises acquisition of computer software, property, plant and equipment, goodwill and intangible assets.

5. Statutory and Other Information

	2019 $'000	2018 $'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**23,130**	24,477
Profit on disposal of property, plant and equipment	**(571)**	(340)
Amortisation of intangible assets:		
– Amortisation of acquired intangibles	**32,387**	31,001
– Amortisation of computer software	**8,027**	6,036
Employee benefits	**639,951**	633,884
Operating lease rentals:		
– Land and buildings	**15,205**	17,025
– Other assets	**9,307**	16,152
Foreign exchange gain	**(58)**	(1,049)

Details of directors' remuneration, pension entitlements and interests in share options are set out in the Directors' Remuneration Report.

Auditor's remuneration

	2019 $'000	2018 $'000
Fees payable to the Group auditors and to member firms of the Group auditors are as follows:		
Description of services		
Audit services:		
– Group	**1,412**	1,356
– Company	**9**	9
Other assurance services:		
– Group	**–**	–
– Company	**–**	–
Tax advisory services:		
– Group	**–**	–
– Company	**–**	–
Other non-audit services:		
– Group	**34**	28
– Company	**–**	–
	1,455	1,393

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 (2018: $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:

	2019 $'000	2018 $'000
Audit services	**472**	739
Other assurance services	**–**	–
Tax advisory services	**–**	–
Other non-audit services	**–**	–
	472	739

6. Finance Income and Expense

	2019 $'000	2018 $'000
Finance income		
Income arising from cash deposits	**2,280**	1,763
Fair value adjustment to guaranteed senior unsecured loan notes	**1,097**	213
Foreign currency gain on retranslation of guaranteed senior unsecured loan notes	**12,414**	3,032
Net finance income on pension scheme obligations	**380**	227
	16,171	5,235
Finance expense		
Interest on overdrafts	**(60)**	(95)
Interest on bank loans and other loans:		
– Wholly repayable within five years	**(7,196)**	(7,510)
– Wholly repayable after five years	**(1,893)**	(1,997)
Interest on finance leases	**(2)**	(3)
Unwinding of discount on deferred consideration	**(124)**	–
Unwinding of discount on provisions	**(1,515)**	(840)
Fair value adjustments to fair value hedges	**(1,097)**	(213)
Fair value of cash flow hedges transferred from equity	**(12,414)**	(3,032)
Ineffective portion of cash flow hedges	**–**	(236)
	(24,301)	(13,926)
Net finance expense, pre-exceptional items	**(8,130)**	(8,691)
Finance income relating to exceptional items (Note 9)	**4,143**	11,576
Net finance (expense)/income	**(3,987)**	2,885

7. Disposal of Subsidiaries

There were no disposals of subsidiaries in the current year.

During the prior year, 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 U.S. 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 prior year in the segmental information in Note 4, were not considered to be a separate major line of business or geographical area of operations and therefore have 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	2019 $'000	2018 $'000
Current income tax		
Ireland		
Adjustment in respect of prior years	**1,206**	715
Current year income tax on profit for the year	**(2,981)**	(1,034)
	(1,775)	(319)
Overseas		
Adjustment in respect of prior years	**1,007**	4,021
Current year income tax on profit for the year	**(22,387)**	(20,322)
	(21,380)	(16,301)
Total current income tax expense	**(23,155)**	(16,620)
Deferred income tax		
Origination and reversal of temporary differences:		
Property, plant and equipment	**(401)**	(1,118)
Intangible assets	**7,084**	1,793
Tax deductible goodwill	**(5,202)**	6,139
Employee benefits	**301**	1,260
Short-term temporary differences	**4,587**	4,017
Total deferred income tax credit	**6,369**	12,091
Income tax expense	**(16,786)**	(4,529)

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	2019 %	2019 $'000	2018 %	2018 $'000
Profit before tax		**74,277**		8,386
Taxation based on Irish corporation tax rate	**12.5**	**(9,285)**	12.5	(1,048)
Expenses not deductible for tax purposes		**(2,497)**		(1,022)
Loss on disposal of subsidiary not deductible		**–**		(5,238)
Impairment of goodwill not deductible		**–**		(7,206)
Tax on income from joint ventures		**6**		120
Losses (not utilised)/recognised		**(1,069)**		2,422
Differences in foreign tax rates		**(5,481)**		(7,048)
Impact of changes in U.S. tax rates		**–**		9,715
Adjustments in respect of prior years		**1,540**		4,776
		(16,786)		(4,529)

The enactment of the 'Tax Cuts and Jobs Act' in the U.S. in the prior 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 $27,000 (2018: $572,000).

Recognised in other comprehensive income	2019 $'000	2018 $'000
Deferred tax		
Defined benefit schemes	**846**	221
Cash flow hedges	**(1,153)**	433
	(307)	654

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.

		2019 $'000	2018 $'000
Legal costs and settlements	(a)	**14,994**	–
Restructuring costs and other	(b)	**12,481**	14,536
Sharp Europe rationalisation	(c)	**10,445**	–
Impairment of intangible assets	(d)	**3,744**	–
Impairment of property, plant and equipment	(e)	**389**	502
Contract terminations		**–**	(8,882)
Impairment of goodwill		**–**	57,648
Loss on disposal of subsidiary		**–**	41,902
Onerous leases		**–**	2,924
Net operating exceptional items		**42,053**	108,630
Deferred contingent consideration	(f)	**(4,143)**	(11,576)
Net exceptional items before tax		**37,910**	97,054
Exceptional items tax credit		**(4,165)**	(1,548)
Deferred tax		**–**	(9,715)
Net exceptional items after tax		**33,745**	85,791

(a) Legal costs and settlements

Legal costs and settlements expense primarily relates to the previously disclosed claim received from McKesson in 2018 arising from its purchase of United Drug from the Group in 2016. McKesson had notified the Group of potential claims pursuant to indemnification and warranty provisions contained in the sale and purchase agreement relating to the disposal of United Drug. This claim was settled in April 2019 (without admission by any party) resulting in a total expense for the Group in the year of $14,250,000 (including defence costs). The Group does not expect any further costs to arise as a result of the disposal. Additionally, the Group incurred legal costs of $744,000 protecting an Ashfield trademark. The tax impact of exceptional legal costs and settlements amounted to a credit of $207,000.

(b) Restructuring costs and other

During the year, the Group implemented a restructuring of its internal operating structures, primarily within Ashfield Commercial & Clinical, due to changes in market conditions in Europe. Restructuring costs and other includes redundancy costs of $11,229,000, onerous contracts of $666,000, accelerated share-based payment expense of $320,000, and other costs of $266,000 associated with the restructuring. A tax credit of $2,666,000 arose in respect of exceptional restructuring costs.

(c) Sharp Europe rationalisation

The Group implemented a rationalisation of Sharp's European operations during the year. As part of the rationalisation, it was decided to close the Sharp plant at Oudehaske, Netherlands. The exceptional rationalisation costs in Sharp Europe include redundancy costs of $2,373,000, impairment of property, plant and equipment of $3,576,000, plant decommissioning and termination costs of $4,496,000. The centralisation of Sharp's European operations to the existing plants will lead to greater operational and cost efficiencies for Sharp Europe. The tax impact of exceptional rationalisation costs amounted to a credit of $323,000.

(d) Impairment of intangible assets

The Group incurred a one-off expense of $3,744,000 arising from the impairment of intangible assets. A review of software in Ashfield during the year as part of the business realignment resulted in the decision to cease using certain software assets. A tax credit of $894,000 arose in respect of the impairment of intangible assets.

(e) 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 $75,000 arose in respect of the impairment of property, plant and equipment.

(f) Deferred contingent consideration

Deferred contingent consideration relates to $2,800,000 in respect of Drug Safety Alliance, $800,000 in respect of MicroMass Communications and $543,000 in respect of Sellxpert. These amounts were released in the year following a review of expected performance against earn-out targets.

In the prior year, the Group recognised $85.8 million of an exceptional charge. A goodwill impairment charge of $57.6 million was recognised in relation to Aquilant, partially offset by an exceptional gain of $8.9 million relating to the exit of two Aquilant clients in the period. The disposal of Aquilant resulted in a loss of $41.9 million. In addition, the Group completed a restructuring programme resulting in restructuring cost of $14.5 million and onerous lease charges of $2.9 million as a result of exiting leases associated with the restructuring. There was an exceptional credit of

$11.6 million in the prior year due to the remeasurement of contingent consideration relating to the acquisitions of Cambridge BioMarketing, MicroMass Communications and Sellxpert. The Group recognised an exceptional tax credit of $1.5 million on these items and an exceptional gain of $9.7 million arising from the remeasurement of certain U.S. tax liabilities following the enactment of the U.S. Tax Cuts and Jobs Act.

10. Dividends – Equity Shares

	2019 $'000	2018 $'000
Dividends paid		
Final dividend for 2018 of 11.75 $ cent (2017: 9.72 $ cent) per share	**29,224**	24,137
Interim dividend for 2019 of 4.46 $ cent (2018: 4.25 $ cent) per share	**11,101**	10,568
Total dividends	**40,325**	34,705

The directors have proposed a final dividend for 2019 of 12.34 $ cent per share (2018: 11.75 $ cent per share) amounting to $30,769,000 (2018: $29,224,000), subject to shareholder approval at the upcoming AGM. The total dividend for the year, subject to shareholder approval, is 16.80 $ cent (2018: 16.00 $ cent) per share.

The final dividend for 2019 has not been provided for in the Balance Sheet at 30 September 2019, as there was no present obligation to pay the dividend at year end.

11. Earnings Per Ordinary Share

	IFRS 15 Total 2019 $'000	**IAS 18 Total 2019 $'000**	Total 2018 $'000
Profit attributable to owners of the parent	**57,451**	**60,275**	3,795
Adjustment for amortisation of acquired intangible assets (net of tax)	**25,302**	**25,302**	23,287
Adjustment for transaction costs (net of tax)	**2,098**	**2,098**	2,194
Adjustment for exceptional items (net of tax)	**33,745**	**33,745**	85,791
Adjusted profit attributable to owners of the parent[1]	**118,596**	**121,420**	115,067

	2019 Number of shares	2018 Number of shares
Weighted average number of shares	**249,110,546**	248,517,745
Number of dilutive shares under options	**1,551,905**	1,947,043
Weighted average number of shares, including share options	**250,662,451**	250,464,788

	IFRS 15 2019	**IAS 18 2019**	2018
Basic earnings per share – $ cent	**23.06**	**24.20**	1.53
Diluted earnings per share – $ cent	**22.92**	**24.05**	1.52
Adjusted basic earnings per share – $ cent	**47.61**	**48.74**	46.30
Adjusted diluted earnings per share – $ cent	**47.31**	**48.44**	45.94

1 Adjusted profit attributable to equity holders of the parent from continuing operations is stated before the amortisation of acquired intangible assets ($25.3m, net of tax), transaction costs ($2.1m, net of tax) and exceptional items ($33.7m, 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. 1,371,292 (2018: 1,357,684) 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 2019						
Opening net book amount	**71,531**	**81,674**	**152**	**6,039**	**20,197**	**179,593**
Additions in year	**1,172**	**19,125**	**–**	**3,620**	**3,234**	**27,151**
Arising on acquisition	**–**	**1,423**	**–**	**70**	**–**	**1,493**
Depreciation charge	**(4,622)**	**(14,595)**	**(1)**	**(3,912)**	**–**	**(23,130)**
Impairment	**(1,254)**	**(2,326)**	**–**	**(385)**	**–**	**(3,965)**
Disposals in year	**(13)**	**(221)**	**–**	**(47)**	**–**	**(281)**
Transfer to intangibles	**–**	**(1,070)**	**–**	**(115)**	**112**	**(1,073)**
Reclassifications	**19,078**	**(355)**	**(109)**	**440**	**(19,054)**	**–**
Translation adjustment	**(1,804)**	**(1,495)**	**(4)**	**(180)**	**–**	**(3,483)**
At 30 September 2019	**84,088**	**82,160**	**38**	**5,530**	**4,489**	**176,305**
At 30 September 2019						
Cost or deemed cost	**122,568**	**166,807**	**127**	**25,824**	**4,489**	**319,815**
Accumulated depreciation	**(38,480)**	**(84,647)**	**(89)**	**(20,294)**	**–**	**(143,510)**
Net book amount	**84,088**	**82,160**	**38**	**5,530**	**4,489**	**176,305**

	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

No borrowings are secured on the above assets with the exception of the leased assets noted below.

Leased Property, Plant and Equipment

The Group leases items of property, plant and equipment under a number of finance lease agreements. At 30 September 2019, the carrying amount of property, plant and equipment held under finance leases was $46,000 (2018: $31,000) and related depreciation amounted to $24,000 (2018: $90,000).

13. Goodwill

	2019 $'000	2018 $'000
At 1 October	**515,954**	542,554
Arising on acquisition (Note 29)	**49,622**	42,041
Measurement period adjustment (Note 29)	**(1,451)**	–
Impairment (Note 9)	**–**	(57,648)
Disposals of subsidiaries (Note 7)	**–**	(7,703)
Translation adjustment	**(16,605)**	(3,290)
At 30 September	**547,520**	515,954

Goodwill arises on acquisitions. The goodwill acquired during the year relates to the acquisition of Putnam Associates and Incisive Health (Note 29).

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 (2018: eight) CGUs have been identified.

The carrying value of goodwill and the number of CGUs are analysed between the operating segments in the Group below.

	2019 $'000	Number of CGUs	2018 $'000	Number of CGUs
Ashfield	**459,818**	**6**	426,093	6
Sharp	**87,702**	**2**	89,861	2
	547,520	**8**	515,954	8

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:

	2019 $'000	2018 $'000
Ashfield Healthcare Communications Group[1]	**202,876**	197,627
Ashfield Advisory Group[2]	**115,628**	79,941

1 Includes goodwill relating to Incisive Health which was acquired during the year (Note 29).
2 Includes goodwill relating to Putnam Associates which was acquired during the year (Note 29).

All other units account for individually less than 10% of the total carrying value of goodwill and are not considered individually significant.

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.

13. Goodwill (continued)

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 2.2% (2018: 2.0% to 2.3%). 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 including country specific risks. The pre-tax discount rates range from 9.4% to 10.3% (2018: 9.1% to 11%). 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	
	2019	2018	**2019**	2018
Ashfield Healthcare Communications Group	**9.6%**	10.1%	**2.1%**	2.1%
Ashfield Advisory Group	**9.7%**	9.5%	**2.1%**	2.1%

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. In 2018, the Group incurred an exceptional impairment charge of $57,648,000 relating to the Aquilant CGU which was also disposed of in 2018.

Additional Sensitivity Analysis

The Group has conducted a sensitivity analysis on each of the CGUs by applying the following scenarios:

- Decreasing revenue growth forecasts by 3%;
- Decreasing operating profit margins by 1.5%;
- Increasing discount rates by 1%; and
- Reducing long-term growth rates by 1%.

A reasonably possible change in any of the key assumptions would not cause the carrying amount to exceed the recoverable amount in any of the significant CGUs.

Of the CGUs which are not significant, the value-in-use of the Ashfield Commercial & Clinical U.K. CGU is the most sensitive to changes in key assumptions, in particular to changes in the discount rate. The table below provides further details in respect of this CGU:

	Ashfield Commercial & Clinical U.K. 2019
Goodwill allocated to CGU ($'000)	**33,181**
Excess of value-in-use over carrying value ($'000)	**13,933**
Excess of value-in-use over carrying value – as a percentage of value-in-use	**20%**
Discount rate utilised in base impairment model	**8.0%**
Movement in discount rate for $nil excess	**+1.7%**

The long-term growth rate applied to the CGU was 2%. If a long-term growth rate of 0% was applied, it would not result in an impairment of goodwill. While the base impairment model does not indicate that an impairment exists in the CGU, should the underlying assumptions and forecasts attributable to the CGU differ in the future, this may result in an impairment of goodwill of the CGU.

14. Intangible Assets

	Computer software $'000	Customer relationships $'000	Trade names $'000	Contract-based $'000	Technology $'000	Total $'000
Year ended 30 September 2019						
Opening net book amount	**53,798**	**127,283**	**50,381**	**1,442**	**8,634**	**241,538**
Additions in year	**12,475**	**–**	**–**	**–**	**–**	**12,475**
Arising on acquisition	**10**	**28,070**	**7,565**	**3,091**	**–**	**38,736**
Amortisation of acquired intangible assets	**–**	**(19,544)**	**(6,827)**	**(2,860)**	**(3,156)**	**(32,387)**
Amortisation of computer software	**(8,027)**	**–**	**–**	**–**	**–**	**(8,027)**
Transfer from property, plant and equipment	**1,073**	**–**	**–**	**–**	**–**	**1,073**
Impairment charge	**(3,744)**	**–**	**–**	**–**	**–**	**(3,744)**
Translation adjustment	**(3,060)**	**(3,812)**	**(803)**	**(20)**	**(354)**	**(8,049)**
At 30 September 2019	**52,525**	**131,997**	**50,316**	**1,653**	**5,124**	**241,615**
At 30 September 2019						
Cost or deemed cost	**75,278**	**251,549**	**88,451**	**18,246**	**17,721**	**451,245**
Accumulated amortisation	**(22,753)**	**(119,552)**	**(38,135)**	**(16,593)**	**(12,597)**	**(209,630)**
Net book amount	**52,525**	**131,997**	**50,316**	**1,653**	**5,124**	**241,615**

	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

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.

Weighted average remaining amortisation period	Computer software	Customer relationships	Trade names	Contract-based	Technology
At 30 September 2019	**6.5**	**6.2**	**6.5**	**0.4**	**1.6**
At 30 September 2018	7.9	6.7	7.9	1.0	2.6

15. Investment in Joint Ventures

The Group's interest in its joint ventures, all of which are unlisted, is set out below.

	$'000
At 30 September 2017	8,838
Share of profit after tax	958
Translation adjustment	(67)
At 30 September 2018	**9,729**
Share of profit after tax	**50**
Translation adjustment	**437**
At 30 September 2019	**10,216**

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 (2018: $nil). The Group's ownership interest in Magir is 25% (2018: 25%). 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.

	2019 $'000	2018 $'000
Joint venture balance sheet (100%)		
Non-current assets	**3,317**	1,706
Cash and cash equivalents	**2,562**	3,742
Other current assets	**18,074**	14,651
Non-current liabilities	**(2,490)**	(2,532)
Current liabilities	**(12,235)**	(8,825)
Net assets	**9,228**	8,742
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	**4,613**	4,370
Goodwill	**5,603**	5,359
Carrying value of Group's interest in joint ventures	**10,216**	9,729

	2019 $'000	2018 $'000
Revenue	**71,705**	66,271
Expenses, net of tax	**(71,605)**	(64,355)
Profit after tax	**100**	1,916
Group's equity interest	**49.99%**	49.99%
Group's share of profit after tax	**50**	958

Capital Commitments

At 30 September 2019, the Group's share of authorised but not contracted for capital expenditure was $nil (2018: $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 2019 or 2018, no separate summary information for the respective joint ventures has been disclosed.

16. Inventories

	2019 $'000	2018 $'000
Raw materials	**22,908**	17,048
Work in progress	**2,307**	7,295
Finished goods	**38**	6,905
	25,253	31,248

In 2019, raw materials, work in progress and finished goods recognised as cost of sales amounted to $81,341,000 (2018: $231,752,000).

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.

The reduction in the finished goods inventory in the year is a result of the Group's transition to IFRS 15 (Note 34).

17. Trade and Other Receivables

	2019 $'000	2018 $'000
Current		
Trade receivables	**231,239**	222,376
Other receivables	**29,223**	32,233
Contract assets (Note 3)	**84,456**	–
Accrued income	**–**	63,730
Prepayments	**25,432**	28,853
	370,350	347,192

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2019 $'000	2018 $'000
Geographical analysis of risk		
Republic of Ireland	**2,156**	2,839
United Kingdom	**20,687**	26,144
North America	**144,801**	131,053
Rest of World	**63,595**	62,340
	231,239	222,376

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 Group applies a lifetime expected credit loss provision for trade receivables, as permitted by IFRS 9 (Note 34). Trade receivables have been grouped based on shared credit risk characteristics and the days past due for the purposes of measuring the expected credit losses. The expected credit loss rates are based on the historical settlement profiles of sales and the credit losses experienced. Credit loss rates are adjusted to reflect current and forward-looking information where there is evidence that these factors affect the ability of customers to settle the amounts due.

The ageing of trade receivables, under the IFRS 9 expected credit loss model, at 30 September 2019 was:

	2019			
	Gross value $'000	Impairment $'000	Net $'000	Weighted average loss rate
Not past due	**188,237**	**(412)**	**187,825**	**0.2%**
Past due				
0–30 days	**29,264**	**(462)**	**28,802**	**1.6%**
31–90 days	**10,108**	**(488)**	**9,620**	**4.8%**
91–180 days	**3,714**	**(531)**	**3,183**	**14.3%**
+181 days	**3,260**	**(1,451)**	**1,809**	**44.5%**
Past due	**46,346**	**(2,932)**	**43,414**	**6.3%**
Total trade receivables	**234,583**	**(3,344)**	**231,239**	**1.4%**

In the prior year, the ageing of trade receivables, under IAS 39, at 30 September 2018 was:

	2018		
	Gross value $'000	Impairment $'000	Net $'000
Not past due	187,657	(187)	187,470
Past due			
0–30 days	22,554	(30)	22,524
31–90 days	10,654	(30)	10,624
91–180 days	2,461	(703)	1,758
+181 days	1,706	(1,706)	–
	225,032	(2,656)	222,376

The movement in the impairment provision in respect of trade receivables during the year was as follows:

	2019 $'000	2018 $'000
At beginning of the year	**2,656**	2,556
Acquisitions in year	**43**	–
Disposals in year	**–**	(109)
Bad debts written off during the year	**(103)**	(228)
Impairment loss recognised during the year	**875**	484
Translation adjustment	**(127)**	(47)
At end of year	**3,344**	2,656

Trade receivables are assessed individually for impairment. The Group trades with a large number of clients on varied 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 2018 and is closely monitored by the Group.

18. Equity Share Capital

Equity share capital	Number of shares 2019	2019 $'000	Number of shares 2018	2018 $'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	**249,347,507**	**14,186**	248,712,639	14,151
Redeemable ordinary shares of €0.05 each	**7,528,066**	**492**	7,528,066	492
In issue at 30 September	**256,875,573**	**14,678**	256,240,705	14,643

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	
	2019	2018	2019	2018
In issue at beginning of year	**248,712,639**	248,326,744	**7,528,066**	7,528,066
Exercise of share options	**634,868**	385,895	**–**	–
In issue at end of year	**249,347,507**	248,712,639	**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 2019 was €78,986,000 (2018: €31,526,000). As permitted by Section 304 (2) of the Companies Act 2014, the Income Statement of the Company has not been separately presented.

20. Share Premium

	2019 $'000	2018 $'000
At 1 October	**197,837**	196,496
Premium arising on shares issued	**1,141**	1,341
At 30 September	**198,978**	197,837

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 2018	**(15,886)**	**14,808**	**(127,548)**	**(7,676)**	**347**	**(135,955)**
Effective portion of cash flow hedges	**9,223**	**–**	**–**	**–**	**–**	**9,223**
Deferred tax on cash flow hedges	**(1,153)**	**–**	**–**	**–**	**–**	**(1,153)**
Share-based payment expense	**–**	**4,720**	**–**	**–**	**–**	**4,720**
Release from share-based payment reserve	**–**	**(2,923)**	**–**	**–**	**–**	**(2,923)**
Translation adjustment	**–**	**–**	**(16,671)**	**–**	**–**	**(16,671)**
At 30 September 2019	**(7,816)**	**16,605**	**(144,219)**	**(7,676)**	**347**	**(142,759)**

	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 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-U.S. 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 2019, 7,528,066 (2018: 7,528,066) treasury shares were held by the Group, representing 2.93% (2018: 2.94%) of the issued ordinary and redeemable ordinary share capital of the Company.

22. Retained Earnings

	2019 $'000	2018 $'000
At 1 October	**808,647**	836,087
Change in accounting policy (Note 34)	**3,822**	–
Restated total equity at the beginning of the financial year	**812,469**	836,087
Net income recognised directly in the Income Statement	**57,451**	3,795
Net income recognised directly in Other Comprehensive Income:		
– Remeasurement (loss)/gain on Group defined benefit schemes	**(3,905)**	2,422
– Deferred tax on Group defined benefit schemes	**846**	221
Dividends paid to equity holders	**(40,325)**	(34,705)
Release from share-based payment reserve	**2,923**	827
At 30 September	**829,459**	808,647

23. Non-controlling Interests

	2019 $'000	2018 $'000
At 1 October	**171**	109
Share of profit for the financial year	**40**	62
Translation adjustment	**(4)**	–
At 30 September	**207**	171

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

	2019 $'000	2018 $'000
Non-current		
Guaranteed senior unsecured notes	**174,704**	243,091
Finance leases	**30**	8
	174,734	243,099
Current		
Guaranteed senior unsecured notes	**64,862**	(100)
Bank borrowings	**416**	327
Finance leases	**19**	45
	65,297	272

Interest-bearing loans and borrowings are repayable as follows:

	2019 $'000	2018 $'000
Bank borrowings, overdrafts and guaranteed senior unsecured notes		
Within one year	**65,278**	227
After one but within two years	**(362)**	65,045
After two but within five years	**117,215**	118,729
After five years	**57,851**	59,317
Finance leases		
Within one year	**19**	45
After one but within two years	**30**	8
	240,031	243,371
Non-current	**174,734**	243,099
Current	**65,297**	272
	240,031	243,371

In September 2010, the Group completed a $130 million debt financing in the U.S. Private Placement Market. The following notes remain outstanding:

	2019 $'000	2018 $'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 U.S. Private Placement Market. The following notes remain outstanding:

	2019 $'000	2018 $'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

	2019 €'000	2018 €'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 U.S. Private Placement Market. The following note remains outstanding:

	2019 €'000	2018 €'000
2.64% Series 'A' guaranteed senior unsecured note, 2026	**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.

U.S. dollar loan note issuance proceeds were swapped into euro and the U.S. 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 March 2019, the Group renewed its senior bank debt facility extending the term to May 2024.

At year end the Group has $228,669,000 (2018: $244,062,000) of committed, undrawn multi-currency senior debt loan facilities with a maturity date of 31 May 2024. The Group also has $5,445,000 (2018: $11,622,000) 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

	2019 $'000	2018 $'000
Current		
Trade payables	**35,658**	39,920
Accruals	**97,993**	86,709
Contract liabilities (Note 3)	**64,221**	–
Deferred income	**–**	61,880
Other payables	**35,423**	19,827
PAYE, VAT and social welfare	**13,390**	17,190
	246,685	225,526
Non-current		
Contract liabilities (Note 3)	**16,223**	–
Other payables	**7,630**	5,451
	23,853	5,451

Other payables in non-current liabilities primarily relate to lease incentives.

26. Provisions

	Deferred contingent consideration 2019 $'000	Legal $'000	Onerous leases 2019 $'000	Restructuring and other costs 2019 $'000	Total 2019 $'000	Total 2018 $'000
At the beginning of the year	**96,915**	**–**	**2,896**	**8,634**	**108,445**	72,375
(Release)/charge to income statement	**(4,143)**	**14,250**	**–**	**19,030**	**29,137**	4,310
Arising on acquisitions (Note 29)	**26,669**	**–**	**–**	**–**	**26,669**	42,408
Utilised during the year	**(812)**	**(14,250)**	**(1,333)**	**(12,940)**	**(29,335)**	(10,548)
Unwinding of discount	**1,515**	**–**	**–**	**–**	**1,515**	840
Reclassification	**(41,566)**	**–**	**–**	**–**	**(41,566)**	–
Translation adjustment	**(394)**	**–**	**(26)**	**(619)**	**(1,039)**	(940)
At end of year	**78,184**	**–**	**1,537**	**14,105**	**93,826**	108,445
Non-current	**73,629**	**–**	**564**	**–**	**74,193**	68,900
Current	**4,555**	**–**	**973**	**14,105**	**19,633**	39,545
Total	**78,184**	**–**	**1,537**	**14,105**	**93,826**	108,445

Deferred Contingent Consideration

The deferred contingent consideration liability represents the fair value of amounts which may become payable over the period from October 2019 to October 2024 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 $812,000 (2018: $5,911,000) with respect to prior year acquisitions. A further $41,566,000 was transferred to deferred consideration, presented within trade and other payables as there are no longer any contingencies associated with these future payments other than the passage of time. Deferred contingent consideration of $4,143,000 (2018: $11,576,000) in respect of prior year acquisitions was released in the year following a review of expected performance against earn-out targets (Note 9). Further details on the measurement of contingent consideration and sensitivities are disclosed in Note 31.

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 2019 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 $13,602,000, onerous contracts of $666,000, plant decommissioning and contract termination costs of $4,496,000 and other costs of $266,000 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.

	2019 $'000	2018 $'000
Less than one year	**24,263**	24,602
Between one and five years	**62,401**	62,451
More than five years	**38,833**	40,002
	125,497	127,055

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 2019:

	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 2018	(10,687)	(16,229)	(23,429)	(2,931)	13,323	(39,953)
Recognised in Income Statement	(401)	7,084	(5,202)	301	4,587	6,369
Recognised in Other Comprehensive Income	–	–	–	846	(1,153)	(307)
Arising on acquisition	(2)	(1,505)	–	–	–	(1,507)
Measurement period adjustments (Note 29)	–	–	–	–	1,451	1,451
Exchange differences and other	50	937	(139)	20	(1,006)	(138)
At 30 September 2019	(11,040)	(9,713)	(28,770)	(1,764)	17,202	(34,085)
Analysed as:						
Deferred tax asset	28	(1,021)	(225)	(233)	6,629	5,178
Deferred tax liability	(11,068)	(8,692)	(28,545)	(1,531)	10,573	(39,263)
	(11,040)	(9,713)	(28,770)	(1,764)	17,202	(34,085)

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)

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 2019, the Group has unused tax losses and other timing differences of $33,450,000 (2018: $26,482,000) 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 $28,430,000 (2018: $15,113,000) which will expire within the next nine years. The remaining tax losses carry forward indefinitely.

29. Acquisition of Subsidiary Undertakings

The Group completed the acquisition of 100% of Putnam Associates, LLC ('Putnam') on 20 May 2019. Putnam is a U.S.-based specialist consultancy focused on product commercialisation strategy, exclusively for the life sciences industry. Putnam primarily offers consultancy services across the product life cycle with particular strengths in product commercialisation, pricing, reimbursement and market access strategy. Putnam is presented as part of the Ashfield operating segment. The acquisition of Putnam is in line with Ashfield's strategy to expand its advisory service proposition for its healthcare clients.

On 16 May 2019, the Group completed the acquisition of 100% of the issued share capital of Incisive Health Ltd ('Incisive Health'), a U.K.-based healthcare communications consultancy, operating from offices in London, United Kingdom and Brussels, Belgium. Incisive Health is reported in the Group's Ashfield segment. The combination of Incisive Health with Ashfield Healthcare Communications will further enhance Ashfield's services in the areas of healthcare policy, public affairs and communications services.

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 their recent acquisition dates. Any amendments to these acquisition fair values within the 12-month timeframe from the date of acquisition will be disclosed in the 2020 Annual Report as stipulated by IFRS 3 Business Combinations.

	Putnam $'000	Incisive Health $'000	Total $'000
Property, plant and equipment	1,390	103	1,493
Intangible assets – arising on acquisition	29,860	8,866	38,726
Intangible assets – computer software	–	10	10
Trade and other receivables	11,556	2,372	13,928
Trade and other payables	(4,532)	(1,717)	(6,249)
Current tax liabilities	–	(276)	(276)
Deferred tax liabilities	–	(1,507)	(1,507)
Cash acquired	2,662	2,634	5,296
Net assets acquired	40,936	10,485	51,421
Goodwill	40,476	9,146	49,622
Consideration	81,412	19,631	101,043
Satisfied by:			
Cash consideration	61,756	12,618	74,374
Deferred contingent consideration	19,656	7,013	26,669
Total consideration	81,412	19,631	101,043
Net cash outflow – arising on acquisitions			
Cash consideration	61,756	12,618	74,374
Less: Cash and cash equivalents	(2,662)	(2,634)	(5,296)
Net cash outflow	59,094	9,984	69,078

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 $40,476,000.

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 on acquisition amounted to $13,970,000. The fair value of trade and other receivables recognised on acquisition was $13,928,000. No contingent liabilities were recognised on the acquisitions completed during the financial year.

The total transaction related costs for completed and aborted acquisitions amounted to $2,136,000 (2018: $2,374,000). These are presented separately in the Group Income Statement.

Contingent consideration is payable to the sellers of Putnam 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 Incisive Health is based on the achievement of revenue 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 $35,485,000.

The Group's results for the year ended 30 September 2019 included the following amounts in respect of the businesses acquired during the year:

	2019 Total $'000
Revenue	**20,885**
Profit for the year	**2,637**

The proforma revenue and profit of the Group for the year ended 30 September 2019 would have been $1,333,332,000 and $60,662,000 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.

During the year, the Group finalised the acquisition accounting for SmartAnalyst Inc which was acquired on 1 July 2018. This led to an increase in deferred tax assets of $1,451,000 and a corresponding decrease in goodwill. The adjusted reported balances for this acquisition are as follows:

	As previously reported $'000	Measurement period adjustment $'000	Final balance sheet $'000
Goodwill	**14,113**	**(1,451)**	**12,662**
Deferred tax assets	**49**	**1,451**	**1,500**

30. Employee Benefits

The aggregate employee costs recognised in the Income Statement are as follows:

	2019 $'000	2018 $'000
Wages and salaries	**550,074**	541,436
Social security contributions	**57,348**	59,990
Pension costs – defined contribution schemes	**11,226**	11,313
Pension costs – defined benefit schemes	**2,981**	1,445
Share-based payment expense	**4,720**	6,643
Termination benefits	**13,602**	13,057
	639,951	633,884

During the year the Group capitalised employee costs amounting to $1,030,000 (2018: $1,572,000) relating to intangible assets – computer software. The Group also capitalised employee costs amounting to $849,000 (2018: $904,000) relating to tangible assets.

The average number of employees, including executive directors, during the year was as follows:

	2019 Number	2018 Number
Marketing, distribution and selling	**6,193**	6,647
Operational	**1,524**	1,334
Administration	**73**	74
	7,790	8,055

A further 1,232 (2018: 1,217) personnel are employed in the Group's joint ventures.

30. Employee Benefits (continued)

(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:

	2019 $'000	2018 $'000
Employee benefit asset	7,636	12,935
Employee benefit liability	–	–
	7,636	12,935

The Group operates a number of defined benefit schemes as at 30 September as follows:

	2019 $'000	2018 $'000
United States defined benefit scheme (U.S. scheme)	6,795	11,273
Republic of Ireland defined benefit schemes (ROI schemes)	841	1,662
Net surplus	7,636	12,935

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.

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 2019 for the U.S. 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		U.S. scheme	
	2019	2018	2019	2018
Increase in salaries	n/a	n/a	2.75%–4.00%	2.75%–4.00%
Increase in pensions	0–1.25%	0–1.60%	0.00%	0.00%
Inflation rate	1.25%	1.60%	2.75%	2.75%
Discount rate	0.85%	2.00%	3.00%	4.10%

The ROI schemes have a remeasurement loss in the current year resulting from changes in the assumptions used to measure liabilities of the plan. The U.S. 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		U.S. scheme	
	2019	2018	**2019**	2018
Current pensioners				
Male	**21.7**	21.5	**21.0**	21.0
Female	**24.1**	24.0	**24.6**	24.6
Future pensioners				
Male	**24.0**	23.9	**21.3**	21.4
Female	**26.1**	26.0	**25.1**	25.2

The market value of the assets in the pension schemes at 30 September 2019 were:

	%	ROI 2019 $'000	%	U.S. 2019 $'000
Equities:				
– Developed markets	**10**	**3,446**	**35**	**11,634**
– Emerging markets	**–**	**–**	**5**	**1,832**
Bonds:				
– Government	**63**	**21,359**	**38**	**12,790**
– Non-government	**–**	**–**	**22**	**7,361**
Cash	**27**	**9,384**	**–**	**133**
Fair value of scheme assets	**100**	**34,189**	**100**	**33,750**
Present value of scheme obligations		**(33,348)**		**(26,955)**
Employee benefits asset		**841**		**6,795**
Deferred income tax liability		**(233)**		**(1,531)**
Net asset		**608**		**5,264**

The market value of the assets in the pension schemes at 30 September 2018 were:

	%	ROI 2018 $'000	%	U.S. 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 (liability)/asset		1,662		11,273
Deferred income tax asset/(liability)		(390)		(2,540)
Net (liability)/asset		1,272		8,733

30. Employee Benefits (continued)

Movements in Fair Value of Plan Assets

	ROI 2019 $'000	U.S. 2019 $'000	Total 2019 $'000	ROI 2018 $'000	U.S. 2018 $'000	Total 2018 $'000
At 1 October	32,409	33,931	66,340	34,292	32,488	66,780
Interest income on plan assets	628	1,224	1,852	723	969	1,692
Employer contributions	1,286	–	1,286	2,578	–	2,578
Benefit payments	(1,371)	(1,449)	(2,820)	(1,136)	(492)	(1,628)
Return on plan assets excluding interest income	3,419	44	3,463	359	966	1,325
Settlements	–	–	–	(3,904)	–	(3,904)
Translation adjustment	(2,182)	–	(2,182)	(503)	–	(503)
At 30 September	34,189	33,750	67,939	32,409	33,931	66,340

Movements in Present Value of Defined Benefit Obligations

	ROI 2019 $'000	U.S. 2019 $'000	Total 2019 $'000	ROI 2018 $'000	U.S. 2018 $'000	Total 2018 $'000
At 1 October	30,747	22,658	53,405	37,454	20,109	57,563
Current service costs	–	2,981	2,981	–	3,033	3,033
Interest on scheme obligations	583	889	1,472	762	703	1,465
Benefit payments	(1,371)	(1,449)	(2,820)	(1,136)	(492)	(1,628)
Remeasurement (gain)/loss	(184)	148	(36)	(551)	387	(164)
Effect of changes in actuarial assumptions	5,676	1,728	7,404	149	(1,082)	(933)
Settlements	–	–	–	(5,492)	–	(5,492)
Translation adjustment	(2,103)	–	(2,103)	(439)	–	(439)
At 30 September	33,348	26,955	60,303	30,747	22,658	53,405

The remeasurement(loss)/gain on the plan assets and present value of the defined benefit obligation are as follows:

	2019 $'000	2018 $'000
Return on plan assets excluding interest income	3,463	1,325
Remeasurement gain on experience variations	36	164
Effect of changes in actuarial assumptions:		
– Changes in demographic assumptions	15	17
– Changes in financial assumptions	(7,419)	916
Total included in Group Statement of Comprehensive Income	(3,905)	2,422

Defined Benefit Pension Credit/(Expense) Recognised in the Income Statement

The employee benefit credit/(expense) is analysed as:

	ROI 2019 $'000	U.S. 2019 $'000	Total 2019 $'000
Current service costs	–	(2,981)	(2,981)
Settlements	–	–	–
Interest cost on scheme obligations	(583)	(889)	(1,472)
Interest income on scheme assets	628	1,224	1,852
	45	(2,646)	(2,601)

	ROI 2018 $'000	U.S. 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)

Accrual of pension benefits within the ROI schemes ceased with effect from 31 December 2015.

During the 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.

The tax effect relating to these items is disclosed in Note 28.

The expected employer's contribution for the year ended 30 September 2020 is $1,595,000.

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	**879**	**899**	**2,942**	**5,388**	**10,108**
U.S. scheme	**2,242**	**1,705**	**7,068**	**88,590**	**99,605**
At 30 September 2019	**3,121**	**2,604**	**10,010**	**93,978**	**109,713**
ROI schemes	912	982	3,235	6,057	11,186
U.S. 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

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 2019 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 U.S. plan liabilities
Discount rate	Increase/Decrease by 0.25%	↑↓ by 4.7%	↑↓ by 2.2%
Price inflation	Increase/Decrease by 0.25%	↑↓ by 2.1%	↑↓ by 0.0%
Mortality	Increase by one year	↑ by 4.3%	↑ by 0.3%

Share-based Payment

	2019 $'000	2018 $'000
Executive Share Option Plan expense	**10**	176
LTIP expense	**4,390**	4,893
Pre-exceptional Share-based payment expense	**4,400**	5,069
LTIP accelerated Share-based payment expense (Note 9)	**320**	1,574
Total share-based payment expense	**4,720**	6,643

$666,000 (2018: $1,669,000) of the total share-based payment expense recognised in the Group Income Statement relates to the directors.

30. Employee Benefits (continued)

Executive Share Option Plan/Executive Share Option Scheme (continued)

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 (2018: 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 2019 $'000	**Number of share options 2019 $'000**	Weighted average exercise price 2018 $'000	Number of share options 2018 $'000
Outstanding at beginning of year	**6.95**	**511**	6.69	809
Forfeited during the year	**6.24**	**(13)**	6.24	(28)
Exercised during the year	**6.84**	**(213)**	6.24	(270)
Outstanding at end of year	**7.08**	**285**	6.95	511
Exercisable at end of year	**7.08**	**285**	6.23	106

The weighted average share price at the date of exercise of share options during the year was $8.73 (2018: $11.07). The weighted average remaining contractual life for the share options outstanding at 30 September 2019 was 3.9 years (2018: 4.54 years).

At 30 September 2019, the range of exercise prices of outstanding share options was from $6.24 to $7.78 (2018: $4.30 to $7.78).

Analysis of ESOP Share Options Outstanding at Year End

Share option by exercise price:

	Exercise price £	**Number of options 2019 $'000**	Number of options 2018 $'000
	5.13	**155**	237
	2.68	**–**	1
	3.73	**130**	273
Total options outstanding – sterling denominated		**285**	511

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 82 to 99. During the year 1,031,826 (2018: 690,672) 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 2019 and 2018 is set out below.

	2019 Market-based awards	2019 Market-based awards	2019 Non-market-based awards	2019 Market-based awards	2019 Non-market-based awards	2019 Market-based awards	2019 Non-market-based awards	2019 Market-based awards	2019 Market-based awards
Grant date	**22/05/2019**	**04/12/2018**	**04/12/2018**	**04/12/2018**	**04/12/2018**	**04/12/2018**	**04/12/2018**	**04/12/2018**	**04/12/2018**
Fair value at grant date	**$8.20**	**$5.52**	**$8.57**	**$5.52**	**$8.57**	**$5.52**	**$8.57**	**$8.11**	**$7.94**
Share price at grant date	**$8.74**	**$8.63**	**$8.63**	**$8.63**	**$8.63**	**$8.63**	**$8.63**	**$8.63**	**$8.63**
Exercise price	**$0.06**	**$0.06**	**$0.06**	**$0.06**	**$0.06**	**$0.06**	**$0.06**	**$0.06**	**$0.06**
Expected volatility	**27.53%**	**25.69%**	**25.69%**	**25.69%**	**25.69%**	**25.69%**	**25.69%**	**25.69%**	**25.69%**
Expected life	**3.5 years**	**6 years**	**6 years**	**3.5 years**	**3.5 years**	**5 years**	**5 years**	**3.5 years**	**5 years**
Risk-free interest rate	**0.71%**	**0.93%**	**0.93%**	**0.76%**	**0.76%**	**0.87%**	**0.87%**	**0.76%**	**0.87%**
Valuation model	**Black-Scholes option pricing model**	**Black-Scholes option pricing model**	**Monte Carlo option pricing model**	**Black-Scholes option pricing model**	**Monte Carlo option pricing model**	**Black-Scholes option pricing model**	**Monte Carlo option pricing model**	**Black-Scholes option pricing model**	**Black-Scholes option pricing model**
Performance period	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**
Vesting period	**3 years**	**5 years**	**5 years**	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**	**3 years**

	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

30. Employee Benefits (continued)

LTIP (continued)

The number and weighted average exercise price of outstanding share options under the LTIP are as follows:

	Weighted average exercise price 2019 $'000	Number of share options 2019 $'000	Weighted average exercise price 2018 $'000	Number of share options 2018 $'000
Outstanding at beginning of year	0.06	3,238	0.06	2,922
Forfeited during the year	0.06	(512)	0.06	(259)
Exercised during the year	0.06	(422)	0.06	(116)
Granted during the year	0.06	1,032	0.06	691
Outstanding at end of year	0.06	3,336	0.06	3,238
Exercisable at end of year	0.06	373	0.06	476

The weighted average share price at the date of exercise of share options during the year was $9.34 (2018: $10.94). The weighted average remaining contractual life for the share options outstanding at 30 September 2019 was 4.07 years (2018: 4.35 years).

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 2019	Fair value through profit or loss $'000	Fair value through OCI $'000	Amortised cost $'000	Total carrying value $'000	Fair value $'000
Trade and other receivables (Note 17)	–	–	344,918	344,918	344,918
Derivative financial assets	1,944	22,329	–	24,273	24,273
Cash and cash equivalents	–	–	135,228	135,228	135,228
	1,944	22,329	480,146	504,419	504,419
Trade and other payables (Note 25)	–	–	182,466	182,466	182,466
Interest-bearing loans and borrowings (Note 24)	–	–	239,982	239,982	242,815
Finance lease liabilities (Note 24)	–	–	49	49	49
Deferred contingent consideration (Note 26)	78,184	–	–	78,184	78,184
	78,184	–	422,497	500,681	503,514

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

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 2019

	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	–	**24,273**	–	**24,273**
	–	**24,273**	–	**24,273**
Liabilities measured at fair value				
At fair value through profit or loss				
Deferred contingent consideration	–	–	**78,184**	**78,184**
	–	–	**78,184**	**78,184**

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

31. Financial Instruments and Financial Risk (continued)

Derivative Financial Instruments

	2019 $'000	2018 $'000
Derivative financial assets		
Current	**8,878**	2,474
Non-current	**15,395**	330
	24,273	2,804
Derivative financial liabilities		
Non-current	**–**	319
	–	319
Net derivative financial asset	**24,273**	2,485

Summary of derivatives:

	Amount of financial assets/ liabilities as presented in the Balance Sheet $'000	Related amounts not offset in the Balance Sheet $'000	2019 Net $'000	Amount of financial assets/ liabilities as presented in the Balance Sheet $'000	Related amounts not offset in the Balance Sheet $'000	2018 Net $'000
Derivative financial assets	**24,273**	**–**	**24,273**	2,804	–	2,804
Derivative financial liabilities	**–**	**–**	**–**	319	–	319

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 is 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 of $24,273,000 (2018: $2,485,000) 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 2019 was an asset of $1,944,000 (2018: asset of $944,000).

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 2019 was an asset of $22,329,000 (2018: net asset of $1,541,000), and the effective portion of this adjustment was accounted for in the cash flow hedge reserve through Other Comprehensive Income.

The interest element of the cash flow hedges will be recognised in the Income Statement in the years 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 2017 to 2019.

The significant unobservable inputs are:
- forecast weighted average EBIT growth rate 19% (2018: 24%); and
- risk adjusted discount rate 0.7%–2.8% (2018: 0.02%–2.75%).

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 2019, 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)	1,740	(1,750)
Risk-adjusted discount rate (1% movement)	(1,857)	1,891

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.

	2019 $'000	2018 $'000
Capital and reserves attributable to the equity holders of the Company	**900,356**	885,172
Net debt	**80,530**	60,787
Capital and net debt	**980,886**	945,959

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.

	2019 times	2018 times
Net debt to EBITDA	**0.4**	0.3
EBITDA interest cover	**28.1**	22.0

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 impairment provisions matrix based on an expected credit loss model in respect of trade and other receivables (Note 17). Where the Group considers that no recovery of the amount owing is possible, the amount is considered irrecoverable and is written off directly against the receivable.

Risk of counterparty default arising on cash and cash equivalents and derivative financial instruments is controlled within a framework of dealing with high quality institutions and by a policy limiting the amount of credit exposure to any one bank or institution. Of the Group's total cash and cash equivalents at 30 September 2019 of $135,228,000, 56% was with financial institutions with a Standard & Poor's A1 short-term credit rating, 31% with financial institutions with A2 short-term credit ratings and the balance, which are individually small, are held with regulated financial institutions in the jurisdictions in which the Group operates.

31. Financial Instruments and Financial Risk (continued)

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 U.S. 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 $138,000 (2018: $145,000).

Effect of reduction of one hundred basis points:

	2019 $'000	2018 $'000
Profit before tax	138	145

The Group adopts a policy of ensuring that at least 50% of its interest rate risk exposure is at fixed rates. This is achieved through cross currency interest rate swaps and by borrowing at fixed interest rates. The Group applies a hedge ratio of 1:1.

Summary of derivatives at 30 September 2019

	Termination date	Nature of hedging instrument	Notional payable amount of contracts outstanding €'000	Notional receivable amount of contracts outstanding ($'000)	Fair value asset ($'000)
Cross-currency Interest Rate Swap	2020	Fixed USD interest rate to floating Euro interest rate	12,195	15,000	1,944
Cross-currency Interest Rate Swap	2020	Fixed USD interest rate to fixed Euro interest rate	40,650	50,000	5,071
Cross-currency Interest Rate Swap	2023	Fixed USD interest rate to fixed Euro interest rate	80,707	105,000	13,433
Cross-currency Interest Rate Swap	2025	Fixed USD interest rate to fixed Euro interest rate	26,902	35,000	3,825
Total fair value of derivatives					24,273

Currency Risk

Structural Currency Risk

A significant proportion of the Group's operations are carried out in the U.K. 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-U.S. 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 U.S. 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:€0.8865 (2018: $1:€0.8403) and sterling profits were translated at $1:£0.7839 (2018: $1:£0.7436).

The Group is also subject to translational currency risk on the translation of profits earned outside of the U.S.

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 U.K. businesses and the U.S. dollar is the principal currency for the Group's U.S. 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 2019 and 2018 arising from foreign currency transactions are set out in the table below.

	Euro 2019 $'000	Sterling 2019 $'000	U.S. dollar 2019 $'000	Total 2019 $'000
Cash and cash equivalents	3,134	3,381	1,052	7,567
Trade receivables	11,016	81	10,094	21,191
Trade and other payables	(1,260)	(21)	(114)	(1,395)
	12,890	3,441	11,032	27,363

	Euro 2018 $'000	Sterling 2018 $'000	U.S. 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

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 U.S. 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 U.S. dollar against the euro at 30 September 2019 and 30 September 2018 would have increased equity and profit after tax by the amounts shown below:

	2019 $'000	2018 $'000
Profit after tax	558	439

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 U.S. dollar against sterling at 30 September 2019 and 30 September 2018 would have increased equity and profit after tax by the amounts shown below:

	2019 $'000	2018 $'000
Profit after tax	149	29

31. Financial Instruments and Financial Risk (continued)

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 2019	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	**(707)**	**(678)**	**320**	**(125)**	**(250)**	**(623)**	**–**
Finance leases	**49**	**50**	**12**	**12**	**26**	**–**	**–**
Floating rate unsecured guaranteed senior notes	**15,223**	**13,437**	**84**	**13,353**	**–**	**–**	**–**
Fixed rate unsecured guaranteed senior notes	**225,466**	**237,129**	**3,940**	**51,050**	**5,716**	**120,123**	**56,300**
Trade and other payables	**182,466**	**182,466**	**178,216**	**4,250**	**–**	**–**	**–**
Deferred contingent consideration	**78,184**	**93,505**	**3,813**	**750**	**37,989**	**50,953**	**–**
Derivative financial instruments							
Cash flow hedges	**(22,329)**	**(26,008)**	**(432)**	**(5,599)**	**(627)**	**(13,175)**	**(6,175)**
Fair value hedges	**(1,944)**	**(1,967)**	**(12)**	**(1,955)**	**–**	**–**	**–**
	476,408	**497,934**	**185,941**	**61,736**	**42,854**	**157,278**	**50,125**

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

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 2019	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	1.54%	135,228	135,228	–	–	–
Other loans and borrowings	14.00%	707	(166)	250	623	–
Finance leases	1.51%	(49)	(19)	(30)	–	–
Floating rate unsecured guaranteed senior notes	1.27%	(15,223)	(15,223)	–	–	–
Fixed rate unsecured guaranteed senior notes	3.73%	(225,466)	(49,888)	111	(117,838)	(57,851)
Total loan notes		(240,689)	(65,111)	111	(117,838)	(57,851)
Total before derivatives		(104,803)	69,932	331	(117,215)	(57,851)
Derivatives		24,273	8,878	1,726	11,861	1,808
Net (debt)/cash		(80,530)	78,810	2,057	(105,354)	(56,043)

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)

The effect of the derivatives included above has been to swap U.S. 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

	Interest-bearing loans and liabilities 2019 $'000	Interest-bearing loans and liabilities 2018 $'000
At the beginning of the year	243,371	244,135
Changes from financing cash flows:		
– Repayments of interest-bearing loans and borrowings	(1,859)	(2,118)
– Proceeds from interest-bearing loans and borrowings	1,928	2,507
– Loan set up costs incurred	(1,123)	–
– Capital repayments of finance leases	(5)	(111)
Currency translation adjustment	(2,281)	(1,042)
At end of year	240,031	243,371
Presented as		
Current	65,297	272
Non-current	174,734	243,099
	240,031	243,371

32. Capital Commitments

Capital expenditure authorised but not contracted for amounted to $13,170,000 (2018: $8,502,000) 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 2019. The Group has provided a loan to Magir, gross of interest, of Stg£11,759,000 (2018: Stg£11,371,000).

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 2019:

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 & Clinical
Doug Burcin	President of Ashfield Healthcare Communications
Rob Wood	Global President of Advisory Services and Business Development

Remuneration of Key Management Personnel

	2019 $'000	2018 $'000
Salaries and other short-term benefits	**7,382**	7,480
Post-employment benefits	**714**	966
Share-based payment (calculated in accordance with the principles disclosed in Note 30)	**2,255**	3,588
Termination benefits	**919**	559
	11,270	12,593

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. Change in Accounting Policies

New and amended standards and interpretations effective during 2019

The Group's significant accounting policies outlined in Note 1 reflect the requirements of new IFRS accounting standards and interpretations effective for the Group during 2019. This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and the new accounting policies that have been applied from 1 October 2018, where they are different to those applied and disclosed in the 2018 Annual Report.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard sets out the requirements for the classification, measurement and derecognition of financial assets and financial liabilities, contains new rules for hedge accounting, and introduces a new model for impairment of financial assets. The Group has adopted IFRS 9 from 1 October 2018, with the practical expedients permitted under the standard. Comparatives for 2018 have not been restated.

The impact of adopting IFRS 9 on the financial statements was not material for the Group and there were no adjustments to retained earnings on application at 1 October 2018. The main impact on accounting policies are outlined below.

Financial instrument classification

IFRS 9 largely retains the existing requirements for the classification and measurement of financial liabilities. The standard contains three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. 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. The Group reviewed the classification of financial instruments at 1 October 2018 and determined the following classifications (Note 31):

Financial instruments	1 October 2018 $'000	IAS 39 classification	IFRS 9 classification
Financial assets			
Trade and other receivables	318,339	Loans and receivables	Amortised cost
Derivative financial assets	2,804	Fair value (hedge accounting)	Fair value (hedge accounting)
Cash and cash equivalents	180,099	Loans and receivables	Amortised cost
Financial liabilities			
Trade and other payables	163,646	Amortised cost	Amortised cost
Derivative financial liabilities	319	Fair value (hedge accounting)	Fair value (hedge accounting)
Interest-bearing loans and borrowings	243,318	Amortised cost	Amortised cost
Deferred contingent consideration	96,915	Fair value through profit or loss	Fair value through profit or loss

The classification requirements in IFRS 9 did not impact the measurement or carrying amount of financial assets and liabilities.

Impairment of financial assets

The Group adopted a new impairment model for financial assets classified at amortised cost, which requires the recognition of provisions for impairment based on expected credit losses rather than only on incurred credit losses under the previous standard. For trade receivables, the Group applies the simplified approach in IFRS 9 to measure expected credit losses using a lifetime expected credit loss provision (Note 17). The change in the impairment methodology from adopting IFRS 9 did not result in a material change in the Group's allowance for impairment at 1 October 2018.

Hedge accounting

The Group adopted the new general hedge accounting model in IFRS 9. The standard simplifies the requirements for hedge effectiveness. 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 the Group uses for risk management purposes. The Group's hedge documentation has been updated in line with the new standard and the Group concluded that the existing hedge relationships qualified as continuing hedges on adoption of IFRS 9 (Note 31).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. IFRS 15 establishes a five-step model for reporting revenue recognition. The standard specifies how and when revenue should be recognised as well as requiring enhanced disclosures.

The Group's revenue recognition accounting policy under IFRS 15 and the previous revenue recognition policy are outlined in Note 1.

Implementation of IFRS 15

The Group adopted IFRS 15 following an extensive implementation project. The IFRS 15 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 comprehensive 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.

IFRS 15 was adopted by the Group on 1 October 2018 using the modified retrospective approach which permitted 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 were not completed contracts on transition. The cumulative impact on opening retained earnings was a net increase of $3,822,000. The impact of adopting the new standard on the Group Balance Sheet as at 1 October 2018 is outlined as follows:

34. Change in Accounting Policies (continued)

	30 September 2018 Previously reported $'000	IFRS 15 Adjustments $'000	1 October 2018 Adjusted $'000
Non-Current assets			
Contract fulfilment assets	–	2,852	2,852
Deferred income tax assets	5,272	406	5,678
Current assets			
Inventories	31,248	(12,846)	18,402
Trade and other receivables [1]	347,192	16,271	363,463
Contract fulfilment assets	–	4,153	4,153
Equity			
Retained earnings	808,647	3,822	812,469
Non-current liabilities			
Other payables [2]	5,451	2,900	8,351
Deferred income tax liabilities	45,225	1,180	46,405
Current liabilities			
Trade and other payables [2]	225,526	2,934	228,460

1 Impact relates to contract assets and contract fulfilment assets
2 Impact relates to contract liabilities

The most significant impact of the new standard relates to revenue recognition for packaging contracts in Sharp. Previously, revenues from packaging contracts were recognised primarily on dispatch of products. Under 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 requires the Group to recognise revenue over time as the Group satisfies the contractual performance obligations. This can have the effect of accelerating the timing of revenue recognition from these contracts, such that some portion of revenue may be recognised prior to shipment or delivery of products by Sharp. This resulted in a decrease in inventory on the date of adoption for the products where revenue is recognised over time. The Group recognised contract assets on the Balance Sheet (within trade and other receivables) for the amounts of revenue recognised prior to dispatch which had not yet been invoiced to the customer.

The Group recognised contract fulfilments assets for certain direct costs related to contracts prior to commencement of services in the contract. Previously, such costs were expensed as incurred. IFRS 15 resulted in the deferral of some set-up fee revenues that are presented as contract liabilities (within trade and other payables), which the Group recognises as revenue over time as the performance obligations in the contracts are satisfied.

The prior year results and financial position as reported under the previous standard have not been restated. The impact of the adoption of the new revenue standard on the Group's financial statements is outlined on the following tables.

Group Income Statement

	Year ended 30 September 2019		
	As reported $'000	IFRS 15 impact of adoption $'000	Balances without adoption of IFRS 15 $'000
Revenue	1,298,523	10,943	1,309,466
Cost of sales	(920,010)	(7,392)	(927,402)
Gross profit	378,513	3,551	382,064
Operating profit	120,317	3,551	123,868
Profit before tax	112,187	3,551	115,738
Income tax expense	(20,951)	(727)	(21,678)
Profit for the financial period before exceptional items	91,236	2,824	94,060
Exceptional items	(33,745)	–	(33,745)
Profit for the financial period after exceptional items	57,491	2,824	60,315
Profit attributable to owners of the parent	57,451	2,824	60,275
Basic earnings per share – cent	23.06	1.14	24.20
Diluted earnings per share – cent	22.92	1.13	24.05

Group Statement of Comprehensive Income

	As reported $'000	IFRS 15 impact of adoption $'000	Balances without adoption of IFRS 15 $'000
Profit for the financial year	57,491	2,824	60,315
Total comprehensive income for the year	45,827	2,824	48,651
Total comprehensive income attributable to owners of the parent	45,791	2,824	48,615

Group Balance Sheet

	As at 30 September 2019		
	As reported $'000	IFRS 15 impact of adoption $'000	Balances without adoption of IFRS 15 $'000
Non-current assets			
Other receivables[1]	–	1,156	1,156
Contract fulfilment assets	5,327	(5,327)	–
Current assets			
Inventories	25,253	7,851	33,104
Trade and other receivables[1]	370,350	(11,676)	358,674
Contract fulfilment assets	5,315	(5,315)	–
Equity			
Retained earnings	829,459	(998)	828,461
Non-current liabilities			
Other payables[2]	23,853	(5,827)	18,026
Deferred income tax liabilities	39,263	62	39,325
Current liabilities			
Trade and other payables[2]	246,685	(6,439)	240,246
Current income tax liabilities	14,380	(109)	14,271

1 Impact relates to contract assets and contract fulfilment assets
2 Impact relates to contract liabilities

There was no impact on non-controlling interests. The impact on the foreign currency translation reserve and other comprehensive income was not material as the majority of the IFRS 15 impact related to the Group's U.S. operations which report in U.S. dollars, the presentation currency of the Group. There was no impact on cash generated from operations.

35. Transition to IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The standard is effective for the Group for the period beginning on 1 October 2019. 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 has substantially completed its transition to IFRS 16 at 30 September 2019. The IFRS 16 transition was led by Group Finance and involved a cross functional project team to implement the new standard across all of the Group's subsidiaries. Lease information was gathered from across the Group and assessed to determine the accounting treatment under IFRS 16. The Group implemented a system solution to ensure consistency and accuracy of the lease accounting. Accounting for leases under IFRS 16 is at the subsidiary level with review at Divisional and Group level.

The following accounting policies will be applied on transition to IFRS 16:
- The Group is applying the modified retrospective approach to transition at 1 October 2019. With this approach, lease liabilities and right of use assets will be recognised for the remaining lease payments on identified lease contracts at date of application, discounted at the appropriate incremental borrowing rate;
- Right of use assets will be measured at the amount equal to the lease liabilities, adjusted by the amount of any related prepaid or accrued lease payments recognised on the balance sheet at 30 September 2019;
- The Group will apply the recognition exemption for both short-term leases with a duration of 1 year or less, and leases of low value assets. Such leases will continue to be accounted for on a straight-line expense basis;
- The Group will separate non-lease components for property, plant and motor vehicle leases;
- For all lease contracts in existence at 1 October 2019, the Group will retain the assessment made under IAS 17 and IFRIC 4 as to whether such contracts contain a lease and will not re-assess these leases on transition to the new standard.

Impact on the Balance Sheet

The Group has provisionally determined that the adoption of this new standard will lead to the recognition of lease liabilities of $94,413,000 and corresponding right of use assets of $94,413,000. Existing lease related balances of $12,983,000 at 1 October 2019 will be offset with the right of use assets, resulting in a net right of use asset of $81,430,000. The weighted average discount rate applied in calculating the lease liabilities on transition was 3.23%. The adoption of IFRS 16 will increase interest-bearing borrowings by the amount of the lease liabilities. Right of use assets will be presented separately on the Group Balance Sheet.

Impact on the Income Statement

Operating lease expenses 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. This is expected to result in a small increase in operating profit as the interest expense on the leases will be presented within finance costs.

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's total future minimum lease payments under non-cancellable operating leases at 30 September 2019 amounted to $125,497,000 (Note 27), and are reconciled to the expected lease liability at 1 October 2019 as follows:

Reconciliation of operating lease commitments to IFRS 16 lease liability on transition	Land & Buildings $'000	Motor Vehicles $'000	Plant, Equipment, & Other $'000	Total $'000
Operating lease commitments under IAS 17 at 30 September 2019 (Note 27)	112,370	10,800	2,327	125,497
Adjusted for impact of:				
Finance lease liabilities recognised under IAS 17 as at 30 September 2019 (Note 31)	–	–	49	49
Short-term leases not recognised as a liability[1]	(865)	(4,320)	–	(5,185)
Low-value leases not recognised as a liability[2]	–	–	(1,523)	(1,523)
Different treatment of extension and termination options[3]	4,034	103	–	4,137
Separation of non-lease components from the lease contracts[4]	(6,022)	(1,110)	(110)	(7,242)
Lease contracts not yet commenced[5]	(9,185)	–	–	(9,185)
Effect of discounting the lease liability[6]	(11,888)	(221)	(26)	(12,135)
Provisional IFRS 16 Lease liability on adoption at 1 October 2019	88,444	5,252	717	94,413

1 Relates to leases which are ending within 1 year or less of the date of transition, and are therefore excluded from the IFRS 16 lease liability as a result of applying the recognition exemption for short-term leases.
2 Relates to leases of assets that qualify as low-value assets and are therefore excluded from the IFRS 16 lease liability as a result of applying the recognition exemption for leases of low-value assets. These leases primarily relate to leases of IT, office and telephony equipment which are not individually material.
3 Differences between the non-cancellable periods of the in-scope leases which are used to calculate the operating lease commitments, and the lease terms used to calculate the lease liability under IFRS 16 which include periods covered by an option to extend the lease if the lessee is reasonably certain to exercise such options, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise such options. As part of the transition to IFRS 16, management judgement has been applied to assess whether options included in the in-scope lease contracts will be executed.
4 Adjustments to remove non-lease components included in operating lease commitments from the IFRS 16 lease liability, in accordance with the Group accounting policy being applied on transition.
5 Refers to lease contracts that have been signed as at the transition date but that have not yet commenced as the asset is not available for use.
6 Impact of discounting the remaining lease payments on identified lease contracts as at the transition date, using the appropriate incremental borrowing rate.

36. Events After the Balance Sheet Date

On 12 November 2019, the Group completed the acquisition of 100% of the issued share capital of Canale Communications ('CanaleComm') for consideration of up to $31 million. This includes initial consideration of $20 million paid in cash, with contingent consideration of up to $11 million payable after three years, based on the achievement of certain profit targets. CanaleComm is a U.S.-based healthcare strategic communications agency, with specialist capabilities in corporate communications, public relations and investor relations. CanaleComm will be presented as part of the Ashfield operating segment, and significantly strengthens the Group's public relations offering in the U.S.

Due to the short time frame between the completion date and the date of issuance of this report, an initial assignment of fair values to identifiable assets and liabilities acquired has not been completed.

Company Statement of Comprehensive Income
for the year ended 30 September 2019

	Note	2019 €'000	2018 €'000
Profit for the financial year		**78,986**	31,526
Other comprehensive income for the financial year		**–**	–
Total comprehensive income for the financial year		**78,986**	31,526

Company Statement of Changes in Equity
for the year ended 30 September 2019

	Equity share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 1 October 2018	**12,811**	**165,652**	**61,653**	**368,580**	**608,696**
Profit for the financial year	**–**	**–**	**–**	**78,986**	**78,986**
Other comprehensive income/(expense):	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**78,986**	**78,986**
Transactions with shareholders:					
New shares issued	**31**	**1,012**	**–**	**–**	**1,043**
Share-based payment expense	**–**	**–**	**4,180**	**–**	**4,180**
Dividends paid to equity holders	**–**	**–**	**–**	**(35,296)**	**(35,296)**
Release from share-based payment reserve	**–**	**–**	**(2,591)**	**2,591**	**–**
At 30 September 2019	**12,842**	**166,664**	**63,242**	**414,861**	**657,609**

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

Company Balance Sheet
as at 30 September 2019

	Note	2019 €'000	2018 €'000
ASSETS			
Non-current			
Investment in subsidiary undertakings	38	**363,986**	291,486
Total non-current assets		**363,986**	291,486
Current			
Trade and other receivables	39	**383,741**	393,345
Cash and cash equivalents		**21,871**	34,567
Current income tax assets		**84**	–
Total current assets		**405,696**	427,912
Total assets		**769,682**	719,398
EQUITY			
Equity share capital		**12,842**	12,811
Share premium		**166,664**	165,652
Other reserves	40	**63,242**	61,653
Retained earnings	40	**414,861**	368,580
Capital and reserves attributable to equity holders of the parent		**657,609**	608,696
LIABILITIES			
Current			
Trade and other payables	42	**112,073**	110,054
Current income tax liabilities		**–**	648
Total current liabilities		**112,073**	110,702
Total liabilities		**112,073**	110,702
Total equity and liabilities		**769,682**	719,398

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 €78,986,000 (2018: €31,526,000).

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Company Cash Flow Statement
for the year ended 30 September 2019

	2019 €'000	2018 €'000
Cash flows from operating activities		
Profit before tax	**78,201**	31,235
Finance income	**(11)**	(6)
Finance expense	**8**	12
Operating profit	**78,198**	31,241
Decrease/(increase) in trade and other receivables	**9,604**	(4,259)
Decrease in trade payables, provisions and other payables	**(29,226)**	(17,464)
Loss on disposal of investments	**–**	18,944
Interest paid	**(8)**	(12)
Income taxes received	**53**	–
Net cash inflow from operating activities	**58,621**	28,450
Cash flows from investing activities		
Interest received	**11**	6
Investment in subsidiary undertakings	**(37,075)**	(13,162)
Disposal of investment in subsidiary undertakings	**–**	2,438
Net cash outflow from investing activities	**(37,064)**	(10,718)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon)	**1,043**	1,146
Dividends paid to equity holders of the company	**(35,296)**	(28,945)
Net cash outflow from financing activities	**(34,253)**	(27,799)
Net decrease in cash and cash equivalents	**(12,696)**	(10,067)
Cash and cash equivalents at beginning of year	**34,567**	44,634
Cash and cash equivalents at end of year	**21,871**	34,567
Cash and cash equivalents is comprised of:		
Cash at bank and short-term deposits	**21,871**	34,567
	21,871	34,567

37. Loss on Disposal

On 8 August 2018 the Group disposed 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 in the prior year.

	2018 €'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)

38. Investment in Subsidiary Undertakings

	2019 €'000	2018 €'000
Cost		
At beginning of year	**291,486**	289,593
Additions in year	**68,320**	37,276
Disposals in year	**–**	(40,965)
Share options granted to employees of subsidiary undertakings	**4,180**	5,582
At end of year	**363,986**	291,486

The additions to investment in subsidiary undertakings during the year of €68,320,000 were comprised of cash consideration of €37,075,000 and non-cash considerations of €31,245,000.

In the prior year, the additions to investment in subsidiary undertakings during the year of €37,276,000 were comprised of cash consideration €13,162,000 and non-cash considerations of €24,114,000.

39. Trade and Other Receivables

	2019 €'000	2018 €'000
Current		
Amounts due from subsidiary undertakings	**383,219**	393,161
Other receivables	**522**	184
	383,741	393,345

Amounts due from subsidiary undertakings are interest free and repayable on demand.

40. Capital and Reserves

	Other reserves €'000	Retained earnings €'000
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**
Profit for the financial year	**–**	**78,986**
Release from share-based payment reserve	**(2,591)**	**2,591**
Dividends paid to equity holders	**–**	**(35,296)**
Share-based payment expense	**4,180**	**–**
At 30 September 2019	**63,242**	**414,861**

Other reserves represents a share-based payment reserve of €13,159,000 (2018: €11,570,000), a treasury shares reserve of (€5,742,000) (2018: (€5,742,000)), a goodwill reserve of (€93,000) (2018: (€93,000)), a non-distributable reserve of €55,668,000 (2018: €55,668,000) and a capital redemption reserve of €250,000 (2018: €250,000).

The Company's non-distributable reserve consists of €16,762,000 (2018: €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 (2018: €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 2019	**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	**112,073**	**112,073**	**112,073**	**–**	**–**	**–**
	112,073	**112,073**	**112,073**	**–**	**–**	**–**

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	–	–	–

42. Trade and Other Payables

	2019 €'000	2018 €'000
Current		
Amounts due to subsidiary undertakings	**111,907**	109,889
Accruals	**166**	165
	112,073	110,054

Amounts due to subsidiary undertakings are interest free and repayable on demand.

43. Employee Benefits

The aggregate employee costs recognised in the income statement are as follows:

	2019 €'000	2018 €'000
Wages and salaries	**516**	216
Social security contributions	**56**	6
Pension costs – defined contribution schemes	**–**	8
	572	230

The average number of employees, including executive directors, during the year was as follows:

	2019 number	2018 number
Administration	**3**	2
	3	2

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%

* Subsidiary undertakings owned directly by UDG Healthcare plc.

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.

Incorporated in the U.K.

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%
Incisive Health Limited[1]	Healthcare policy and communications consultancy	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 Parkshot, Richmond, Surrey, England, TW9 2RD.

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%
Pharma Logistics Investments B.V.[3]	Sales leads and sales intelligence data	100%

3 This company has its registered office at Neptunus 12, 8448 CN Heerenveen, 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 Pakpen Plaza Sahraycedit Mahallesi Halk Sokak, No.44 Kat, 1 Kadikoy, Istanbul, Turkey.
10 This company has its registered office at Klocknerslyaat 1, 3930 Hamont-Achel, Belgium.
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 Gutenbergstraße 4, 67446 Speyer, Germany.
13 This company has its registered office at Haupststrasse, 161, 68259 Mannheim, Germany.

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 U.S. Holdings, Inc.[22]	Investment holding company	100%
Smart Analyst, Inc[25]	Commercialisations, consulting and analytics business	100%
Create Group NYC[26]	Communications agency	100%
Putnam Associates LLC[28]	Consulting services to pharmaceutical	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, Pennsylvania, 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, Pennsylvania, 18974.
28 This company has its registered office at 501 Boylston Street, Boston, MA 02116.

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 2019:, Ashfield Alliance Limited, Ashfield Healthcare (Ireland) Limited, Aquilant 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 2 December 2019.

Financial Calendar

UDG Healthcare plc is an Irish registered company. The Company's ordinary shares are quoted on the London Stock Exchange.

Ex-dividend date for 2019 final dividend	9 January 2020
Record date for 2019 final dividend	10 January 2020
AGM	28 January 2020
Payment date for 2019 final dividend	5 February 2020
Interim Announcement of Results for 2020	19 May 2020
Financial year end	30 September 2020
Preliminary Announcement of Results for 2020	24 November 2020

Key Performance Indicators and Non-IFRS Performance Measures

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-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 measures 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 measures are not readily identifiable from the Financial Statements, are set out below.

Following the adoption of IFRS 15 Revenue from Contracts with Customers on 1 October 2018, the Group's statutory results for the year ended 30 September 2019 are presented on an IFRS 15 basis, whereas the Group's statutory results for the comparative period ended 30 September 2018 are presented on an IAS 18 basis as previously reported. For the comparisons between the two bases of reporting to be considered more meaningful, the Group have presented the alternative performance measurements below under both bases.

Net revenue

Definition

This comprises of 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		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Revenue	Income Statement	**1,298,523**	**1,298,523**	1,315,186
Revenue – IFRS 15 impact	Note 34	**–**	**10,943**	–
Revenue		**1,298,523**	**1,309,466**	1,315,186
Pass-through revenue		**(195,648)**	**(195,648)**	(185,494)
Pass-through revenue – IFRS 15 impact		**–**	**380**	–
Net revenue		**1,102,875**	**1,114,198**	1,129,692

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		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Operating profit	Income Statement	**78,264**	**78,264**	5,501
Operating profit – IFRS 15 impact	Note 34	**–**	**3,551**	–
Transaction costs	Income Statement	**2,136**	**2,136**	2,374
Amortisation of acquired intangible assets	Note 14	**32,387**	**32,387**	31,001
Exceptional items	Note 9	**42,053**	**42,053**	108,630
Adjusted operating profit		**154,840**	**158,391**	147,506

Key Performance Indicators and Non-IFRS Performance Measures (continued)

Adjusted profit before tax

Definition

This comprises of profit before tax as reported in the Group Income Statement before amortisation of acquired intangible assets, transaction costs and exceptional items (if any).

Calculation		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Profit before tax	Income Statement	74,277	74,277	8,386
Profit before tax – IFRS 15 impact	Note 34	–	3,551	–
Transaction costs	Income Statement	2,136	2,136	2,374
Amortisation of acquired intangible assets	Note 14	32,387	32,387	31,001
Exceptional items	Note 9	37,910	37,910	97,054
Adjusted profit before tax		**146,710**	**150,261**	138,815

Adjusted operating margin

Definition

Measures the adjusted operating profit as a percentage of revenue.

Calculation		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Adjusted operating profit	Per above	154,840	158,391	147,506
Revenue	Income Statement/Note 34	1,298,523	1,309,466	1,315,186
Adjusted operating margin		**11.9%**	**12.1%**	11.2%

Adjusted net operating margin

Definition

Measures the adjusted operating profit as a percentage of net revenue.

Calculation		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Adjusted operating profit	Per above	154,840	158,391	147,506
Net revenue	Per above	1,102,875	1,114,198	1,129,692
Net operating margin		**14.0%**	**14.2%**	13.1%

Adjusted effective tax rate

Definition

The Group adjusted effective tax rate expresses the income tax expense adjusted for the tax impact of exceptional items, transaction costs and the amortisation of acquired intangible assets as a percentage of adjusted profit before tax.

Calculation		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Income tax expense	Income Statement/Note 34	16,786	17,513	4,529
Tax relief with respect to exceptional items	Note 9	4,165	4,165	1,548
Deferred tax credit associated with the U.S. Tax Cuts and Jobs Act	Note 9	–	–	9,715
Tax charge pre-exceptional items	Income Statement/Note 34	20,951	21,678	15,792
Tax relief with respect to transaction costs		38	38	180
Deferred tax credit with respect to acquired intangible amortisation		7,084	7,084	7,715
Income tax expense before exceptional, transaction costs and deferred tax attaching to amortisation of acquired intangible assets		**28,073**	**28,800**	23,687
Adjusted profit before tax	Per above	146,710	150,261	138,815
Adjusted effective tax rate		**19.1%**	**19.2%**	17.1%

Key Performance Indicators and Non-IFRS Performance Measures (continued)

Return on capital employed (ROCE)

Definition

ROCE is the 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 the historical amortisation of acquired intangible assets and restructuring charges.

Calculation		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Net assets	Balance Sheet	**900,563**	**900,563**	885,343
Net assets – IFRS 15 impact	Note 34	**–**	**(998)**	–
Net assets		**900,563**	**899,565**	885,343
Net debt	Note 31	**80,530**	**80,530**	60,787
Assets before net debt		**981,093**	**980,095**	946,130
Cumulative intangible amortisation		**208,980**	**208,980**	189,206
Cumulative restructuring costs		**20,439**	**20,439**	26,789
Total capital employed		**1,210,512**	**1,209,514**	1,162,125
Average total capital employed		**1,186,319**	**1,185,820**	1,160,269
Adjusted operating profit		**154,840**	**158,391**	147,506
Return on capital employed		**13.1%**	**13.4%**	12.7%

Adjusted and annualised EBITDA

Definition

Adjusted EBITDA is used internally for performance management and is also a useful supplemental measure for external stakeholders. 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 profit and profit 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		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Adjusted operating profit	Per above	**154,840**	**158,391**	147,506
Share-based payment expense	Cash Flow Statement	**4,400**	**4,400**	5,069
Depreciation	Cash Flow Statement	**23,130**	**23,130**	24,477
Amortisation of computer software	Note 14	**8,027**	**8,027**	6,036
Joint venture profit share	Income Statement	**(50)**	**(50)**	(958)
Profit on disposal of property, plant and equipment	Cash Flow Statement	**(571)**	**(571)**	(340)
Adjusted EBITDA		**189,776**	**193,327**	181,790
Share-based payment expense	Cash Flow Statement	**(4,400)**	**(4,400)**	(5,069)
Transaction costs	Income Statement	**(2,136)**	**(2,136)**	(2,374)
EBITDA of completed disposals		**–**	**–**	(2,845)
Annualised EBITDA of acquisitions[1]		**10,004**	**10,004**	6,079
Annualised EBITDA		**193,244**	**196,795**	177,581

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 and deferred consideration, 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 is calculated in Note 31.

Key Performance Indicators and Non-IFRS Performance Measures (continued)

Constant currency

Definition

The translation of foreign denominated earnings can be impacted by movements in foreign exchange rates versus U.S. dollars, the Group's presentation currency. In order to present a better reflection of underlying performance in the year, the Group retranslates foreign denominated prior year earnings at current year exchange rates.

Revenue – constant currency		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Revenue	Income Statement/Note 34	1,298,523	1,309,466	1,315,186
Currency impact		–	–	(32,539)
Revenue – constant currency		1,298,523	1,309,466	1,282,647
Revenue – constant currency increase on 2018		15,876	26,819	
Revenue – constant currency increase on 2018 %		1.2%	2.1%	

Revenue – constant currency – excluding Aquilant		$'000	$'000	$'000
Revenue	Income Statement/Note 34	1,298,523	1,309,466	1,232,479
Currency impact		–	–	(28,246)
Revenue – constant currency		1,298,523	1,309,466	1,204,233
Revenue – constant currency increase on 2018		94,290	105,233	
Revenue – constant currency increase on 2018 %		7.8%	8.7%	

Net revenue – constant currency		$'000	$'000	$'000
Net revenue	Per above	1,102,875	1,114,198	1,129,692
Currency impact		–	–	(28,302)
Revenue – constant currency		1,102,875	1,114,198	1,101,390
Revenue – constant currency increase on 2018		1,485	12,808	
Revenue – constant currency increase on 2018 %		0.1%	1.2%	

Net Revenue – constant currency – excluding Aquilant		$'000	$'000	$'000
Net revenue	Per above	1,102,875	1,114,198	1,046,985
Currency impact		–	–	(24,010)
Net revenue – constant currency		1,102,875	1,114,198	1,022,975
Net revenue – constant currency increase on 2018		79,900	91,223	
Net revenue – constant currency increase on 2018		7.8%	8.9%	

Adjusted operating profit – constant currency		$'000	$'000	$'000
Adjusted operating profit	Per above	154,840	158,391	147,506
Currency impact		–	–	(2,242)
Adjusted operating profit – constant currency		154,840	158,391	145,264
Adjusted operating profit – constant currency increase on 2018		9,576	13,127	
Adjusted operating profit – constant currency increase on 2018 %		6.6%	9.0%	

Constant currency (continued)

Adjusted operating profit – constant currency – excluding Aquilant		IFRS 15 2019 $'000	IAS 18 2019 $'000	2018 $'000
Adjusted operating profit	Per above	**154,840**	**158,391**	144,226
Currency impact		**–**	**–**	(2,074)
Adjusted operating profit – constant currency		**154,840**	**158,391**	142,152
Adjusted operating profit – constant currency increase on 2018		**12,688**	**16,239**	
Adjusted operating profit – constant currency increase on 2018 %		**8.9%**	**11.4%**	

Adjusted profit before tax – constant currency		$'000	$'000	$'000
Adjusted profit before tax	Per above	**146,710**	**150,261**	138,815
Currency impact		**–**	**–**	(1,967)
Adjusted profit before tax – constant currency		**146,710**	**150,261**	136,848
Adjusted profit before tax – constant currency increase on 2018		**9,862**	**13,413**	
Adjusted profit before tax – constant currency increase on 2018 %		**7.2%**	**9.8%**	

Adjusted diluted earnings per share ('EPS') – constant currency		$'000	$'000	$'000
Adjusted profit attributable to owners of the parent	Note 11	**118,596**	**121,420**	115,067
Currency impact		**–**	**–**	(1,455)
Adjusted profit attributable to owners of the parent – constant currency		**118,596**	**121,420**	113,612
Weighted average number of shares used in diluted EPS calculation	Note 11	**250,662,451**	**250,662,451**	250,464,788
Adjusted diluted EPS – constant currency (cent)		**47.31**	**48.44**	45.36
Adjusted diluted EPS – constant currency increase on 2018 (cent)		**1.95**	**3.08**	
Adjusted diluted EPS – constant currency increase on 2018 %		**4.3%**	**6.8%**	

The dividend per share constant currency increase on 2018 percentage disclosed is the same as actual percentage increase in dividend per share as this is based on the disclosed U.S. dollars dividend per share.

Glossary

AGM	Annual General Meeting
ABPI	Association of the British Pharmaceutical Industry
APM	Alternative Performance Measures
ARA	Annual Report Announcement
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
CMO	Contract Manufacturing Organisation
CO_2	Carbon Dioxide
CODM	Chief Operating Decision Maker
COE	Centre of Excellence
COO	Chief Operating Officer
CRM	Customer Relationship Management
CSO	Contract Sales Organisation
The Code	U.K. Corporate Governance Code 2018 issued by the U.K. Financial Reporting Council
CSR	Corporate Social Responsibility
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EHS	Environmental Health and Safety
EMEA	Europe, the Middle East and Africa
EPS	Earnings per Share
ERP	Enterprise Resource Planning
ESOP	Executive Share Option Plan
ESOS	Executive Share Option Scheme
E.U.	European Union
EY	Ernst & Young Chartered Accountants and Statutory Audit Firm
FDA	Food and Drug Administration
FMD	Falsified Medicine's Directive
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
FY2018	Financial Year 2018
FY2019	Financial Year 2019
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GDPR	General Data Protection Regulation
GM	General Manager
HCP	Healthcare Professionals
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
H&S	Health & Safety
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
IMP	Investigational Medicinal Product
Inc.	Incorporated
IRT	Interactive Response Technology
IT	Information Technology
ISAs	International Standards on Auditing
KPI	Key Performance Indicator
KWP	Kilowatt Peak
LTA	Lost Time Accidents
LTD	Limited Company
LTIP	Long Term Incentive Plan
MAH	Marketing Authorisation Holder
M&A	Mergers and Acquisitions
NED	Non Executive Director
NETS	Network of Employers for Traffic Safety
N/A	Not Applicable
NI	Northern Ireland
NomCo	Nominations and Governance Committee
N/M	Not Meaningful
PA	Pennsylvania
PAYE	Pay As You Earn
PBCIT	Profit Before Central Interest and Tax
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
PLC	Public Limited Company
PR	Public Relations
PSP	Patient Support Programme
PwC	PricewaterhouseCoopers
Q4	Quarter 4
R&D	Research and Development
Rem Co	Remuneration Committee
RIF	Risk, Investment and Financing Committee
ROCE	Return on Capital Employed
ROI	Return on Investment
SCOPE 1	Covers direct emissions from owned or controlled sources. Examples – Fuel combustion, Company vehicles, Fugitive emissions.*
SCOPE 2	Covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Examples – Purchased electricity, heat and steam.*
SCOPE 3	Includes all other indirect emissions that occur in a company's value chain. Examples – Purchased goods and services, Business travel and Waste disposal.*
SET	Senior Executive Team
SID	Senior Independent non-executive Director
TSR	Total Shareholder Return
U.K.	United Kingdom
UN	United Nations
U.S.	United States
VAT	Value Added Tax
V.P	Vice President
WDA	Wholesale Distribution Authorisation

*Source : Carbon Trust.

Contacts for Shareholders

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Website
Further information on UDG Healthcare is available on the Group's website: www.udghealthcare.com

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