Independent Auditor's Report to the Members of UDG Healthcare plc

Opinion

We have audited the financial statements of UDG Healthcare plc ('the Company') and its subsidiaries ('the Group') for the year ended 30 September 2018, which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement, the Company Statement of Comprehensive Income, the Company Statement of Changes in Equity, the Company Balance Sheet and notes forming part of the Group financial statements, including the Significant Accounting Policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:
- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 30 September 2018 and of its profit for the year then ended;
- the Company Balance Sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 30 September 2018;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland')) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Group and Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Overview of our audit approach

Key audit matters	• Assessment of the carrying value of goodwill. • Revenue recognition.
Audit scope	• We performed an audit of the complete financial information of 11 (2017: 8) components and audit procedures on specific balances for a further 44 (2017: 50) components. • The components where we performed full or specific audit procedures accounted for 85% (2017: 88%) of Group Profit before Tax before exceptional items, 87% (2017: 94%) of Revenue and 96% (2017: 97%) of Total Assets.
Materiality	• Overall group materiality of $5.3 million which represents 5% of Group Profit before Tax before exceptional items. In our prior year audit, we adopted a materiality of $4.6 million based on 5% of Profit before Tax from continuing operations.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Assessment of the carrying value of goodwill (2018: $516.0 million, 2017: $542.6 million) Refer to the Audit Committee Report (page 74); Accounting policies (page 111); and Note 13 of the Group Financial Statements (page 127). The impairment review of goodwill, with a carrying value of $516 million, is considered to be a risk area due to the size of the balance as well as the fact that it involves significant judgement by management. Judgemental aspects include assumptions of future profitability, revenue growth, margins, and the selection of appropriate discount rates, all of which may be subject to management override.	Our team included valuations specialists who performed an independent assessment against external market data of key inputs used by management in calculating appropriate discount rates. We challenged the determination of the Group's eight cash-generating units (CGUs), and flexed our audit approach relative to our risk assessment and the level of excess of value-in-use over the carrying amount in each CGU. For all CGUs selected for detailed testing, we corroborated key assumptions in the models, in particular growth rates, which we compared against historic rates achieved and external analyst forecasts. We performed a sensitivity analysis on the discount rate and the long-term growth rate, to assess the level of excess of value-in-use over the carrying value in place for each CGU based on reasonably possible movements in such assumptions. We considered the adequacy of management's disclosures in respect of impairment testing and whether the disclosures appropriately communicate the underlying sensitivities.	Our observations included the headroom level by CGU, where within an acceptable range the calculated value-in-use for each CGU lay, the results of our sensitivity analysis, and an analysis of the five year forecast EBIT growth rate when viewed against the prior year impairment model and the current year actual growth.
Revenue recognition (2018: $1,315.2 million, 2017: 1,219.8 million) Refer to the Audit Committee Report (page 74); Accounting policies (page 113); and Note 3 of the Group Financial Statements (page 117). The Group generates revenue from a variety of geographies and across a large number of separate legal entities spread across the Group's segments. Revenue may be recorded in an incorrect period or on a basis that is inconsistent with the contractual terms agreed with customers. Certain of the Group's revenue streams involve the exercise of judgement, in particular the determination of stage of completion of individual contracts where their duration spans accounting periods. In addition, the Group must assess whether it acts as agent or principal in transactions and accordingly whether revenue should be recorded on a gross or net basis, including the treatment of any rebates received. These judgements are important, given the significance of revenue as both a growth measure and a key determinant of profit in each period.	We performed procedures on revenue at all in-scope locations, as outlined in further detail in the 'Tailoring the scope' section below. Detailed transactional testing of revenue recognised throughout the year was performed, commensurate with the higher audit risk assigned to revenue. Dependent on the nature of the revenue recognised at each location, we examined supporting documentation including customer contracts, statements of works or purchase orders, sales invoices, and cash receipts. In addition, we performed cut-off procedures, revenue journal testing and customer balance confirmations. In some locations data analytics procedures were also performed. Particular focus was applied at those locations where revenue is determined over time under a stage of completion methodology or where agent versus principal considerations apply. In these circumstances we applied professional scepticism when assessing the judgments made by management.	Our observations included an outline of the range of audit procedures performed, the key judgments involved, the entities where management judgement was most prevalent and the results of our testing. We also provided our assessment of where we believe the Group's revenue recognition practices lie within a range of acceptable outcomes, and the level of subjectivity involved in revenue related estimates.

In the auditor's report for the year ended 30 September 2017, we identified Accounting for Acquisitions as a Key Audit Matter. This reflected the Group completing in that year 6 acquisitions at a total cost of $270.5 million, representing a significant increase over the levels in the previous year. As acquisition activity in the current year reduced to 2 acquisitions at a total cost of $87.2 million, we concluded that this matter no longer met the criteria to be a Key Audit Matter in the current year.

Independent Auditor's Report to the Members of UDG Healthcare plc (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $5.3 million, which is approximately 5% of Profit before Tax before exceptional items. In our prior year audit, we adopted a materiality of $4.6 million based on 5% of Profit before Tax. Profit before Tax before exceptional items is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We therefore considered Profit before Tax before exceptional items to be the most appropriate performance metric on which to base our materiality calculation as we consider it to be the most relevant performance measure to the stakeholders of the Group.

During the course of our audit, we reassessed initial materiality and the only change in final materiality was to reflect the actual reported performance of the Group in the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely $2.64 million. We have set performance materiality at this percentage based on our assessment of the risk of misstatements, both corrected and uncorrected.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $1.38 million to $0.55 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $264,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group financial statements.

In determining those components in the Group at which we perform audit procedures, we utilised size and risk criteria in accordance with International Standards on Auditing (Ireland).

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 158 (2017: 154) reporting components of the Group, we selected 55 (2017: 58) components covering entities within Austria, Belgium, Canada, Germany, Japan, the Netherlands, Portugal, Spain, Turkey, the UK and the US, which represent the principal business units within the Group.

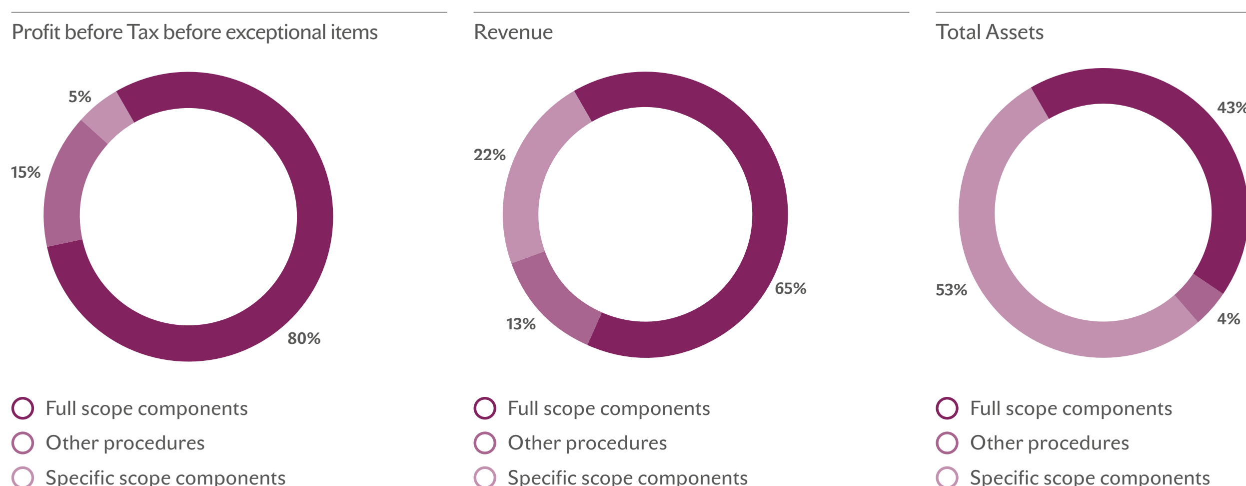
Of the 55 (2017: 58) components selected, we performed an audit of the complete financial information of 11 (2017: 8) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 44 (2017: 50) components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 85% (2017: 88%) of the Group's Profit before Tax before exceptional items, 87% (2017: 94%) of the Group's Revenue and 96% (2017: 97%) of the Group's Total Assets. For the current year, the full scope components contributed 80% (2017: 84%) of the Group's Profit before Tax before exceptional items, 65% (2017: 60%) of the Group's Revenue and 43% (2017: 42%) of the Group's Total Assets. The specific scope component contributed 5% (2017: 4%) of the Group's Profit before Tax

before exceptional items, 22% (2017: 34%) of the Group's Revenue and 53% (2017: 55%) of the Group's Total Assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 103 (2017: 96) components that together represent 15% (2017: 12%) of the Group's Profit before Tax before exceptional items, none are individually greater than 6% (2017: 3%) of the Group's Profit before Tax before exceptional items. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations, and foreign currency translation recalculations to respond to any potential risks of material misstatement to the financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Full scope components
Other procedures
Specific scope components

Involvement with component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 11 (2017: 8) full scope components, audit procedures were performed on 1 (2017: 1) of these directly by the primary audit team and on 10 (2017: 7) by component audit teams. For the 43 (2017: 45) full scope and specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team completed a programme of planned visits which has been designed to ensure that senior members of the Group audit team, including the Audit Engagement Partner, visit a number of overseas locations each year. During the current year's audit cycle, visits were undertaken to the component teams in the US. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management and attending planning and closing meetings. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers as deemed necessary and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the group financial statements.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (Ireland) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 27 to 31 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 26 in the annual report that they have carried out a robust assessment of the principal risks facing the Group and the parent company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 26 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and the directors' identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

Independent Auditor's Report to the Members of UDG Healthcare plc (continued)

- the directors' explanation set out on page 26 in the annual report as to how they have assessed the prospects of the Group and the parent company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee or is materially inconsistent with our knowledge obtained in the audit; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 6.8.6 do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the Directors' Report, other than those parts dealing with the non-financial statement pursuant to the requirements of S.I. No. 360/2017 on which we are not required to report, is consistent with the financial statements; and
- in our opinion, the Directors' Report, other than those parts dealing with the non-financial statement pursuant to the requirements of S.I. No. 360/2017 on which we are not required to report, has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report, other than those parts dealing with the non-financial statement pursuant to the requirements of S.I. No. 360/2017 on which we are not required to report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 94, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group across the various jurisdictions globally in which the Group operates. We determined that the most significant are those that relate to the form and content of external financial and corporate governance reporting including company law, tax legislation, employment law and regulatory compliance with agencies such as the US Food and Drug Administration.
- We understood how UDG Healthcare plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of the Group's Compliance Policy, board minutes, papers provided to the audit committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management, including within various parts of the business, to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential for management to influence earnings or the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the audit committee on compliance with regulations, enquiries of internal general counsel and management.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf. This description forms part of our auditor's report.

Other matters which we are required to address
We were appointed by the Audit Committee following the AGM held on 7 February 2017 to audit the financial statements for the year ending 30 September 2017 and subsequent financial periods. This is our second year of engagement.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or Company and we remain independent of the Group and Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

The purpose of our audit work and to whom we owe our responsibilities
Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Breffni Maguire
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm
Dublin
3 December 2018

Group Income Statement
for the year ended 30 September 2018

	Note	2018 Pre-exceptional items $'000	2018 Exceptional items (Note 9) $'000	2018 Total $'000	2017 $'000
Revenue	3	**1,315,186**	**–**	**1,315,186**	1,219,755
Cost of sales		**(927,877)**	**(5,706)**	**(933,583)**	(871,909)
Gross profit		**387,309**	**(5,706)**	**381,603**	347,846
Selling and distribution expenses		**(217,475)**	**(11,042)**	**(228,517)**	(192,536)
Administrative expenses		**(17,250)**	**(1,214)**	**(18,464)**	(23,313)
Other operating expenses		**(37,037)**	**(99,550)**	**(136,587)**	(25,450)
Other operating income		**–**	**8,882**	**8,882**	–
Transaction costs	29	**(2,374)**	**–**	**(2,374)**	(4,028)
Share of joint ventures' profit after tax	15	**958**	**–**	**958**	667
Operating profit	5	**114,131**	**(108,630)**	**5,501**	103,186
Finance income	6	**5,235**	**11,576**	**16,811**	18,905
Finance expense	6	**(13,926)**	**–**	**(13,926)**	(29,257)
Profit before tax		**105,440**	**(97,054)**	**8,386**	92,834
Income tax expense	8	**(15,792)**	**11,263**	**(4,529)**	(20,976)
Profit for the financial year		**89,648**	**(85,791)**	**3,857**	71,858
Profit attributable to:					
Owners of the parent		**89,586**	**(85,791)**	**3,795**	71,858
Non-controlling interests	23	**62**	**–**	**62**	–
		89,648	**(85,791)**	**3,857**	71,858
Earnings per share					
Basic earnings per share – cent	11			**1.53c**	28.97c
Diluted earnings per share – cent	11			**1.52c**	28.83c

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Group Statement of Comprehensive Income
for the year ended 30 September 2018

	Note		2018 $'000		2017 $'000
Profit for the financial year			**3,857**		71,858
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss:					
Remeasurement gain on Group defined benefit schemes	30		**2,422**		11,098
Deferred tax on Group defined benefit schemes:	28				
– Pre-exceptional item		**(187)**		(599)	
– Exceptional item		**408**		–	
			221		(599)
			2,643		10,499
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment	21		**(5,466)**		10,109
Reclassification on loss of control of subsidiary undertakings	21		**33,383**		–
Group cash flow hedges:					
– Effective portion of cash flow hedges – movement into reserve		**(433)**		(15,271)	
– Effective portion of cash flow hedges – movement out of reserve		**(3,032)**		14,865	
Effective portion of cash flow hedges:	21		**(3,465)**		(406)
– Movement in deferred tax – movement into reserve		**54**		1,909	
– Movement in deferred tax – movement out of reserve		**379**		(1,858)	
Net movement in deferred tax	28		**433**		51
			24,885		9,754
Total other comprehensive income			**27,528**		20,253
Total comprehensive income for the financial year			**31,385**		92,111
Total comprehensive income attributable to:					
Owners of the parent			**31,323**		92,111
Non-controlling interests			**62**		–
			31,385		92,111

Group Statement of Changes in Equity
for the year ended 30 September 2018

	Equity share capital $'000	Share premium $'000	Other reserves (Note 21) $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
At 1 October 2017	**14,620**	**196,496**	**(166,656)**	**836,087**	**880,547**	**109**	**880,656**
Profit for the financial year	**–**	**–**	**–**	**3,795**	**3,795**	**62**	**3,857**
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	–	–	(3,465)	–	(3,465)	–	(3,465)
Deferred tax on cash flow hedges	–	–	433	–	433	–	433
Translation adjustment	–	–	(5,466)	–	(5,466)	–	(5,466)
Reclassification on loss of control of subsidiary undertakings	–	–	33,383	–	33,383	–	33,383
Remeasurement gain on defined benefit schemes	–	–	–	2,422	2,422	–	2,422
Deferred tax on defined benefit schemes	–	–	–	221	221	–	221
Total comprehensive income for the year	–	–	24,885	6,438	31,323	62	31,385
Transactions with shareholders:							
New shares issued	23	1,341	–	–	1,364	–	1,364
Share-based payment expense	–	–	6,643	–	6,643	–	6,643
Dividends paid to equity holders	–	–	–	(34,705)	(34,705)	–	(34,705)
Release from share-based payment reserve	–	–	(827)	827	–	–	–
At 30 September 2018	**14,643**	**197,837**	**(135,955)**	**808,647**	**885,172**	**171**	**885,343**

for the year ended 30 September 2017

	Equity share capital $'000	Share premium $'000	Other reserves (Note 21) $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
At 1 October 2016	14,535	187,355	(179,446)	784,432	806,876	–	806,876
Profit for the financial year	–	–	–	71,858	71,858	–	71,858
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	–	–	(406)	–	(406)	–	(406)
Deferred tax on cash flow hedges	–	–	51	–	51	–	51
Translation adjustment	–	–	10,109	–	10,109	–	10,109
Remeasurement gain on defined benefit schemes	–	–	–	11,098	11,098	–	11,098
Deferred tax on defined benefit schemes	–	–	–	(599)	(599)	–	(599)
Total comprehensive income for the year	–	–	9,754	82,357	92,111	–	92,111
Transactions with shareholders:							
New shares issued	46	3,129	–	–	3,175	–	3,175
Issued in business combination	39	6,012	–	–	6,051	–	6,051
Share-based payment expense	–	–	3,613	–	3,613	–	3,613
Dividends paid to equity holders	–	–	–	(31,279)	(31,279)	–	(31,279)
Release from share-based payment reserve	–	–	(577)	577	–	–	–
Non-controlling interests arising on acquisition	–	–	–	–	–	109	109
At 30 September 2017	14,620	196,496	(166,656)	836,087	880,547	109	880,656

Group Balance Sheet
as at 30 September 2018

	Note	2018 $'000	2017 $'000
ASSETS			
Non-current			
Property, plant and equipment	12	**179,593**	168,403
Goodwill	13	**515,954**	542,554
Intangible assets	14	**241,538**	227,617
Investment in joint ventures and associates	15	**9,729**	8,838
Derivative financial instruments	31	**330**	1,302
Deferred income tax assets	28	**5,272**	4,025
Employee benefits	30	**12,935**	12,379
Total non-current assets		**965,351**	965,118
Current			
Inventories	16	**31,248**	55,060
Trade and other receivables	17	**347,192**	307,388
Cash and cash equivalents		**180,099**	187,469
Current income tax assets		**793**	2,464
Derivative financial instruments	31	**2,474**	2,450
Total current assets		**561,806**	554,831
Total assets		**1,527,157**	1,519,949
EQUITY			
Equity share capital	18	**14,643**	14,620
Share premium	20	**197,837**	196,496
Other reserves	21	**(135,955)**	(166,656)
Retained earnings	22	**808,647**	836,087
Equity attributable to owners of the parent		**885,172**	880,547
Non-controlling interests	23	**171**	109
Total equity		**885,343**	880,656
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	24	**243,099**	244,077
Other payables	25	**5,451**	–
Provisions	26	**68,900**	58,470
Employee benefits	30	**–**	3,162
Deferred income tax liabilities	28	**45,225**	54,279
Derivative financial instruments	31	**319**	352
Total non-current liabilities		**362,994**	360,340
Current			
Interest-bearing loans and borrowings	24	**272**	58
Trade and other payables	25	**225,526**	248,145
Current income tax liabilities		**13,477**	16,845
Provisions	26	**39,545**	13,905
Total current liabilities		**278,820**	278,953
Total liabilities		**641,814**	639,293
Total equity and liabilities		**1,527,157**	1,519,949

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Group Cash Flow Statement
for the year ended 30 September 2018

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit before tax	**8,386**	92,834
Finance income	**(5,235)**	(18,905)
Finance expense	**13,926**	29,257
Exceptional items	**97,054**	–
Operating profit	**114,131**	103,186
Share of joint ventures' profit after tax	**(958)**	(667)
Transaction costs	**2,374**	4,028
Depreciation charge	**24,477**	21,221
(Profit)/Loss on disposal of property, plant and equipment	**(340)**	55
Amortisation of intangible assets	**37,037**	25,450
Share-based payment expense	**5,069**	3,613
Decrease in inventories	**4,529**	1,893
Increase in trade and other receivables	**(53,361)**	(24,612)
(Decrease)/Increase in trade payables, provisions and other payables	**(1,518)**	3,450
Exceptional items received/(paid)	**4,228**	(165)
Transaction costs paid	**(5,363)**	(4,544)
Cash generated from operations	**130,305**	132,908
Interest paid	**(9,682)**	(10,608)
Income taxes paid	**(18,107)**	(14,522)
Net cash inflow from operating activities	**102,516**	107,778
Cash flows from investing activities		
Interest received	**1,662**	1,044
Purchase of property, plant and equipment	**(39,580)**	(29,466)
Proceeds from disposal of property, plant and equipment	**986**	146
Investment in intangible assets – computer software	**(21,047)**	(21,884)
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	**(33,479)**	(198,439)
Deferred contingent consideration paid	**(5,911)**	(14,265)
Disposal of subsidiary undertakings (net of cash and cash equivalents disposed)	**21,046**	–
Net cash outflow from investing activities	**(76,323)**	(262,864)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon)	**1,364**	3,175
Repayments of interest-bearing loans and borrowings	**(2,118)**	(63,266)
Proceeds from interest-bearing loans and borrowings	**2,507**	–
Repayment of finance leases	**(111)**	(3)
Dividends paid to equity holders of the company	**(34,705)**	(31,279)
Net cash outflow from financing activities	**(33,063)**	(91,373)
Net decrease in cash and cash equivalents	**(6,870)**	(246,459)
Translation adjustment	**(500)**	5,199
Cash and cash equivalents at beginning of year	**187,469**	428,729
Cash and cash equivalents at end of year	**180,099**	187,469
Cash and cash equivalents is comprised of:		
Cash at bank and short-term deposits	**180,099**	187,469

1. Significant Accounting Policies

General Information

UDG Healthcare plc (the 'Company') and its subsidiaries (together the 'Group') delivers advisory, communications, commercial, clinical and packaging services to the healthcare industry. The Company is a public limited company whose shares are publicly traded. It is incorporated and domiciled in Ireland. The Company's registered number is 12244. The address of its registered office is 20 Riverwalk, Citywest Business Campus, Citywest, Dublin 24, Ireland.

The accounting policies applied in the preparation of the financial statements for the year ended 30 September 2018 are set out below.

Statement of Compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). The consolidated financial statements are also prepared in compliance with the Companies Act 2014 and Article 4 of the EU IAS Regulation. References to IFRS hereafter refer to IFRS adopted by the EU. The individual financial statements of the company (company financial statements) have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014. In accordance with Section 304 of the Companies Act 2014, the Company has availed of the exemption from presenting its individual profit and loss account to the AGM and from filing it with the Registrar of Companies (Note 19).

Basis of Preparation

The Consolidated financial statements are presented in US dollars ($), rounded to the nearest thousand ($'000), and are prepared on a going concern basis. The company financial statements are presented in euro (€), rounded to the nearest thousand (€'000), and are prepared on a going concern basis. The consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured at fair value: share-based payments, defined benefit pension plan assets and certain financial assets and liabilities including derivative financial instruments.

The preparation of financial statements in accordance with IFRS as adopted by the EU requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement and areas where assumptions and estimates are significant in relation to the Consolidated financial statements are discussed in the significant accounting judgements and estimates note.

The parent company's financial statements included on pages 157 to 166 are prepared using accounting policies which are consistent with the accounting policies applied to the consolidated financial statements by the Group. The accounting policies are set out below and they have also been applied consistently by all of the Group's subsidiaries and joint ventures to all years presented in these financial statements.

Basis of Consolidation

The Group's financial statements include the financial statements of the company and all of its subsidiaries and the Group's interest in joint ventures using the equity method of accounting.

New and Amended Standards and Interpretations Effective in the Year

The following new and amended IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations were adopted by the Group with effect from 1 October 2017:

- amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses;
- amendments to IAS 7, 'Statement of cash flows' for an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities; and
- IFRS 12, 'Disclosure of interests in other entities' clarifies that the disclosure requirements of IFRS 12 are applicable to interests in entities classified as held for sale except for summarised financial information.

These are effective for the Group's financial year ended 30 September 2018 but did not have a material impact on the Group or Company financial statements.

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

IFRS 9 Financial Instruments *(Effective date for the Group: financial year beginning 1 October 2018)*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard sets out the requirements for the classification, recognition and measurement of financial assets and financial liabilities. There are three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

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

Classification of financial assets is dependent on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without future recycling on derecognition. An expected credit losses model replaces the incurred loss impairment model used in the current standard. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 simplifies the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests required in IAS 39. To qualify for hedge accounting, IFRS 9 requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39.

In preparing for the implementation of IFRS 9 in the period beginning on 1 October 2018, the Group has carried out a review of the classification of its financial instruments and evaluation of existing hedge relationships. An IFRS 9 assessment of financial assets impairment processes and measurement has commenced. The Group considers the existing hedge relationships, which are outlined in Note 31, would qualify as continuing hedges on adoption of IFRS 9. The Group does not expect a material impact from the new classification requirements for financial assets. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected credit loss model. The Group's initial assessment is that there will be no material impact on adoption of the standard.

IFRS 15 Revenue from Contracts with Customers *(Effective date for the Group: financial year beginning 1 October 2018)*
IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and therefore has the ability to direct the use and obtain the benefits from the good or service.

During the year, the Group completed its assessment of the potential impact of the new revenue standard. This assessment included a detailed review of revenue contracts across the Group. The Group Finance function co-ordinated the IFRS 15 assessment and implementation with the inclusion of key representatives from Divisional Finance. There was a bottom-up approach to analysing the impact of the standard through reviewing contracts with customers and reporting on the impact of the new standard on the revenue contracts and revenue streams. Technical review and support on the implementation of the standard was provided from Group Finance with the assistance of external advisors.

The most significant impact of the new standard will be in the revenue recognition for packaging contracts in Sharp. In accordance with the existing revenue recognition policy, revenue from packaging is recognised primarily on dispatch of products. Under the new guidance in IFRS 15, where the Group produces products for customers that have no alternative use and for which the Group has concluded there is an enforceable right to payment for performance completed to date, the standard will require the Group to recognise revenue over time as the Group satisfies the contractual performance obligations. This will have the effect of accelerating the timing of revenue recognition from these contracts, such that some portion of revenue will be recognised prior to shipment or delivery of products by Sharp. There will be a decrease in inventory on the date of adoption for the products where revenue is recognised over time. The Group will recognise accrued income on the Balance Sheet for the amounts of revenue recognised prior to dispatch which have not yet been invoiced to the customer. Accrued income will be classified as 'contract assets' under IFRS 15.

For certain contracts, the Group incurs costs directly related to the contract prior to commencement of services in the contract and such costs are expensed as incurred under the existing accounting standards. IFRS 15 contains enhanced recognition criteria and guidance for 'costs of fulfilment' which will result in an initial deferral of some set-up costs. The contract fulfilment costs will be amortised over the life of the contract. Where the Group earns a fee to compensate for such set up activities, the revenue earned will be initially deferred as a contract asset and recognised in revenue over time as the Group satisfies the related performance obligations in the contract.

The implementation of the new standard is not expected to materially impact the revenue recognition in Ashfield. IFRS 15 supports the recognition of revenue over time, consistent with the current revenue recognition policy. The Group expects the majority of revenue contracts in Ashfield to continue to be recognised over time as either: i) there is a continuous transfer of control to the customer; or ii) there is no alternative use for any asset created and there is an enforceable right to payment for performance completed to date. The revenue recognition treatment required under the new standard is dependent on the specific terms of a contract.

IFRS 15 will be adopted using the modified retrospective approach which permits the Group to apply the new standard from 1 October 2018 with an adjustment to the opening balance of retained earnings at 1 October 2018 for the cumulative effect of applying the new standard to existing contracts that are not completed contracts on transition. In the year of adoption, the prior period results and financial position as reported under the current standards will be retained. To enable useful comparisons, the Group will disclose the impact of the new standards on the Group's results in the year of initial adoption. Based on the impact assessment performed to date, the Group does not anticipate there to be material

impact on the Group's revenue when compared to the current accounting standards. The Group's analysis indicates the cumulative impact of adopting the new standard on opening retained earnings at 1 October 2018 will be approximately an increase of $3.8 million. It should be noted that the implementation of IFRS 15 is being finalised in 2019 when it is effective for the Group. The disclosed expected impact of the standard is based on the preliminary assessment which will be finalised in the Group's 2019 interim results.

IFRS 16 Leases *(Effective date for the Group: financial year beginning 1 October 2019)*
IFRS 16 replaces IAS 17 Leases and related interpretations. The standard addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about leasing activities. A key change arising from IFRS 16 is that most of the leases currently accounted for as operating leases under the existing standard, will be accounted for on the Balance Sheet, similar to the accounting for finance leases currently. The Group expects to adopt IFRS 16 by applying the modified retrospective approach to transition. With this transition approach, lease liabilities and right of use assets will be recognised for the remaining lease payments on existing lease commitments at date of application, discounted at the entity's incremental borrowing rate.

Impact on the Income Statement: Operating lease expenses amounted to $33,177,000 in the year (2017: $29,058,000) as disclosed in Note 5 and are presented within cost of sales and operating expenses depending on the nature of the lease. Under IFRS 16, the operating lease expense will be replaced by depreciation of the right of use assets and interest expense on the lease liabilities. The depreciation of the right of use assets will continue to be presented within cost of sales and operating expenses as appropriate. The interest expense on the leases will be presented within finance costs.

Impact on the Balance Sheet: Interest-bearing borrowings and non-current assets will increase on implementation of the new standard. The Group's total future minimum lease payments under non-cancellable operating leases at 30 September 2018 amounted to $127,055,000 (2017: $103,155,000) as outlined in Note 27. IFRS 16 will result in the majority of the Group's operating leases being recognised on the Balance Sheet as right of use assets and lease liabilities. The right of use assets will be adjusted by the amount of any provision for onerous leases recognised on the Balance Sheet immediately before the date of initial application, 1 October 2019. Onerous lease provisions are disclosed in Note 26 and amount to $2,896,000 (2017: $324,000).

Impact on the Cash Flow Statement: Operating lease payments are currently classified within cash flows from operating activities. Under IFRS 16, the lease payments will be separated. The interest element of the lease payment will be classified in cash flows from operating activities and the capital lease payments will be classified in cash flows from financing activities.

The Group is currently assessing the impact of the new standard. A number of factors impact the calculation of the lease liability, such as discount rate, the expected term of leases including renewal options and exemptions for short-term leases and low-value items. The Group's operating lease commitments outlined in Note 27 provide an indication of the extent and maturity of leases currently in the Group. However, for the reasons highlighted above, this amount should not be used as a proxy for the impact of IFRS 16 on the Consolidated Balance Sheet. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new Standard.

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material effect on the Consolidated financial statements or they are not currently relevant for the Group.

Accounting for Subsidiaries, Joint Ventures and Associates
Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to effect these returns through its power over the investee. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements. Unrealised gains arising from transactions with equity accounted joint ventures are eliminated against the investment to the extent of the Group's interest. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

Joint ventures are those entities where the rights are to share in the net assets and over whose activities the Group has joint control, established by contractual arrangement and requiring unanimous consent for strategic, financial and operational decisions. An associate is an enterprise over which the Group has significant influence, but not control, through participation in the financial and operating policy decisions of the investee. Joint ventures and associates are included in the financial statements using the equity method of accounting, from the date that joint control and significant influence commence, until the date that joint control and significant influence cease. The Income Statement reflects in operating profit, the Group's share of profit after tax of its joint ventures in accordance with IFRS 11 Joint Arrangements. The Group's interest in its net assets is included as investment in joint ventures in the Balance Sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post-acquisition retained profits or losses and other comprehensive income less dividends received from the joint ventures and goodwill arising on the investment and intercompany transactions that are eliminated.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with completed business combinations are expensed as incurred.

Any deferred contingent consideration payable is measured at fair value at the acquisition date. If the deferred contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the deferred contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Intangible Assets – Acquired

Intangible assets that are acquired by the Group in a business combination are stated at cost less accumulated amortisation and impairment losses, when separable or arising from contractual or other legal rights and when they can be measured reliably.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised over the following range of periods:

Customer relationships	6–15 years
Trade names	2–15 years
Technology	3–10 years
Contract-based	6 months–1 year (contractual terms)

Intangible Assets – Computer Software

Computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:
- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met. Computer software is amortised over its expected useful life, which ranges from three to ten years, by charging equal instalments to the Income Statement from the date the assets are ready for use.

Property, Plant and Equipment

Property, plant and equipment is reported at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is calculated, on a straight-line basis on cost less estimated residual value, to write property, plant and equipment off over their anticipated useful lives using the following annual rates:

Land and buildings:	
– Freehold land	not depreciated
– Freehold buildings	2–7%
Plant and equipment	10–20%
Computer equipment	20–33%
Motor vehicles	20%
Assets under construction	not depreciated

The residual value of assets, if not insignificant, and the useful life of assets are reassessed annually. Gains and losses on disposals are determined by comparing the consideration received with the carrying amount at the date of disposal and are included in operating profit.

Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. These assets are shown in the Balance Sheet at the lower of their carrying amount and fair value less any disposal costs. Impairment losses on initial classification as assets held for sale and subsequent gains or losses on remeasurement are recognised in the Income Statement.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Goodwill

Goodwill arises on the acquisition of subsidiaries, and it represents the excess of the consideration transferred for the acquisition, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquire over the fair value of the identifiable assets and liabilities acquired. When the fair value of the identifiable assets and liabilities acquired exceeds the cost of the acquisition, the values are reassessed and any remaining gain is recognised immediately in the Income Statement. Goodwill is subsequently carried at cost less accumulated impairment losses. Goodwill is allocated to the cash generating units (CGUs) that are expected to benefit from the combination's synergies. This is the lowest level at which goodwill is monitored for internal management purposes.

Goodwill is subject to impairment testing on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs of disposal. Any impairment is recognised immediately as an expense in the Income Statement and is not subsequently reversed.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed of on a partial disposal of a CGU is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Impairment Reviews and Testing

The carrying amounts of the Group's non-financial assets, other than inventories (which are carried at the lower of cost and net realisable value) and deferred tax assets (which are recognised based on recoverability), are reviewed on an annual basis to determine whether there is any indication of impairment. If such an indication exists, then the asset is tested for impairment.

The recoverable amount of a non-financial asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the CGU). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Impairment Reviews and Testing (continued)

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss arising on financial assets is recognised in the income statement. Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

All impairment losses are recognised in the Income Statement.

Leases

Leases of property, plant and equipment, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first in, first out principle and includes all expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand in the ordinary course of business less all costs expected to be incurred in marketing, selling and distribution.

Foreign Currency

Transactions in foreign currencies are translated into the functional currency of the related entity at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are measured based on historical cost are not subsequently re-translated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date fair value was determined. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement, except for qualifying cash flow hedges and a financial liability designated as a hedge of the net investment in a foreign operation, which are recognised directly in Other Comprehensive Income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to US dollars at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to US dollars at the average exchange rate for the financial period. Foreign exchange differences arising on translation of foreign operations, including those arising on long-term intra-Group loans deemed to be quasi-equity in nature, are recognised in Other Comprehensive Income and accumulated in the foreign exchange reserve within Equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Hedge of Net Investment in Foreign Operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in Other Comprehensive Income to the extent that the hedge is effective and are presented within Equity in the foreign exchange translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Financial Guarantee Contracts
Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other parties, the Group considers these to be insurance arrangements and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

Revenue Recognition
Revenue represents the fair value of consideration received or receivable (net of returns, trade discounts and rebates) for products and services provided in the course of ordinary activity to third party clients in the financial reporting period. The fair value of sales is exclusive of value added tax and after allowances for discounts and is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer, the consideration can be measured reliably and it is probable that the economic benefits will flow to the Group. Discounts granted to clients are recognised as a reduction in sales revenue at the time of the sale based on management's estimate of the likely discount to be awarded to clients.

Revenue from services rendered is recognised in the Income Statement in proportion to the stage of completion of the related contract or fully when no further obligations exist on the related service contract. Where the outcome of the contract can be measured reliably, stage of completion is measured by reference to services completed to date as a percentage of total services to be performed. Where services are to be performed rateably over a period of time, revenue is recognised on a straight-line basis over the period of the contract.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

Exceptional Items
The Group has applied an income statement format which seeks to highlight significant items within Group results for the year. Such items may include significant restructuring and onerous lease provisions, fair value movements in contingent consideration, profit or loss on disposal or termination of operations, litigation costs and settlements, termination benefits including settlement of share-based payments, profit or loss on disposal of investments and impairment of assets. The Group exercises judgement in assessing the particular items which, by virtue of their scale and nature, should be disclosed in the Income Statement and related notes as exceptional items. The Group believes that such a presentation provides a more helpful analysis as it highlights material items of a non-recurring nature.

Finance Income and Expense
Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest rate method.

Employee Benefits
Pension Obligations
A defined contribution pension plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense/(income) on the net benefit liability/(asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then net benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the year as a result of contributions and benefit payments. The discount rate applied is the yield at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Employee Benefits (continued)
Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Performance-Related Incentive Plans
The Group recognises the present value of a liability for short-term employee benefits, including costs associated with performance-related incentive plans, in the Income Statement when an employee has rendered service in exchange for these benefits and a constructive obligation to pay those benefits arises.

Share-based Payment Transactions
The Group operates a Long-Term Incentive Plan and share option scheme which allow executive directors and employees acquire shares in the Company. All schemes are equity settled arrangements under IFRS 2 Share-based Payments.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market-based vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Income Tax Expense
Income tax expense for the year comprises current and deferred tax. Taxation is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity or Other Comprehensive Income, in which case the related tax is recognised directly in Equity or Other Comprehensive Income.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same tax entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Segmental Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) who is responsible for allocating resources and assessing performance of the operating segments. Following the disposal of Aquilant, the Group has determined that it has two reportable operating segments: Ashfield and Sharp.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances and deposits, including bank deposits of less than six months' maturity from the commencement date. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Group and Company Cash Flow Statements.

Trade and Other Receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter

bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the Group Income Statement.

Financial Instruments

Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement, except where derivatives qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged, as set out below.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Cash Flow Hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of changes in the fair value of the derivative financial instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve. When the forecasted transaction results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from Equity and included in the initial cost or other carrying amount of the non-financial asset or liability. In other cases, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged item affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecasted, transaction is still expected to occur, then hedge accounting is ceased prospectively and the cumulative gain or loss at that point remains in Equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in Equity is reclassified immediately to the Income Statement.

Fair Value Hedges

Where a derivative financial instrument is designated as a hedge of a change in the fair value of an asset or liability, gains or losses arising from the remeasurement of the hedging instrument to fair value are reported in the Income Statement. In addition, any changes in the fair value of the hedged item which is attributable to the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the Income Statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the Income Statement with the objective of achieving full amortisation by maturity.

Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are initially recognised at fair value and subsequently measured at amortised cost.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Interest-bearing Loans and Borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings, other than those accounted for under the fair value hedging model outlined above, are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis. Effective interest rate is calculated by taking into account any issue costs and any expected discount or premium on settlement.

Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation which can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes forming part of the Group Financial Statements (continued)

1. Significant Accounting Policies (continued)

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

2. Significant Accounting Estimates and Judgements

Income Tax Expense (Note 8)

The Group is subject to income tax in a number of jurisdictions, and significant judgement and degree of estimation is required in determining the worldwide provision for taxes. There are many transactions and calculations during the ordinary course of business, for which the ultimate tax determination is uncertain and the complexity of the tax treatment may be such that the final tax charge may not be determined until formal resolution has been concluded with the relevant tax authority which may take extended time periods to conclude. Also, the Group can be subject to uncertainties, including tax audits in any of the jurisdictions in which it operates, which are frequently complex taking many years to conclude. Amounts accrued for anticipated tax authority reviews are based on estimates of whether any additional amounts of tax may be due. Such estimates are determined based on a number of factors including management judgement, interpretation of relevant tax laws, correspondence with the tax authorities, advice from external tax professionals and a probability weighted expected value.

The ultimate tax charge may, therefore, be different from that which initially is reflected in the Group's consolidated tax charge and provision and any such differences could have a material impact on the Group's income tax charge and consequently financial performance. Where the final tax charge is different from the amounts that were initially recorded, such differences are recognised in the income tax provision in the period in which such determination is made.

Goodwill and Intangible Assets (Note 13 and Note 14)

The Group annually tests whether there is any impairment in goodwill, in accordance with the accounting policy outlined in Note 1. Determining whether goodwill is impaired requires comparison of the value in use for the relevant CGUs to the net assets attributable to these CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. In calculating value in use, management judgement is required in forecasting cash flows of cash generating units, in determining terminal growth values and in calculating an appropriate discount rate. The goodwill impairment test is sensitive to these estimates. The Group has performed sensitivity analysis over the value in use calculation with respect to the key estimates. Sensitivities to changes in assumptions are detailed in Note 13.

Determining the useful life of intangible assets requires judgement. Management regularly reviews these useful lives and changes them if necessary to reflect current conditions. Changes in useful lives can have a significant impact on the amortisation charge for the year. The amortisation expense in the year by class of intangible asset and the weighted average remaining useful lives for each category of intangible assets are disclosed in Note 14.

Inventories (Note 16)

Inventory comprises raw materials, work in progress and finished goods. Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than cost. Determining the net realisable value of inventory requires judgement to be applied to determine the likely saleability of products and the potential prices that can be achieved. Estimates of net realisable value are based on the most reliable evidence, taking into consideration product obsolescence or perishability (which are generally low given the nature of the Group's inventory) and the purpose for which the inventory is held. The actual realisable value of inventory may differ from the estimated value on which the provision is based.

Trade and Other Receivables (Note 17)

The Group trades with a large and varied number of clients on credit terms. Provision for impairment is made when there is objective evidence that the Group will not be in a position to collect the associated trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired. The Group uses estimates based on historical experience and current information in determining the level of debts for which a provision for impairment is required. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The level of provision required is reviewed on an ongoing basis. The movement in the allowance for impairment of trade debtors together with the aging of trade debtors and the aging of the allowance for impairment are outlined in Note 17.

Provisions and Deferred Contingent Consideration (Note 26)

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Further details on provisions by category including the movement in provisions and expected maturity of provisions are outlined in Note 26.

Deferred contingent consideration are recognised in the Group Balance Sheet as provisions. The expected payment is determined separately in respect of each individual contingent consideration agreement taking into consideration the expected level of profitability of each acquisition. Deferred contingent consideration is recognised at fair value at the acquisition date and included in the costs of the acquisition. Deferred contingent consideration arrangements are based on earn-out agreements providing for future payment if certain profit targets of the acquiree are achieved. The fair value of deferred contingent consideration is estimated using an income-based approach of estimating the expected payment from forecasts of performance of acquired businesses and discounting the expected payment on the contingent consideration to present value using an appropriate discount rate. The movement in deferred contingent consideration in the period is outlined in Note 26. Further details on measurement of contingent consideration and sensitivities are disclosed in Note 31.

Employee Benefits (Note 30)

Retirement Benefit Obligations

The estimation of and accounting for retirement benefit obligations involves judgements made in conjunction with independent actuaries. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis. These involve estimates about uncertain future events based on the environment in different countries, including life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used in determining the net cost (income) for pensions include the discount rate. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in Note 30.

Share-based Payments

The fair value of the Executive Share Option Scheme has been measured using the Black Scholes formula or the binomial formula. The fair value of the LTIP has been measured using the Black Scholes formula or the Monte Carlo Simulation. The inputs used in the measurement of the fair values at grant date are disclosed in Note 30.

3. Revenue

	2018 $'000	2017 $'000
Goods for resale	72,579	87,659
Services	1,237,821	1,127,169
Commission income	4,786	4,927
Total revenue	1,315,186	1,219,755

Commission income relates to the sale of products where the Group acts as an agent in the transaction rather than as a principal.

4. Segmental Information

Segmental information is presented in respect of the Group's operating segments and geographical regions. The operating segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Due to the nature of certain liabilities and assets, which are not segment specific, they have not been allocated to a segment but rather have been disclosed in aggregate immediately after the relevant segment note. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year and is comprised of property, plant and equipment, goodwill and intangible assets.

UDG Healthcare is a leading global healthcare services provider. IFRS 8 Operating Segments requires the reporting information for operating segments to reflect the Group's management structure and the way financial information is regularly reviewed by the Group's CODM, which the Group has defined as Brendan McAtamney (Chief Executive Officer). The segmental information of the business as presented corresponds with these requirements. Operating profit before transaction costs, amortisation of acquired intangible assets and exceptional items (adjusted operating profit) represents the key measure utilised in assessing the performance of operating segments.

The Group's operations are divided into the following operating segments:

Ashfield – Ashfield is a global leader in commercialisation services for the pharmaceutical and healthcare industry, operating across three broad areas of activity: advisory, communications and commercial & clinical services. It focuses on supporting healthcare professionals and patients at all stages of the product life cycle. The division provides field and contact centre sales teams, healthcare communications, patient support, audit, advisory, medical information and event management services to over 300 healthcare companies.

Sharp – Sharp is a global leader in contract packaging and clinical trial packaging services for the pharmaceutical and biotechnology industries, operating from state-of-the-art facilities in the US and Europe.

Aquilant – During the year, the Group disposed of Aquilant (Note 7). Aquilant is a leading provider of outsourced sales, marketing, distribution and engineering services to the medical and scientific sectors in the UK, Ireland and the Netherlands.

Notes forming part of the Group Financial Statements (continued)

4. Segmental Information (continued)

Geographical Analysis

The Group operates in four principal geographical regions being the Republic of Ireland, the United Kingdom, North America and the Rest of World. In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of the Group's subsidiaries. Segment assets are based on the geographical location of the assets.

Inter-segment revenue is not material and thus not subject to disclosure.

Revenue and results – 2018

	Ashfield 2018 $'000	Sharp 2018 $'000	Aquilant 2018 $'000	Group total 2018 $'000
Segment revenue	921,406	311,073	82,707	1,315,186
Adjusted operating profit*	98,451	45,775	3,280	147,506
Amortisation of acquired intangibles	(29,021)	(1,980)	–	(31,001)
Transaction costs	(2,277)	(97)	–	(2,374)
Exceptional items	(13,855)	(4,081)	(90,694)	(108,630)
Operating profit/(loss)	53,298	39,617	(87,414)	5,501
Finance income				16,811
Finance expense				(13,926)
Profit before tax				8,386
Income tax expense				(4,529)
Profit for the financial year				**3,857**

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

Revenue and results – 2017

	Ashfield 2017 $'000	Sharp 2017 $'000	Aquilant 2017 $'000	Group total 2017 $'000
Segment revenue	821,412	302,076	96,267	1,219,755
Adjusted operating profit*	81,567	41,304	6,409	129,280
Amortisation of acquired intangibles	(20,040)	(2,026)	–	(22,066)
Transaction costs	(3,758)	(270)	–	(4,028)
Operating profit	57,769	39,008	6,409	103,186
Finance income				18,905
Finance expense				(29,257)
Profit before tax				92,834
Income tax expense				(20,976)
Profit for the financial year				71,858

* Excluding amortisation of acquired intangibles and transaction costs.

Segmental assets and liabilities – 2018

	Ashfield 2018 $'000	Sharp 2018 $'000	Aquilant 2018 $'000	Group total 2018 $'000
Segment assets	**1,029,065**	**428,612**	**–**	**1,457,677**
Unallocated assets				**69,480**
				1,527,157
Segment liabilities	**(288,721)**	**(81,661)**	**–**	**(370,382)**
Unallocated liabilities				**(271,432)**
				(641,814)

Segmental assets and liabilities – 2017

	Ashfield 2017 $'000	Sharp 2017 $'000	Aquilant 2017 $'000	Group total 2017 $'000
Segment assets	947,326	358,007	126,550	1,431,883
Unallocated assets				88,066
				1,519,949
Segment liabilities	(261,143)	(70,755)	(34,669)	(366,567)
Unallocated liabilities				(272,726)
				(639,293)

Unallocated assets and liabilities comprises amounts relating to interest-bearing loans and borrowings, derivative financial instruments, current income tax, deferred income tax, employee benefits and cash held at Group. The decrease in unallocated assets during the year reflects a reduction in Group cash balances due to acquisition activity.

Other segmental information	Ashfield 2018 $'000	Sharp 2018 $'000	Aquilant 2018 $'000	Group total 2018 $'000
Depreciation	**7,913**	**15,383**	**1,181**	**24,477**
Capital expenditure*	**105,390**	**32,164**	**1,032**	**138,586**
Amortisation of acquired intangibles	**29,021**	**1,980**	**–**	**31,001**
Amortisation of computer software	**4,351**	**1,620**	**65**	**6,036**
Share-based payment expense	**3,798**	**1,218**	**53**	**5,069**

Other segmental information 2017	Ashfield 2017 $'000	Sharp 2017 $'000	Aquilant 2017 $'000	Group total 2017 $'000
Depreciation	6,298	13,362	1,561	21,221
Capital expenditure*	289,257	38,210	1,556	329,023
Amortisation of acquired intangibles	20,040	2,026	–	22,066
Amortisation of computer software	2,180	1,123	81	3,384
Share-based payment expense	2,585	920	108	3,613

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

The results and assets of joint ventures and associates are included within the individual business segment in which they are included for internal reporting, which relate to the Ashfield division.

Notes forming part of the Group Financial Statements (continued)

4. Segmental Information (continued)

The following represents a geographical analysis of the segment information in accordance with IFRS 8, which requires disclosure of information about the country of domicile (Republic of Ireland) and countries with material revenue and non-current assets.

Geographical analysis	Republic of Ireland 2018 $'000	United Kingdom 2018 $'000	North America 2018 $'000	Rest of World 2018 $'000	Group total 2018 $'000
Revenue	**38,724**	**305,677**	**715,792**	**254,993**	**1,315,186**
Total assets	**28,706**	**491,181**	**820,944**	**186,326**	**1,527,157**
Capital expenditure*	**503**	**27,604**	**101,365**	**9,114**	**138,586**
	Republic of Ireland 2017 $'000	United Kingdom 2017 $'000	North America 2017 $'000	Rest of World 2017 $'000	Group total 2017 $'000
Revenue	42,178	318,934	629,001	229,642	1,219,755
Total assets	97,315	554,885	684,879	182,870	1,519,949
Capital expenditure*	205	128,017	182,947	17,854	329,023

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

5. Statutory and Other Information

	2018 $'000	2017 $'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**24,477**	21,221
(Profit)/Loss on disposal of property, plant and equipment	**(340)**	55
Amortisation of intangible assets:		
– Amortisation of acquired intangibles	**31,001**	22,066
– Amortisation of computer software	**6,036**	3,384
Employee benefits	**614,181**	511,108
Operating lease rentals:		
– Land and buildings	**17,025**	13,646
– Other assets	**16,152**	15,412
Foreign exchange gain	**(1,049)**	(2,293)

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

Auditor's remuneration

	2018 $'000	2017 $'000
Fees payable to the Group auditors and to member firms of the Group auditors are as follows:		
Description of services		
Audit services:		
– Group	**1,356**	887
– Company	**9**	9
Other assurance services:		
– Group	**–**	–
– Company	**–**	–
Tax advisory services:		
– Group	**–**	–
– Company	**–**	–
Other non-audit services:		
– Group	**28**	2
– Company	**–**	–
	1,393	898

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of $9,000 (2017: $9,000) which were paid to the Group's auditor in respect of the parent company.

Included in the above fees are the following amounts payable to the Group auditors outside of Ireland:

	2018 $'000	2017 $'000
Audit services		
Other assurance services	**739**	593
Tax advisory services	**–**	–
Other non-audit services	**–**	–
	739	593

6. Finance Income and Expense

	2018 $'000	2017 $'000
Finance income		
Income arising from cash deposits	**1,763**	1,057
Fair value adjustment to guaranteed senior unsecured loan notes	**213**	2,840
Foreign currency gain on retranslation of guaranteed senior unsecured loan notes	**3,032**	14,865
Ineffective portion of cash flow hedges	**–**	76
Net finance income on pension scheme obligations	**227**	67
	5,235	18,905
Finance expense		
Interest on overdrafts	**(95)**	(46)
Interest on bank loans and other loans:		
– Wholly repayable within five years	**(7,510)**	(5,482)
– Wholly repayable after five years	**(1,997)**	(5,641)
Interest on finance leases	**(3)**	(3)
Unwinding of discount on provisions	**(840)**	(380)
Fair value adjustments to fair value hedges	**(213)**	(2,840)
Fair value of cash flow hedges transferred to equity	**(3,032)**	(14,865)
Ineffective portion of cash flow hedges	**(236)**	–
	(13,926)	(29,257)
Net finance expense, pre-exceptional items	**(8,691)**	(10,352)
Finance income relating to exceptional items (Note 9)	**11,576**	–
Net finance income/(expense)	**2,885**	(10,352)

Notes forming part of the Group Financial Statements (continued)

7. Disposal of Subsidiaries

On 8 August 2018 the Group completed the disposal of Aquilant. The following tables summarise the consideration received, loss on disposal and the net cash flow arising on the disposal of Aquilant:

	2018 $'000
Consideration	
Cash consideration received	22,389
Deferred consideration	580
Total consideration received	22,969
Assets and liabilities disposed of	
Property, plant and equipment	3,871
Goodwill	7,703
Deferred tax assets	333
Inventories	18,923
Trade and other receivables	16,266
Trade and other payables	(18,634)
Cash and cash equivalents	1,343
Net assets disposed of	29,805
Loss on disposal	
Total consideration received	22,969
Net assets disposed of	(29,805)
Reclassification of foreign currency translation reserve on disposal	(33,383)
Disposal costs	(1,683)
Net loss on disposal of subsidiaries	(41,902)
Net cash flow from disposal of subsidiaries	
Cash and cash equivalents received	22,389
Cash and cash equivalents disposed of	(1,343)
Net cash inflow from disposal of subsidiaries	21,046

The cash inflow from disposal of subsidiaries is presented within cash flows from investing activities in the Group Cash Flow Statement.

The net loss on disposal is presented as an exceptional item (Note 9) within other operating expenses. The net loss on disposal includes the reclassification of the foreign currency translation reserve of $33,383,000. This is the cumulative foreign translation difference arising from the translation of the net assets of Aquilant denominated in euro and sterling, to US dollars in each reporting period. As these exchange differences were previously recognised in the Group's other comprehensive income and the foreign exchange reserve, this charge has a $nil impact on shareholder's equity. The recycling of the foreign currency translation reserve had a $nil impact on the Group's adjusted diluted EPS.

An impairment charge of $57,648,000 arose on the carrying value of the goodwill in Aquilant in the six-month period to 31 March 2018 as previously disclosed in the 2018 interim results. This is presented as an exceptional item in Note 9.

The operating results of Aquilant, excluding exceptional items, which are outlined for the current and prior year in the segmental information in Note 4, are not considered to be a separate major line of business or geographical area of operations and therefore has not been separately presented in the Group Income Statement as a discontinued operation. The impairment charge and loss on disposal are separately presented within exceptional items (Note 9).

8. Income Tax Expense

Recognised in the income statement	2018 $'000	2017 $'000
Current income tax		
Ireland		
Adjustment in respect of prior years	**715**	2,442
Current year income tax on profit for the year	**(1,034)**	(589)
	(319)	1,853
Overseas		
Adjustment in respect of prior years	**4,021**	(108)
Current year income tax on profit for the year	**(20,322)**	(18,710)
	(16,301)	(18,818)
Total current income tax expense	**(16,620)**	(16,965)
Deferred income tax		
Origination and reversal of temporary differences:		
Property, plant and equipment	**(1,118)**	(2,508)
Intangible assets	**1,793**	5,070
Tax deductible goodwill	**6,139**	(5,099)
Employee benefits	**1,260**	332
Short-term temporary differences	**4,017**	(1,806)
Total deferred income tax credit/(expense)	**12,091**	(4,011)
Income tax expense	**(4,529)**	(20,976)

Other temporary differences primarily relate to short-term temporary differences.

Factors Affecting the Tax Charge in Future Years

The total tax charge for future periods will be affected by changes to applicable tax rates in force in jurisdictions in which the Group operates and other changes in tax legislation applicable to the Group's businesses.

Reconciliation of effective tax rate	2018 %	2018 $'000	2017 %	2017 $'000
Profit before tax		**8,386**		92,834
Taxation based on Irish corporation tax rate	**12.5**	**(1,048)**	12.5	(11,604)
Expenses not deductible for tax purposes		**(1,022)**		(1,318)
Loss on disposal of subsidiary not deductible		**(5,238)**		–
Impairment of goodwill not deductible		**(7,206)**		–
Tax on income from joint ventures		**120**		83
Losses recognised		**2,422**		–
Differences in foreign tax rates		**(7,048)**		(10,893)
Impact of changes in US tax rates		**9,715**		–
Adjustments in respect of prior years		**4,776**		2,756
		(4,529)		(20,976)

The enactment of the 'Tax Cuts and Jobs Act' in the US during the year resulted in a deferred tax credit of $9,715,000 to the income statement shown as part of the exceptional items (Note 9) and a deferred tax credit of $408,000 to other comprehensive income.

The Group's share of joint ventures' profit after tax includes a tax charge of $572,000 (2017: $366,000).

Recognised in other comprehensive income	2018 $'000	2017 $'000
Deferred tax		
Defined benefit schemes	**221**	(599)
Cash flow hedges	**433**	51
	654	(548)

Notes forming part of the Group Financial Statements (continued)

9. Exceptional Items

Exceptional items are those which, in management's judgement, should be disclosed separately by virtue of their nature or amount. These exceptional items are separately presented in the Income Statement caption to which they relate. An analysis of exceptional items is disclosed below.

		2018 $'000
Contract terminations	(a)	**(8,882)**
Impairment of goodwill	(b)	**57,648**
Loss on disposal of subsidiary	(c)	**41,902**
Restructuring costs and other	(d)	**14,536**
Onerous lease	(e)	**2,924**
Impairment of property, plant and equipment	(f)	**502**
Net operating exceptional items		**108,630**
Deferred contingent consideration	(g)	**(11,576)**
Net exceptional items before taxation		**97,054**
Exceptional items tax credit		**(1,548)**
Deferred tax	(h)	**(9,715)**
Net exceptional items after taxation		**85,791**

(a) Contract termination costs

On 22 December 2017, Aquilant exited the VSI contract for a consideration of $10,135,000 in respect of the contract termination to include certain assets of the trade including stock. On 29 March 2018, Aquilant exited the Link contract and received consideration of $4,930,000 in respect of the contract termination to include certain assets of the trade. Exiting these contracts included the transfer of stock and other assets of $5,658,000 and resulted in restructuring costs of $525,000, primarily relating to redundancy costs. The total exceptional cash inflow net of costs and net of stock transferred in the year was $8,865,000 and the expected total net cash inflow is $9,021,000. A tax charge of $1,010,000 was incurred in relation to these items.

(b) Impairment of goodwill

A goodwill impairment charge of $57,648,000 arose during the six month period to 31 March 2018, as the Group wrote down the carrying value of goodwill in relation to Aquilant (Note 13). This impairment resulted from the loss of contracts in the period, and an anticipated reduction in future earnings and resultant cashflows from the lower base. Aquilant was subsequently disposed of on 8 August 2018 (Note 7).

(c) Loss on disposal of subsidiary

On 8 August 2018 the Group announced the disposal of Aquilant and incurred a loss on disposal of $41,902,000 which is detailed in Note 7.

(d) Restructuring costs and other

During the year, the Group implemented a restructuring of its internal operating structures in Ashfield and Sharp, with a view to achieving greater flexibility, accountability and performance. Restructuring costs and other includes redundancy costs of $12,623,000 and accelerated share-based payment expense of $1,574,000. The balance of $339,000 relates to other costs associated with the restructuring. A tax credit of $2,770,000 arose in respect of restructuring costs including redundancy, $nil in respect of accelerated share-based payments expense and $76,000 in respect of other costs associated with restructuring the business.

(e) Onerous lease

Onerous lease costs were incurred in relation to the exit of leased properties as a consequence of the organisation restructuring during the year. A tax credit of $639,000 arose in respect of the onerous lease costs.

(f) Impairment of property, plant and equipment

Impairment of property, plant and equipment arose due to the exit of properties as a result of the realignment of the Group's structure. A tax credit of $78,000 arose in respect of the impairment of property, plant and equipment.

(g) Deferred contingent consideration

Deferred contingent consideration of $3,469,000 in respect of Cambridge BioMarketing, $5,250,000 in respect of MicroMass Communications and $2,857,000 in respect of Sellxpert was released in the year following a review of expected performance against earn-out targets. A tax charge of $1,005,000 arose as a result of the release of contingent consideration presented within exceptional item tax line.

(h) Deferred tax

The exceptional credit to the Group Income Statement of $9,715,000 reflects the one-off benefit of a reduction in the Group's deferred tax liabilities following the enactment of the US Tax Cuts and Jobs Act. A credit of $408,000 also arises in the Group Statement of Comprehensive Income as a further consequence of this legislation.

The following table provides a reconciliation of the exceptional costs to the Group Income Statement:

	Cost of sales $'000	Selling and distribution expenses $'000	Administration expenses $'000	Other operating expenses $'000	Other operating income $'000	Finance income $'000	Total exceptional items $'000
Contract terminations	–	–	–	–	(8,882)	–	(8,882)
Impairment of goodwill	–	–	–	57,648	–	–	57,648
Loss on disposal of subsidiary	–	–	–	41,902	–	–	41,902
Restructuring costs and other	3,366	9,956	1,214	–	–	–	14,536
Onerous leases	1,990	934	–	–	–	–	2,924
Impairment of property, plant and equipment	350	152	–	–	–	–	502
Deferred contingent consideration	–	–	–	–	–	(11,576)	(11,576)
Net exceptional items before taxation	**5,706**	**11,042**	**1,214**	**99,550**	**(8,882)**	**(11,576)**	**97,054**
Exceptional items tax credit							(1,548)
Deferred tax							(9,715)
Net exceptional items after taxation							**85,791**

10. Dividends – Equity Shares

	2018 $'000	2017 $'000
Dividends paid		
Final dividend for 2017 of 9.72 $ cent (2016: 9.04 $ cent) per share	24,137	22,388
Interim dividend for 2018 of 4.25 $ cent (2017: 3.58 $ cent) per share	10,568	8,891
Total dividends	**34,705**	31,279

The directors have proposed a final dividend for 2018 of 11.75 $ cent per share (2017: 9.72 $ cent per share) amounting to $29,224,000 (2017: $24,137,000), subject to shareholder approval at the upcoming AGM. The total dividend for the year, subject to shareholder approval, is 16.00 $ cent (2017: 13.30 $ cent) per share.

The final dividend for 2018 has not been provided for in the Balance Sheet at 30 September 2018, as there was no present obligation to pay the dividend at year end.

Notes forming part of the Group Financial Statements (continued)

11. Earnings Per Ordinary Share

	Total 2018 $'000	Total 2017 $'000
Profit attributable to owners of the parent	**3,795**	71,858
Adjustment for amortisation of acquired intangible assets (net of tax)	**23,287**	16,996
Adjustment for transaction costs (net of tax)	**2,194**	3,658
Adjustment for exceptional items (net of tax)	**85,791**	–
Adjusted profit attributable to owners of the parent	**115,067**	92,512

	2018 Number of shares	2017 Number of shares
Weighted average number of shares	**248,517,745**	248,001,114
Number of dilutive shares under options	**1,947,043**	1,238,273
Weighted average number of shares, including share options	**250,464,788**	249,239,387

	2018	2017
Basic earnings per share – $ cent	**1.53**	28.97
Diluted earnings per share – $ cent	**1.52**	28.83
Adjusted basic earnings per share – $ cent[1]	**46.30**	37.30
Adjusted diluted earnings per share – $ cent[1]	**45.94**	37.12

1 Adjusted profit attributable to equity holders of the parent is stated before the amortisation of acquired intangible assets ($23.3 million, net of tax), transaction costs ($2.2 million, net of tax), loss on disposal of Aquilant ($41.9 million) and other exceptional items ($43.9 million, net of tax).

Non–IFRS Information

The Group reports certain financial measurements that are not required under International Financial Reporting Standards (IFRS) which represent the generally accepted accounting principles (GAAP) under which the Group reports. The Group believes that the presentation of these non–GAAP measurements provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. These measurements are also used internally to evaluate the historical and planned future performance of the Group's operations and to measure executive management's performance-based remuneration.

Treasury shares have been excluded from the weighted average number of shares in issue used in the calculation of earnings per share. 1,357,684 (2017: 2,567,081) anti–dilutive share options have been excluded from the calculation of diluted earnings per share.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.

12. Property, Plant and Equipment

	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Assets under construction $'000	Total $'000
Year ended 30 September 2018						
Opening net book amount	76,463	80,564	271	10,014	1,091	168,403
Additions in year	3,637	17,016	6	1,962	19,849	42,470
Arising on acquisition	–	70	–	108	–	178
Depreciation charge	(5,412)	(13,727)	(45)	(5,293)	–	(24,477)
Impairment	(502)	(188)	–	–	–	(690)
Disposals in year	(355)	(4,033)	(24)	(668)	–	(5,080)
Reclassifications	(1,778)	2,521	(55)	55	(743)	–
Translation adjustment	(522)	(549)	(1)	(139)	–	(1,211)
At 30 September 2018	71,531	81,674	152	6,039	20,197	179,593
At 30 September 2018						
Cost or deemed cost	104,783	160,280	331	25,332	20,197	310,923
Accumulated depreciation	(33,252)	(78,606)	(179)	(19,293)	–	(131,330)
Net book amount	71,531	81,674	152	6,039	20,197	179,593

	Land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Assets under construction $'000	Total $'000
Year ended 30 September 2017						
Opening net book amount	61,093	65,013	290	10,481	–	136,877
Additions in year	4,151	20,780	30	3,414	1,091	29,466
Arising on acquisition	15,692	5,153	–	593	–	21,438
Depreciation charge	(4,935)	(11,620)	(62)	(4,604)	–	(21,221)
Disposals in year	(97)	(14)	–	(90)	–	(201)
Transfer to intangibles	–	–	–	(393)	–	(393)
Reclassifications	(561)	163	–	398	–	–
Translation adjustment	1,120	1,089	13	215	–	2,437
At 30 September 2017	76,463	80,564	271	10,014	1,091	168,403
At 30 September 2017						
Cost or deemed cost	106,815	157,112	738	27,558	1,091	293,314
Accumulated depreciation	(30,352)	(76,548)	(467)	(17,544)	–	(124,911)
Net book amount	76,463	80,564	271	10,014	1,091	168,403

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

Leased Property, Plant and Equipment

The net book value of land and buildings includes long leaseholds of $1,005,263 (2017: $1,027,559). The Group leases items of property, plant and equipment under a number of finance lease agreements. At 30 September 2018, the carrying amount of property, plant and equipment held under finance leases was $30,748 (2017: $164,000) and related depreciation amounted to $90,094 (2017: $86,000).

13. Goodwill

	2018 $'000	2017 $'000
Cost		
At 1 October	**542,554**	384,520
Arising on acquisition (Note 29)	**42,041**	140,626
Measurement period adjustment	**–**	1,844
Impairment (Note 9)	**(57,648)**	–
Disposals of subsidiaries (Note 7)	**(7,703)**	–
Translation adjustment	**(3,290)**	15,564
At 30 September	**515,954**	542,554

Goodwill arises on acquisitions. The goodwill acquired during the year relates to the acquisition of Create NYC and SmartAnalyst (Note 29). In the prior year, there was a measurement period adjustment of $1,844,000 on finalisation of business combination accounting.

Goodwill acquired through business combinations has been allocated to CGUs for the purpose of impairment testing. The CGUs represent the lowest level within the Group at which associated goodwill is monitored for management purposes and is not bigger than the segments determined in accordance with IFRS 8 Operating Segments. Significant under-performance in any of the Group's major CGUs may give rise to a material write-down of goodwill which would have a substantial impact on the Group's income and equity. A total of eight (2017: nine) CGUs have been identified. The change in the number of CGUs identified is a result of the disposal of Aquilant during the year. Aquilant was considered a CGU for the purposes of impairment testing.

Notes forming part of the Group Financial Statements (continued)

13. Goodwill (continued)

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

	2018 $'000	Number of CGUs	2017 $'000	Number of CGUs
Ashfield	**426,093**	**6**	389,029	6
Sharp	**89,861**	**2**	90,541	2
Aquilant	**–**	**–**	62,984	1
	515,954	**8**	542,554	9

In accordance with IAS 36 Impairment of Assets, the CGUs to which significant amounts of goodwill (greater than 10% of the total value) have been allocated are as follows:

	2018 $'000	2017 $'000
Ashfield Healthcare Communications Group[1]	**197,627**	168,842
Ashfield Advisory Group[2]	**79,941**	67,032
Aquilant Group	**–**	62,984
Ashfield EUCAN Group	**53,193**	54,181
Sharp Commercial Packaging Group	**50,504**	50,847

1 Includes goodwill relating to Create NYC LLC which was acquired during the year (Note 29).
2 Includes goodwill relating to SmartAnalyst Inc which was acquired during the year (Note 29).

Impairment Testing of CGUs Containing Goodwill

The Group tests goodwill for impairment on an annual basis or more frequently if there is an indication that the goodwill may be impaired. This testing involves determining the CGU's value in use and comparing this to the carrying amount of the CGU. Where the value in use exceeds the carrying value of the CGU, the asset is not impaired, but where the carrying amount exceeds the value in use, an impairment loss is recognised to reduce the carrying amount of the CGU to its value in use. Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

Value in Use Calculations

Where a value in use approach is used to assess the recoverable amount of the CGU, calculations use pre-tax cash flow projections based on financial budgets and projections covering a five-year period. The cash flow forecasts used for the value in use computations exclude incremental profits and other cash flows derived from planned acquisition activities. For individual CGUs, the cash flow forecasts employed in the computations are based on a four-year plan, which has been approved by senior management. The remaining year's forecasts have been extrapolated using growth rates consistent with the four-year plan. A long-term growth rate reflecting the long-term economic growth rates for the countries of operation of the CGUs have been applied to the year five cash flows. The long-term growth rates applied to value in use calculations range from 2.0% to 2.3% (2017: 2.5%). The value in use of each CGU is calculated using a discount rate representing the Group's estimated weighted average cost of capital, adjusted to reflect risks associated with each CGU. The pre-tax discount rates range from 9.1% to 11% (2017: 8.1% to 12.5%). The pre-tax discount rates and long-term growth rates used for significant CGUs are detailed in the table below.

	Discount rate (pre-tax)		Long-term growth rate	
	2018	2017	2018	2017
Ashfield Healthcare Communications Group	**10.1%**	8.5%	**2.1%**	2.5%
Ashfield Advisory Group	**9.5%**	8.5%	**2.1%**	2.5%
Aquilant Group	**–**	8.1%	**–**	2.5%
Ashfield EUCAN Group	**10.7%**	9.8%	**2.3%**	2.5%
Sharp Commercial Packaging Group	**10.6%**	11.1%	**2.2%**	2.5%

The key assumptions used for the value in use computations are that the markets will grow in accordance with publicly available data, the Group will maintain its current market share, gross margins will be maintained at current levels and overheads will increase in line with expected levels of inflation. The cash flow forecasts assume appropriate levels of capital expenditure and investment in working capital to support the growth in individual CGUs.

Impairment

There was no impairment charge arising from the Group's annual goodwill impairment test. An impairment was recognised during the year in respect of goodwill in the Aquilant Group arising from an impairment test of the Aquilant Group at 31 March 2018 as a result of impairment indicators identified. The impairment resulted from the loss of contracts in Aquilant during the period and an anticipated slower build in earnings and resultant cash flows from the lower base. A goodwill impairment expense of $57,648,000 was recognised as disclosed in the 2018 interim results and is presented within other operating expenses as an exceptional item (Note 9). The recoverable amount of the Aquilant Group was determined based on value in use calculations as outlined above on the basis of continuing use. A pre-tax discount rate of 9.5% (30 September 2017: 8.1%) and terminal growth rate of 2.0% (30 September 2017: 2.5%) were applied. The Aquilant Group has since been disposed of and the remaining goodwill of the Aquilant Group was derecognised on disposal (Note 7).

Additional Sensitivity Analysis

The Group has conducted a sensitivity analysis on each of the CGUs by increasing the discount rate by 2%, reducing the long-term growth rates by 0.5% and decreasing cash flow forecasts by 10%. Applying these sensitivities did not indicate an impairment in any CGU.

14. Intangible Assets

	Computer software $'000	**Customer relationships $'000**	**Trade names $'000**	**Contract-based $'000**	**Technology $'000**	**Total $'000**
Year ended 30 September 2018						
Opening net book amount	**39,770**	**126,974**	**47,555**	**1,167**	**12,151**	**227,617**
Additions in year	**21,047**	**–**	**–**	**–**	**–**	**21,047**
Arising on acquisition	**9**	**21,560**	**8,502**	**2,710**	**–**	**32,781**
Amortisation of acquired intangible assets	**–**	**(19,843)**	**(5,390)**	**(2,435)**	**(3,333)**	**(31,001)**
Amortisation of computer software	**(6,036)**	**–**	**–**	**–**	**–**	**(6,036)**
Translation adjustment	**(992)**	**(1,408)**	**(286)**	**–**	**(184)**	**(2,870)**
At 30 September 2018	**53,798**	**127,283**	**50,381**	**1,442**	**8,634**	**241,538**
At 30 September 2018						
Cost or deemed cost	**71,016**	**231,717**	**82,949**	**15,563**	**18,724**	**419,969**
Accumulated amortisation	**(17,218)**	**(104,434)**	**(32,568)**	**(14,121)**	**(10,090)**	**(178,431)**
Net book amount	**53,798**	**127,283**	**50,381**	**1,442**	**8,634**	**241,538**

	Computer software $'000	Customer relationships $'000	Trade names $'000	Contract-based $'000	Technology $'000	Total $'000
Year ended 30 September 2017						
Opening net book amount	18,962	76,736	11,333	–	1,291	108,322
Additions in year	21,884	–	–	–	–	21,884
Arising on acquisition	77	62,734	37,924	1,400	12,635	114,770
Amortisation of acquired intangible assets	–	(16,275)	(2,751)	(233)	(2,807)	(22,066)
Amortisation of computer software	(3,384)	–	–	–	–	(3,384)
Transfer from property, plant and equipment	393	–	–	–	–	393
Measurement period adjustment	–	(1,005)	–	–	–	(1,005)
Translation adjustment	1,838	4,784	1,049	–	1,032	8,703
At 30 September 2017	39,770	126,974	47,555	1,167	12,151	227,617
At 30 September 2017						
Cost or deemed cost	51,445	218,720	79,653	22,039	19,144	391,001
Accumulated amortisation	(11,675)	(91,746)	(32,098)	(20,872)	(6,993)	(163,384)
Net book amount	39,770	126,974	47,555	1,167	12,151	227,617

The amortisation charge for the year has been charged to other operating expenses in the Income Statement. Intangible assets are amortised over their useful lives, ranging from six months to 15 years, depending on the nature of the asset.

Notes forming part of the Group Financial Statements (continued)

14. Intangible Assets (continued)

Weighted average remaining amortisation period	Computer software	Customer relationships	Trade names	Contract-based	Technology
At 30 September 2018	**7.9**	**6.7**	**7.9**	**1.0**	**2.6**
At 30 September 2017	6.6	6.6	9.6	1.0	3.6

15. Investment in Joint Ventures and Associates

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

	$'000
At 1 October 2016	9,067
Share of profit after tax	667
Translation adjustment	(896)
At 30 September 2017	**8,838**
Share of profit after tax	**958**
Translation adjustment	**(67)**
At 30 September 2018	**9,729**

The Group has classified the joint venture arrangement with Magir Limited ('Magir') as an asset held for sale. The carrying value of the investment in Magir is $nil (2017: $nil). During the year, the Group's ownership interest in Magir reduced to 25% (from 31.62% at 30 September 2017) and in addition the Group's guarantee to Magir's bankers was released. The investment is available for immediate sale in its present condition and the Group is committed to its sale as soon as practicable.

Set out below is the summarised financial information for the Group's joint ventures, which are accounted for using the equity method. The information below reflects the amounts presented in the financial statements of the joint venture reconciled to the carrying value of the Group's interest in joint ventures.

	2018 $'000	2017 $'000
Joint venture balance sheet (100%)		
Non-current assets	**1,706**	2,265
Cash and cash equivalents	**3,742**	2,292
Other current assets	**14,651**	13,879
Non-current liabilities	**(2,532)**	(4,199)
Current liabilities	**(8,825)**	(7,315)
Net assets	**8,742**	6,922
Reconciliation of the carrying value of the Group's interest in joint ventures:		
Group's equity interest	**49.99%**	49.99%
Group's share of net assets	**4,370**	3,460
Goodwill	**5,359**	5,378
Carrying value of Group's interest in joint ventures	**9,729**	8,838

	2018 $'000	2017 $'000
Revenue	**66,271**	61,883
Expenses, net of tax	**(64,355)**	(60,549)
Profit after tax	**1,916**	1,334
Group's equity interest	**49.99%**	49.99%
Group's share of profit after tax	**958**	667

Capital Commitments

At 30 September 2018, the Group's share of authorised but not contracted for capital expenditure was $nil (2017: $nil).

The following joint venture of UDG Healthcare plc is classified as an asset held for sale.

Name	Nature of business	Group share
Magir Limited (trading as Medicare)	Healthcare and retail organisation	25%

Magir Limited has its registered office at
44 Montgomery Road, Belfast, BT6 9ML

The following joint venture of UDG Healthcare plc is included within the Ashfield operating segment.

Name	Nature of business	Group share
CMIC Ashfield Co., Ltd	Contract sales outsourcing	49.99%

CMIC Ashfield Co., Ltd has its registered office at
7-10-4 Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan

All shares held are ordinary shares.

UDG Healthcare plc accounts for Magir Limited and CMIC Ashfield Co. Limited as joint ventures on the basis of contractual arrangements which establish joint control between the Group and the remaining shareholders. These contractual arrangements outline the requirement for all significant strategic, financial and operational decisions to be jointly approved by both parties to the respective agreements.

The Group has considered the impact of IFRS 12, Disclosure of Interest in Other Entities in the Group financial statements. Given that neither joint venture is individually material to the results or financial position of the Group as at 30 September 2018 or 2017, no separate summary information for the respective joint ventures has been disclosed.

16. Inventories

	2018 $'000	2017 $'000
Raw materials	**17,048**	13,921
Work in progress	**7,295**	6,159
Finished goods	**6,905**	34,980
	31,248	55,060

In 2018, raw materials, work in progress and finished goods recognised as cost of sales amounted to $231,752,000 (2017: $207,803,000).

Estimates of net realisable value are based on the most reliable evidence, taking into consideration product obsolescence or perishability (which are generally low given the nature of the Group's inventory) and the purpose for which the inventory is held.

Current replacement cost does not differ materially from historical cost.

Notes forming part of the Group Financial Statements (continued)

17. Trade and Other Receivables

	2018 $'000	2017 $'000
Current		
Trade receivables	**222,376**	215,140
Other receivables	**32,233**	24,121
Accrued income	**63,730**	50,050
Prepayments	**28,853**	18,077
	347,192	307,388

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

	2018 $'000	2017 $'000
Geographical analysis of risk		
Republic of Ireland	**2,839**	7,191
United Kingdom	**26,144**	39,023
North America	**131,053**	104,577
Rest of World	**62,340**	64,349
	222,376	215,140

There is no material concentration of credit risk with regard to individual clients included in Group trade receivables. Details of how the Group manages credit risk are set out in Note 31.

The ageing of trade receivables at 30 September 2018 and 2017 was:

	2018			2017		
	Gross value $'000	Impairment $'000	Net $'000	Gross value $'000	Impairment $'000	Net $'000
Not past due	**187,657**	**(187)**	**187,470**	186,146	(200)	185,946
Past due						
0–30 days	**22,554**	**(30)**	**22,524**	19,213	(58)	19,155
31–90 days	**10,654**	**(30)**	**10,624**	8,923	(457)	8,466
91–180 days	**2,461**	**(703)**	**1,758**	2,099	(526)	1,573
+181 days	**1,706**	**(1,706)**	**–**	1,315	(1,315)	–
	225,032	**(2,656)**	**222,376**	217,696	(2,556)	215,140

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

	2018 $'000	2017 $'000
At beginning of the year	**2,556**	2,916
Disposals in year	**(109)**	–
Bad debts written off during the year	**(228)**	(562)
Impairment loss recognised during the year	**484**	104
Translation adjustment	**(47)**	98
At end of year	**2,656**	2,556

Trade receivables are assessed individually for impairment. The Group trades with a large and varied number of clients on credit terms. Provision for impairment is made when there is objective evidence that the Group will not be in a position to collect the associated trade debts. Impairments are recorded in the Group Income Statement on identification. The general economic climate being experienced by clients of the Group remains consistent with 2017 and is closely monitored by the Group.

18. Equity Share Capital

Equity share capital	Number of shares 2018	2018 $'000	Number of shares 2017	2017 $'000
Authorised				
Ordinary shares of €0.05 each	**367,471,934**	**21,605**	367,471,934	21,605
Redeemable ordinary shares of €0.05 each	**7,528,066**	**492**	7,528,066	492
	375,000,000	**22,097**	375,000,000	22,097
Allotted, called up and fully paid				
Ordinary shares of €0.05 each	**248,712,639**	**14,151**	248,326,744	14,128
Redeemable ordinary shares of €0.05 each	**7,528,066**	**492**	7,528,066	492
In issue at 30 September	**256,240,705**	**14,643**	255,854,810	14,620

The redeemable ordinary shares do not rank for dividends and do not carry voting rights. The redeemable ordinary shares can be redeemed by the Company with the agreement of holders of such shares. All redeemable ordinary shares are held by the Group and are treated as treasury shares in accordance with the requirements of company law.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to attend, speak, ask questions and have one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

	Number of ordinary shares		Number of redeemable ordinary shares	
	2018	2017	**2018**	2017
In issue at beginning of year	**248,326,744**	246,764,469	**7,528,066**	7,528,066
Exercise of share options	**385,895**	837,278	**–**	–
Issued in business combination	**–**	724,997	**–**	–
In issue at end of year	**248,712,639**	248,326,744	**7,528,066**	7,528,066

19. Profit Attributable to UDG Healthcare plc

The profit recorded in the financial statements of the holding Company for the year ended 30 September 2018 was €31,526,000 (2017: €76,437,000). As permitted by Section 304 (2) of the Companies Act 2014, the Income Statement of the Company has not been separately presented – the exemption is afforded by Section 304.

20. Share Premium

	2018 $'000	2017 $'000
At 1 October	**196,496**	187,355
Premium arising on shares issued	**1,341**	3,129
Issued in business combination	**–**	6,012
At 30 September	**197,837**	196,496

Notes forming part of the Group Financial Statements (continued)

21. Other Reserves

	Cash flow hedge $'000	Share-based payment $'000	Foreign exchange $'000	Treasury shares $'000	Capital redemption reserve $'000	Total $'000
At 1 October 2017	(12,854)	8,992	(155,465)	(7,676)	347	(166,656)
Effective portion of cash flow hedges	(3,465)	–	–	–	–	(3,465)
Deferred tax on cash flow hedges	433	–	–	–	–	433
Share-based payment expense	–	6,643	–	–	–	6,643
Release from share-based payment reserve	–	(827)	–	–	–	(827)
Translation adjustment	–	–	(5,466)	–	–	(5,466)
Reclassification on loss of control of subsidiary undertakings	–	–	33,383	–	–	33,383
At 30 September 2018	**(15,886)**	**14,808**	**(127,548)**	**(7,676)**	**347**	**(135,955)**

	Cash flow hedge $'000	Share-based payment $'000	Foreign exchange $'000	Treasury shares $'000	Capital redemption reserve $'000	Total $'000
At 1 October 2016	(12,499)	5,956	(165,574)	(7,676)	347	(179,446)
Effective portion of cash flow hedges	(406)	–	–	–	–	(406)
Deferred tax on cash flow hedges	51	–	–	–	–	51
Share-based payment expense	–	3,613	–	–	–	3,613
Release from share-based payment reserve	–	(577)	–	–	–	(577)
Translation adjustment	–	–	10,109	–	–	10,109
At 30 September 2017	(12,854)	8,992	(155,465)	(7,676)	347	(166,656)

Cash Flow Hedge Reserve
The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share-based Payment Reserve
This reserve comprises amounts expensed in the Income Statement in connection with share-based payments, net of transfers to retained earnings on the exercise, lapsing or forfeiting of share awards.

Foreign Exchange Reserve
The currency translation reserve comprises all foreign exchange differences arising from the translation of the net assets of the Group's non-US dollar-denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date.

The reserve also includes all foreign exchange differences arising from the translation of liabilities that hedge the Group's net investment in foreign operations.

Capital Redemption Reserve
The capital redemption reserve is a legal reserve which has arisen from the company buying back and cancelling its ordinary shares.

Treasury Shares
Dublin Drug Company Limited
During the year ended 30 September 1998, the Group acquired Dublin Drug Company Limited for consideration of $13,118,000 which at the date of its acquisition held 2,225,438 ordinary shares in UDG Healthcare plc which had a nominal value of $790,000 and at the date of their acquisition represented 9.84% of the Company's issued ordinary share capital. Subsequent to the acquisition, these ordinary shares were converted into redeemable ordinary shares.

On 29 January 2002, 1,150,000 of these redeemable ordinary shares were redeemed at their market value both out of the proceeds of a placing in the market of 1,150,000 new ordinary shares and the distributable reserves of the Company, in accordance with Article 3A of the Articles of Association of the Company and Section 207 of the Companies Act 1990, and immediately thereafter were cancelled.

During the year ended 30 September 2003, the Company's shareholders approved a seven for one split of the ordinary share capital and redeemable ordinary share capital of the Company. At 30 September 2018, Dublin Drug Company Limited continued to hold 7,528,066 redeemable ordinary shares and they have been treated as treasury shares in the Balance Sheet in accordance with the requirements of company law.

Summary
At 30 September 2018 7,528,066 (2017: 7,528,066) treasury shares were held by the Group, representing 2.94% (2017: 2.94%) of the issued ordinary and redeemable ordinary share capital of the Company.

22. Retained Earnings

	2018 $'000	2017 $'000
At beginning of year	**836,087**	784,432
Net income recognised directly in the Income Statement	**3,795**	71,858
Net income recognised directly in Other Comprehensive Income:		
– Remeasurement gain on Group defined benefit schemes	**2,422**	11,098
– Deferred tax on Group defined benefit schemes	**221**	(599)
Dividends paid to equity holders	**(34,705)**	(31,279)
Release from share-based payment reserve	**827**	577
At end of year	**808,647**	836,087

23. Non-controlling Interests

	2018 $'000	2017 $'000
At 1 October	**109**	–
Acquired during the year	**–**	110
Share of profit for the financial year	**62**	–
Translation adjustment	**–**	(1)
At 30 September	**171**	109

The non-controlling interests relate to Sellxpert AG, a company registered in Switzerland. The Group acquired a 50% shareholding in Sellxpert AG on 10 July 2017.

24. Interest-bearing Loans and Borrowings

	2018 $'000	2017 $'000
Non-current		
Guaranteed senior unsecured notes	**243,091**	244,043
Finance leases	**8**	34
	243,099	244,077
Current		
Guaranteed senior unsecured notes	**(100)**	(142)
Bank borrowings	**327**	70
Finance leases	**45**	130
	272	58

Notes forming part of the Group Financial Statements (continued)

24. Interest-bearing Loans and Borrowings (continued)

Interest-bearing loans and borrowings are repayable as follows:

	2018 $'000	2017 $'000
Bank borrowings, overdrafts and guaranteed senior unsecured notes		
Within one year	**227**	(72)
After one but within two years	**65,045**	(95)
After two but within five years	**118,729**	65,362
After five years	**59,317**	178,776
Finance leases		
Within one year	**45**	130
After one but within two years	**8**	34
	243,371	244,135
Non-current	**243,099**	244,077
Current	**272**	58
	243,371	244,135

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

	2018 $'000	2017 $'000
5.25% Series 'B' guaranteed senior unsecured notes, 2020	**65,000**	65,000
	65,000	65,000

In September 2013, the Group completed a $140 million and €23 million debt financing in the US Private Placement Market. The following notes remain outstanding:

	2018 $'000	2017 $'000
4.48% Series 'A' guaranteed senior unsecured notes, 2023	**105,000**	105,000
4.59% Series 'B' guaranteed senior unsecured notes, 2025	**35,000**	35,000
	140,000	140,000

	2018 €'000	2017 €'000
3.45% Series 'C' guaranteed senior unsecured notes, 2023	**12,000**	12,000
3.50% Series 'D' guaranteed senior unsecured notes, 2025	**11,000**	11,000
	23,000	23,000

In September 2014, the Group completed a €10 million debt financing in the US Private Placement Market. The following note remains outstanding:

	2018 €'000	2017 €'000
2.64% Series 'A' guaranteed senior unsecured note, 2023	**10,000**	10,000
	10,000	10,000

All the loan notes were issued by UDG Healthcare Finance Limited, a wholly owned subsidiary, and have been guaranteed by UDG Healthcare plc and other Group undertakings.

US dollar loan note issuance proceeds were swapped into euro and the US dollar fixed interest rates applicable to the debt were swapped into predominantly fixed euro rate debt to generate the desired interest profile.

These loans are repayable in full on maturity.

Borrowing Facilities
In September 2014, the Group renewed its senior bank debt facility extending the term to November 2019.

At year end the Group has $244,062,000 (2017: $247,926,000) of committed, undrawn multi-currency senior debt loan facilities with a maturity date of November 2019. The Group also has $11,622,000 (2017: $11,806,000) of undrawn overdraft facilities.

Covenants
The unsecured loan notes and senior bank facilities are subject to compliance with certain covenants including a leverage covenant (net debt to EBITDA) not to exceed 3.5:1 and an interest cover covenant (EBITDA to net interest expense) to be at least 3.0:1.

25. Trade and Other Payables

	2018 $'000	2017 $'000
Current		
Trade payables	**39,920**	58,145
Accruals	**86,709**	97,526
Deferred income	**61,880**	58,968
Other payables	**19,827**	12,594
PAYE, VAT and social welfare	**17,190**	20,912
	225,526	248,145
Non-current		
Other payables	**5,451**	–
	230,977	248,145

Other payables in non-current liabilities primarily relate to lease incentives.

26. Provisions

	Deferred contingent consideration 2018 $'000	Onerous leases 2018 $'000	Restructuring and other costs 2018 $'000	Total 2018 $'000	Total 2017 $'000
At the beginning of the year	71,878	324	173	**72,375**	16,067
(Release)/charge to income statement	(11,576)	2,924	12,962	**4,310**	–
Arising on acquisitions (Note 29)	42,408	–	–	**42,408**	65,939
Utilised during the year	(5,911)	(331)	(4,306)	**(10,548)**	(14,430)
Unwinding of discount	840	–	–	**840**	380
Measurement period adjustment	–	–	–	**–**	999
Translation adjustment	(724)	(21)	(195)	**(940)**	3,420
At end of year	96,915	2,896	8,634	**108,445**	72,375
Non-current	67,409	1,455	36	**68,900**	58,470
Current	29,506	1,441	8,598	**39,545**	13,905
Total	96,915	2,896	8,634	**108,445**	72,375

Deferred Contingent Consideration
The deferred contingent consideration liability represents the fair value of amounts which may become payable over the period from October 2018 to October 2023 in connection with the acquisition of subsidiaries. Payment is dependent on achieving predetermined targets based on future performance and profitability. During the year, payments were made of $5,911,000 (2017: $14,265,000) with respect to prior year acquisitions. Deferred contingent consideration of $11,576,000 (2017: $nil) in respect of prior year acquisitions was released in the year following a review of expected performance against earn-out targets. Further details on the measurement of contingent consideration and sensitivities are disclosed in Note 31.

Notes forming part of the Group Financial Statements (continued)

26. Provisions (continued)

Onerous Leases

The onerous leases relate to properties that the Group remains committed to following the integration of the businesses acquired in prior years. The properties are being proactively managed. In calculating the provisions, the Group made certain estimates and assumptions in assessing the amount provided. The provisions were calculated by taking into consideration the committed rental charges associated with the premises and the period of time to the earliest date at which the Group can exit from the leases. The cash outflows will be incurred during the period from October 2018 to April 2021.

Restructuring and Other Costs

This provision primarily relates to redundancy costs associated with the implementation of the restructuring of the Group's internal operating structures in Ashfield and Sharp. The Group restructuring provision recognised in the year includes redundancy costs of $12,623,000 and other costs of $339,000 associated with restructuring the business. The majority of the provision is expected to be settled within one year.

27. Operating Leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, the Group is required to make under existing lease agreements.

	2018 $'000	2017 $'000
Less than one year	24,602	27,121
Between one and five years	62,451	52,729
More than five years	40,002	23,305
	127,055	103,155

The Group leases certain property, plant and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the leases after the initial period.

28. Deferred Income Tax Assets and Liabilities

The following is an analysis of the movement in the major categories of deferred tax assets/(liabilities) recognised by the Group for the year ended 30 September 2018:

	Property, plant and equipment $'000	Intangible assets $'000	Tax deductible goodwill $'000	Retirement benefit obligation $'000	Short-term temporary differences and other differences $'000	Total $'000
At 1 October 2017	(9,147)	(15,921)	(29,613)	(4,421)	8,848	(50,254)
Recognised in Income Statement	(1,118)	1,793	6,139	1,260	4,017	12,091
Recognised in Other Comprehensive Income	–	–	–	221	433	654
Arising on acquisition	49	(2,435)	–	–	–	(2,386)
Exchange differences and other	(471)	334	45	9	25	(58)
At 30 September 2018	(10,687)	(16,229)	(23,429)	(2,931)	13,323	(39,953)
Analysed as:						
Deferred tax asset	189	–	–	–	5,083	5,272
Deferred tax liability	(10,876)	(16,229)	(23,429)	(2,931)	8,240	(45,225)
	(10,687)	(16,229)	(23,429)	(2,931)	13,323	(39,953)

The following is an analysis of the movement in the major categories of deferred tax assets/(liabilities) recognised by the Group for the year ended 30 September 2017.

	Property, plant and equipment $'000	Intangible assets $'000	Tax deductible goodwill $'000	Retirement benefit obligation $'000	Short-term temporary differences and other differences $'000	Total $'000
At 1 October 2016	(6,894)	184	(24,439)	(4,148)	8,585	(26,712)
Recognised in Income Statement	(2,508)	5,070	(5,099)	332	(1,806)	(4,011)
Recognised in Other Comprehensive Income	–	–	–	(599)	51	(548)
Arising on acquisition	(22)	(19,989)	–	–	1,932	(18,079)
Exchange differences and other	277	(1,186)	(75)	(6)	86	(904)
At 30 September 2017	(9,147)	(15,921)	(29,613)	(4,421)	8,848	(50,254)
Analysed as:						
Deferred tax asset	7	–	–	234	3,784	4,025
Deferred tax liability	(9,154)	(15,921)	(29,613)	(4,655)	5,064	(54,279)
	(9,147)	(15,921)	(29,613)	(4,421)	8,848	(50,254)

No deferred income tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures as the Group does not anticipate additional tax on any ultimate remittance.

As at 30 September 2018, the Group has unused tax losses and other timing differences of $26,482,000 (2017: $34,714,000) in respect of which no deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available. Included in the tax losses not recognised for deferred tax purposes are losses of $15,113,000 (2017: $14,728,000) which will expire within the next nine years. The remaining tax losses carry forward indefinitely.

29. Acquisition of Subsidiary Undertakings

On 1 July 2018, the Group acquired 100% of the issued share capital of Create NYC LLC, an innovative New York-based healthcare creative communications agency, offering the tactical execution of sales and marketing materials for its international pharmaceutical clients. Create NYC's offering comprises a unique, disruptive model which gives its clients high-impact, on-demand flexible marketing support with a flat fee structure. The acquisition of Create NYC is in line with Ashfield's strategy to expand into areas of differentiated but aligned adjacencies to its core scientific communication capabilities. The combination of Create NYC with Ashfield Healthcare Communications provides the opportunity to diversify Create NYC's client base and expand internationally.

The Group acquired 100% of SmartAnalyst Inc on 1 July 2018. SmartAnalyst is a US-based strategic consulting and analytics business focused on the pharmaceutical and biotech sector with operations in New York, London and Gurgaon, India. The acquisition of SmartAnalyst is in line with Ashfield's strategy to expand its advisory service proposition for its healthcare clients. Ashfield will provide leverage and opportunities to grow SmartAnalyst's customer base outside the US through Ashfield's global business.

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the above listed acquisitions due to the timing of recent acquisitions. Any amendments to these acquisition fair values within the 12-month timeframe from the date of acquisition will be disclosed in the 2019 Annual Report as stipulated by IFRS 3 Business Combinations.

Notes forming part of the Group Financial Statements (continued)

29. Acquisition of Subsidiary Undertakings (continued)

	Create NYC $'000	SmartAnalyst $'000	**Total $'000**
Property, plant and equipment	5	173	**178**
Intangible assets – arising on acquisition	23,030	9,742	**32,772**
Intangible assets – computer software	–	9	**9**
Deferred tax assets	–	49	**49**
Trade and other receivables	3,046	3,524	**6,570**
Trade and other payables	(738)	(2,509)	**(3,247)**
Current tax liabilities	–	(50)	**(50)**
Deferred tax liabilities	–	(2,435)	**(2,435)**
Cash acquired	3,533	7,748	**11,281**
Net assets acquired	28,876	16,251	**45,127**
Goodwill	27,928	14,113	**42,041**
Consideration	56,804	30,364	**87,168**
Satisfied by:			
Cash consideration	20,044	24,716	**44,760**
Deferred contingent consideration	36,760	5,648	**42,408**
Total consideration	56,804	30,364	**87,168**
Net cash outflow – arising on acquisitions			
Cash consideration	20,044	24,716	**44,760**
Less: Cash and cash equivalents	(3,533)	(7,748)	**(11,281)**
Net cash outflow	16,511	16,968	**33,479**

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. The significant factors giving rise to the goodwill include the value of the workforce and management teams within the businesses acquired, the enhancement of the competitive position of the Group in the marketplace and the strategic premium paid by UDG Healthcare plc to create the combined Group. The goodwill arising from acquisitions that is expected to be tax deductible is $27,928,000.

The intangible assets arising on the acquisitions are primarily related to trade names, client relationships, technology and client contracts (Note 14).

The gross contractual value of trade and other receivables are not different from fair value of trade and other receivables outlined in the table above. No contingent liabilities were recognised on the acquisitions completed during the financial year.

The total transaction related costs for completed and aborted acquisitions amount to $2,374,000 (2017: $4,028,000). These are presented separately in the Group Income Statement.

Contingent consideration is payable to the sellers of Create NYC based on achievement of revenue and adjusted profit targets over a three-year and five-year performance period. Contingent consideration payable to the sellers of SmartAnalyst is based on the achievement of gross profit and adjusted profit targets over 18-month and 36-month performance periods. The fair value of contingent consideration recognised at the date of acquisition is calculated by discounting the expected future payment to present value at the acquisition date. For contingent consideration to become payable, the pre-defined results thresholds must be achieved by the acquired businesses. On an undiscounted basis, the future payments for which the Group may be liable in respect of current year acquisitions ranges from $nil to $47,378,000.

The Group's results for the year ended 30 September 2018 included the following amounts in respect of the businesses acquired during the year:

	2018 Total $'000
Revenue	**7,430**
Profit for the year	**210**

The proforma revenue and profit of the Group for the year ended 30 September 2018 would have been $1,336,483,000 and $3,018,000 respectively had the acquisitions taken place at the start of the reporting period. The proforma results for the year includes the estimate of tax expense and amortisation of intangible assets recognised on acquisition.

30. Employee Benefits

The aggregate employee costs recognised in the Income Statement are as follows:

	2018 $'000	2017 $'000
Wages and salaries	**524,481**	447,088
Social security contributions	**57,242**	51,233
Pension costs – defined contribution schemes	**11,313**	9,515
Pension costs – defined benefit schemes	**1,445**	(341)
Share-based payment expense	**6,643**	3,613
Termination benefits	**13,057**	–
	614,181	511,108

During the year the Group capitalised employee costs amounting to $1,572,000 (2017: $2,702,000) relating to intangible assets – computer software. The Group also capitalised employee costs amounting to $904,000 (2017: $1,022,000) relating to tangible assets.

The average number of employees, including executive directors, during the year was as follows:

	2018 Number	2017 Number
Marketing, distribution and selling	**6,647**	6,570
Operational	**1,334**	1,275
Administration	**74**	76
	8,055	7,921

A further 1,217 (2017: 1,191) personnel are employed in the Group's joint ventures.

(i) Defined contribution schemes

The Group makes contributions to a number of defined contribution schemes, the assets of which are vested in independent trustees for the benefit of members and their dependants.

(ii) Defined benefit schemes

The following amounts were recognised on the Balance Sheet of the Group in respect of employee benefit schemes as at 30 September:

	2018 $'000	2017 $'000
Employee benefit asset	**12,935**	12,379
Employee benefit liability	**–**	(3,162)
	12,935	9,217

The Group operates a number of defined benefit schemes as at 30 September as follows:

	2018 $'000	2017 $'000
United States defined benefit scheme (US scheme)	**11,273**	12,379
Republic of Ireland defined benefit schemes (ROI schemes)	**1,662**	(3,162)
Net surplus	**12,935**	9,217

On 1 April 2016 the Group completed the disposal of United Drug Supply Chain Services, United Drug Sangers, TCP Group and MASTA. Under the terms of the disposal, the Group retained responsibility for the funding requirements in respect of the ROI schemes. Pension accruals under the ROI schemes ceased on 31 December 2015.

Notes forming part of the Group Financial Statements (continued)

30. Employee Benefits (continued)

Each of the defined benefit schemes operated by the Group are funded by the payment of contributions to separately administered trust funds. The contributions to the schemes are determined with the advice of independent qualified actuaries obtained at regular intervals using the projected unit method of funding. Each defined benefit scheme is independently funded and the assets are vested in the independent trustees for the benefit of members and their dependants. The valuations are not available for public inspection but the results are advised to members of the schemes. The most recent full actuarial valuations for the principal schemes were conducted as at 31 December 2017 for the ROI schemes and 1 January 2018 for the US scheme. Assumed medical costs are not a component of the pension obligations of any of the Group's pension obligations.

The principal long-term financial assumptions used by the Group's actuaries in the computation of the defined benefit liabilities arising on pension schemes as at 30 September are as follows:

	ROI schemes		US scheme	
	2018	2017	**2018**	2017
Increase in salaries	**n/a**	n/a	**2.75%–4.00%**	2.75–4.00%
Increase in pensions	**0–1.60%**	0–1.65%	**0.00%**	0.00%
Inflation rate	**1.60%**	1.65%	**2.75%**	2.75%
Discount rate	**2.00%**	2.05%	**4.10%**	3.60%

The ROI schemes have a remeasurement gain in the current year which comprises of higher than expected returns on plan assets and changes in the assumptions used to measure liabilities of the plan. The US scheme has a remeasurement gain in the year arising from a higher than expected return on plan assets, and a change in financial assumptions. In the ROI schemes, there is no longer a salary increase assumption due to the accrual of pension benefit ceasing from 1 December 2015.

All schemes used certain mortality rate assumptions when calculating scheme obligations. These are based on advice from published statistics and experience in each geographic region. These assumptions will continue to be monitored in light of general trends in mortality experience. The average life expectancy of a pensioner at age 65, in years, is as follows:

	ROI schemes		US scheme	
	2018	2017	**2018**	2017
Current pensioners				
Male	**21.5**	21.4	**21.0**	21.1
Female	**24.0**	23.9	**24.6**	24.7
Future pensioners				
Male	**23.9**	23.8	**21.4**	21.5
Female	**26.0**	25.9	**25.2**	25.3

The market value of the assets in the pension schemes at 30 September 2018 were:

	%	ROI 2018 $'000	%	US 2018 $'000
Equities:				
– Developed markets	**12**	**3,871**	**51**	**17,332**
– Emerging markets	**–**	**–**	**2**	**705**
Bonds:				
– Government	**56**	**18,161**	**29**	**9,929**
– Non-government	**–**	**–**	**17**	**5,732**
Property	**2**	**654**	**–**	**–**
Cash	**30**	**9,723**	**1**	**233**
Fair value of scheme assets	**100**	**32,409**	**100**	**33,931**
Present value of scheme obligations		**(30,747)**		**(22,658)**
Employee benefits asset		**1,662**		**11,273**
Deferred income tax liability		**(390)**		**(2,540)**
Net asset		**1,272**		**8,733**

The market value of the assets in the pension schemes at 30 September 2017 were:

	%	ROI 2017 $'000	%	US 2017 $'000
Equities:				
– Developed markets	34	11,652	49	15,889
– Emerging markets	–	–	2	657
Bonds:				
– Government	40	13,668	31	10,153
– Non-government	–	–	18	5,761
Property	3	1,145	–	–
Cash	23	7,827	–	28
Fair value of scheme assets	100	34,292	100	32,488
Present value of scheme obligations		(37,454)		(20,109)
Employee benefits (liability)/asset		(3,162)		12,379
Deferred income tax asset/(liability)		234		(4,655)
Net (liability)/asset		(2,928)		7,724

Movements in Fair Value of Plan Assets

	ROI 2018 $'000	**US 2018 $'000**	**Total 2018 $'000**	ROI 2017 $'000	US 2017 $'000	Total 2017 $'000
At beginning of year	**34,292**	**32,488**	**66,780**	39,457	30,404	69,861
Interest income on plan assets	**723**	**969**	**1,692**	429	798	1,227
Employer contributions	**2,578**	**–**	**2,578**	4,218	–	4,218
Benefit payments	**(1,136)**	**(492)**	**(1,628)**	(1,022)	(496)	(1,518)
Return on plan assets excluding interest income	**359**	**966**	**1,325**	2,068	1,782	3,850
Settlements	**(3,904)**	**–**	**(3,904)**	(12,663)	–	(12,663)
Translation adjustment	**(503)**	**–**	**(503)**	1,805	–	1,805
At end of year	**32,409**	**33,931**	**66,340**	34,292	32,488	66,780

Movements in Present Value of Defined Benefit Obligations

	ROI 2018 $'000	**US 2018 $'000**	**Total 2018 $'000**	ROI 2017 $'000	US 2017 $'000	Total 2017 $'000
At beginning of year	**37,454**	**20,109**	**57,563**	59,899	16,465	76,364
Current service costs	**–**	**3,033**	**3,033**	–	2,387	2,387
Interest on scheme obligations	**762**	**703**	**1,465**	638	522	1,160
Benefit payments	**(1,136)**	**(492)**	**(1,628)**	(1,022)	(496)	(1,518)
Remeasurement (gain)/loss	**(551)**	**387**	**(164)**	(3,105)	624	(2,481)
Effect of changes in actuarial assumptions	**149**	**(1,082)**	**(933)**	(5,374)	607	(4,767)
Settlements	**(5,492)**	**–**	**(5,492)**	(15,391)	–	(15,391)
Translation adjustment	**(439)**	**–**	**(439)**	1,809	–	1,809
At end of year	**30,747**	**22,658**	**53,405**	37,454	20,109	57,563

Notes forming part of the Group Financial Statements (continued)

30. Employee Benefits (continued)

The remeasurement gain on the plan assets and present value of the defined benefit obligation are as follows:

	2018 $'000	2017 $'000
Return on plan assets excluding interest income	**1,325**	3,850
Remeasurement gain on experience variations	**164**	2,481
Effect of changes in actuarial assumptions:		
– Changes in demographic assumptions	**17**	29
– Changes in financial assumptions	**916**	4,738
Total included in Group Statement of Comprehensive Income	**2,422**	11,098

Defined Benefit Pension Credit/(Expense) Recognised in the Income Statement

The employee benefit credit/(expense) is analysed as:

	ROI 2018 $'000	US 2018 $'000	Total 2018 $'000
Current service costs	**–**	**(3,033)**	**(3,033)**
Settlements	**1,588**	**–**	**1,588**
Interest cost on scheme obligations	**(762)**	**(703)**	**(1,465)**
Interest income on scheme assets	**723**	**969**	**1,692**
	1,549	**(2,767)**	**(1,218)**

	ROI 2017 $'000	US 2017 $'000	Total 2017 $'000
Current service costs	–	(2,387)	(2,387)
Settlements	2,728	–	2,728
Interest cost on scheme obligations	(638)	(522)	(1,160)
Interest income on scheme assets	429	798	1,227
	2,519	(2,111)	408

Accrual of pension benefits within the ROI schemes ceased with effect from 31 December 2015.

During the current and prior year a general offer was made to the members of the ROI schemes to transfer their accrued benefits from the schemes in exchange for a fixed monetary amount. Acceptance of the offer was at the discretion of individual members and resulted in a settlement gain of $1,588,000 (2017: $2,728,000).

The tax effect relating to these items is disclosed in Note 28.

The expected employer's contribution for the year ended 30 September 2019 is $1,743,000.

Expected Maturity Analysis of Undiscounted Pension Benefits

	Less than 1 year $'000	Between 1–2 years $'000	Between 2–5 years $'000	Over 5 years $'000	Total $'000
ROI schemes	**912**	**982**	**3,235**	**6,057**	**11,186**
US scheme	**1,892**	**1,604**	**6,069**	**88,302**	**97,867**
At 30 September 2018	**2,804**	**2,586**	**9,304**	**94,359**	**109,053**
ROI schemes	868	960	3,223	6,199	11,250
US scheme	1,326	1,365	5,145	80,181	88,017
At 30 September 2017	2,194	2,325	8,368	86,380	99,267

Sensitivity Analysis for Principal Assumptions Used to Measure Scheme Liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension schemes. The following table analyses, for the Group's pension schemes, the estimated impact on plan obligations resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant. The impact on the defined benefit obligation at 30 September 2018 is calculated on the basis that only one assumption is changed with all other assumptions remaining unchanged. The assessment of the sensitivity analysis below could therefore be limited as a change in one assumption may not occur in isolation as assumptions may be correlated.

Assumption	Change in assumption	Impact on ROI plan liabilities	Impact on US plan liabilities
Discount rate	Increase/Decrease by 0.25%	↑↓ by 4.4%	↑↓ by 2.0%
Price inflation	Increase/Decrease by 0.25%	↑↓ by 2.0%	↑↓ by 0.0%
Mortality	Increase by one year	↑ by 3.9%	↑ by 0.3%

Share-based Payment

	2018 $'000	2017 $'000
Executive Share Option Plan expense	**176**	163
LTIP expense	**4,893**	3,450
Pre-exceptional Share-based payment expense	**5,069**	3,613
LTIP accelerated Share-based payment expense (Note 9)	**1,574**	–
Total share-based payment expense	**6,643**	3,613

$1,669,000 (2017: $863,000) of the total share-based payment expense recognised in the Group Income Statement relates to the directors.

Executive Share Option Plan/Executive Share Option Scheme

The company's Executive Share Option Plan (ESOP) was established during 2010. Under the ESOP share options may be granted to management which may entitle them to purchase shares in the company so as to provide an incentive to perform strongly over an extended period and to encourage alignment of their interests with those of shareholders. Share options granted under the ESOP are exercisable for a period of four years from the third anniversary of the grant date, if adjusted diluted EPS growth is not less than the movement in the Irish Consumer Price Index, plus 3% compounded, over the performance period. There were no share options granted under the ESOP in the current year (2017: nil). In accordance with the terms of the ESOP, share options granted are exercisable at the market price of the underlying share on the last dealing day preceding the date of grant.

The number and weighted average exercise price of outstanding share options under the ESOP are as follows:

	Weighted average exercise price 2018 $	**Number of share options 2018 '000**	Weighted average exercise price 2017 $	Number of share options 2017 '000
Outstanding at beginning of year	**6.69**	**809**	5.79	1,769
Forfeited during the year	**6.24**	**(28)**	7.15	(123)
Exercised during the year	**6.24**	**(270)**	4.72	(837)
Outstanding at end of year	**6.95**	**511**	6.69	809
Exercisable at end of year	**6.23**	**106**	6.23	181

The weighted average share price at the date of exercise of share options during the year was $11.07 (2017: $9.05). The weighted average remaining contractual life for the share options outstanding at 30 September 2018 was 4.54 years (2017: 4.76 years).

At 30 September 2018, the range of exercise prices of outstanding share options was from $4.30 to $7.78 (2017: $4.30 to $7.78).

Notes forming part of the Group Financial Statements (continued)

30. Employee Benefits (continued)

Analysis of ESOP Share Options Outstanding at Year End

Share option by exercise price:

	Exercise price £	Number of options 2018 '000	Number of options 2017 '000
	5.13	237	238
	2.68	1	1
	3.73	273	570
Total options outstanding – sterling denominated		511	809

LTIP

The Company's LTIP was established during 2010. The terms of share options granted under the LTIP during the year are set out in the Directors' Remuneration Report on pages 79 to 91. During the year 690,672 (2017: 914,344) share options were granted under the LTIP. In accordance with the terms of the LTIP, share options awarded are exercisable at the nominal value of the underlying share as at the date of grant.

A summary of the details in respect of share options granted under the LTIP in 2018 and 2017 is set out below.

	2018 Non-market-based awards	2018 Non-market-based awards	2018 Market-based awards	2018 Non-market-based awards	2018 Market-based awards
Grant date	23/05/2018	26/02/2018	05/12/2017	05/12/2017	05/12/2017
Fair value at grant date	$11.09	$11.21	$5.54	$10.57	$5.73
Share price at grant date	$11.76	$11.73	$11.42	$11.42	$11.42
Exercise price	$0.06	$0.06	$0.06	$0.06	$0.06
Expected volatility	23.0%	23.0%	19.32%	19.32%	19.32%
Expected life	5 years	3 years	6 years	6 years	4 years
Risk-free interest rate	1.10%	0.91%	0.98%	0.98%	0.71%
Valuation model	Black-Scholes Option Pricing Model	Black-Scholes Option Pricing Model	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo Simulation
Performance period	3 years	3 years	3 years	3 years	3 years
Vesting period	3 years	3 years	5 years	5 years	3 years

	2018 Non-market- based awards	2018 Market-based awards	2018 Non-market-based awards	2018 Non-market-based awards	2018 Non-market-based awards
Grant date	05/12/2017	05/12/2017	05/12/2017	05/12/2017	05/12/2017
Fair value at grant date	$10.88	$5.73	$10.88	$10.79	$10.56
Share price at grant date	$11.42	$11.42	$11.42	$11.42	$11.42
Exercise price	$0.06	$0.06	$0.06	$0.06	$0.06
Expected volatility	19.32%	19.32%	19.32%	19.32%	19.32%
Expected life	4 years	5 years	5 years	4 years	5 years
Risk-free interest rate	0.71%	0.89%	0.89%	0.71%	0.89%
Valuation model	Monte Carlo option pricing model	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo option pricing model	Monte Carlo option pricing model
Performance period	3 years	3 years	3 years	3 years	3 years
Vesting period	3 years	3 years	3 years	3 years	3 years

	2017 Market-based awards	2017 Market-based awards	2017 Non-market-based awards	2017 Market-based awards	2017 Market-based awards	2017 Non-market-based awards	2017 Market-based awards	2017 Non-market-based awards
Grant date	25/07/2017	25/05/2017	25/05/2017	08/12/2016	08/12/2016	08/12/2016	08/12/2016	08/12/2016
Fair value at grant date	$6.35	$6.53	$10.13	$5.48	$5.84	$8.80	$5.92	$8.80
Share price at grant date	$10.86	$10.18	$10.18	$8.79	$8.79	$8.79	$8.79	$8.79
Exercise price	$0.06	$0.06	$0.06	$0.05	$0.05	$0.05	$0.05	$0.05
Expected volatility	21.59%	24.11%	24.11%	37.91%	37.91%	37.91%	37.91%	37.91%
Expected life	3 years	5 years	5 years	5 years	6 years	6 years	5 years	5 years
Risk-free interest rate	0.92%	0.59%	0.59%	0.36%	0.49%	0.49%	0.36%	0.36%
Valuation model	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo option pricing model	Monte Carlo Simulation	Monte Carlo option pricing model
Performance period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Vesting period	3 years	3 years	3 years	3 years	5 years	5 years	3 years	3 years

The number and weighted average exercise price of outstanding share options under the LTIP are as follows:

	Weighted average exercise price 2018 $	**Number of share options 2018 '000**	Weighted average exercise price 2017 $	Number of share options 2017 '000
Outstanding at beginning of year	**0.06**	**2,922**	0.06	2,079
Forfeited during the year	**0.06**	**(259)**	0.06	(71)
Exercised during the year	**0.06**	**(116)**	0.06	–
Granted during the year	**0.06**	**691**	0.06	914
Outstanding at end of year	**0.06**	**3,238**	0.06	2,922
Exercisable at end of year	**0.06**	**476**	0.06	116

The weighted average share price at the date of exercise of share options during the year was $10.94 (2017: $nil). The weighted average remaining contractual life for the share options outstanding at 30 September 2018 was 4.35 years (2017: 4.86 years).

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk

Fair Values Versus Carrying Amounts

The fair value of financial assets and liabilities together with the carrying amounts shown in the Balance Sheet are as follows:

30 September 2018	Cash flow hedges $'000	Fair value through profit or loss $'000	Receivables $'000	Liabilities at amortised cost $'000	Total carrying value $'000	Fair value $'000
Trade and other receivables (Note 17)	–	–	318,339	–	318,339	318,339
Derivative financial assets	1,860	944	–	–	2,804	2,804
Cash and cash equivalents	–	–	180,099	–	180,099	180,099
	1,860	944	498,438	–	501,242	501,242
Trade and other payables (Note 25)	–	–	–	163,646	163,646	163,646
Derivative financial liabilities	319	–	–	–	319	319
Interest-bearing loans and borrowings (Note 24)	–	–	–	243,318	243,318	247,088
Finance lease liabilities (Note 24)	–	–	–	53	53	53
Deferred contingent consideration (Note 26)	–	96,915	–	–	96,915	96,915
	319	96,915	–	407,017	504,251	508,021

30 September 2017	Cash flow hedges $'000	Fair value through profit or loss $'000	Receivables $'000	Liabilities at amortised cost $'000	Total carrying value $'000	Fair value $'000
Trade and other receivables (Note 17)	–	–	289,311	–	289,311	289,311
Derivative financial assets	2,581	1,171	–	–	3,752	3,752
Cash and cash equivalents	–	–	187,469	–	187,469	187,469
	2,581	1,171	476,780	–	480,532	480,532
Trade and other payables (Note 25)	–	–	–	189,177	189,177	189,177
Derivative financial liabilities	352	–	–	–	352	352
Interest-bearing loans and borrowings (Note 24)	–	–	–	243,971	243,971	248,987
Finance lease liabilities (Note 24)	–	–	–	164	164	164
Deferred contingent consideration (Note 26)	–	71,878	–	–	71,878	71,878
	352	71,878	–	433,312	505,542	510,558

The fair values of the financial assets and liabilities not measured at fair value disclosed in the above tables have been determined using the methods and assumptions set out below.

Trade and Other Receivables/Payables

For receivables and payables, the carrying value less impairment provision is deemed to reflect fair value, where appropriate.

Cash and Cash Equivalents

For cash and cash equivalents, the nominal amount is deemed to reflect fair value.

Interest-bearing Loans and Borrowings (Excluding Finance Lease Liabilities)

The fair value of interest-bearing loans and borrowings is based on the fair value of the expected future principal and interest cash flows discounted at interest rates effective at the balance sheet date and adjusted for movements in credit spreads.

Finance Lease Liabilities

For finance lease liabilities, fair value is the present value of future cash flows discounted at current market rates.

Valuation Techniques and Significant Unobservable Inputs

Fair Value Hierarchy of Assets and Liabilities Measured at Fair Value

The Group has adopted the following fair value hierarchy in relation to its financial instruments that are carried in the balance sheet at the fair values at the year end:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets out the fair value of all financial assets and liabilities that are measured at fair value:

Fair value measurement as at 30 September 2018

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value				
Designated as hedging instruments				
Cross-currency interest rate swaps	–	2,804	–	2,804
	–	2,804	–	2,804
Liabilities measured at fair value				
Designated hedging instruments				
Cross-currency interest rate swaps	–	319	–	319
At fair value through profit or loss				
Deferred contingent consideration	–	–	96,915	96,915
	–	319	96,915	97,234

Fair value measurement as at 30 September 2017

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets measured at fair value				
Designated as hedging instruments				
Cross-currency interest rate swaps	–	3,752	–	3,752
	–	3,752	–	3,752
Liabilities measured at fair value				
Designated hedging instruments				
Cross-currency interest rate swaps	–	352	–	352
At fair value through profit or loss				
Deferred contingent consideration	–	–	71,878	71,878
	–	352	71,878	72,230

Derivative Financial Instruments

Derivative financial assets	2018 $'000	2017 $'000
Current	2,474	2,450
Non-current	330	1,302
	2,804	3,752
Derivative financial liabilities		
Non-current	319	352
	319	352
Net derivative financial asset	2,485	3,400

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk (continued)

Summary of derivatives:

	Amount of financial assets/ liabilities as presented in the Balance Sheet $'000	Related amounts not offset in the Balance Sheet $'000	2018 Net $'000	Amount of financial assets/ liabilities as presented in the Balance Sheet $'000	Related amounts not offset in the Balance Sheet $'000	2017 Net $'000
Derivative financial assets	**2,804**	**–**	**2,804**	3,752	–	3,752
Derivative financial liabilities	**319**	**–**	**319**	352	–	352

All derivatives entered into by the Group are included in Level 2 of the fair value hierarchy and consist of cross-currency interest rate swaps. The fair value of cross-currency interest rate swaps are calculated at the present value of the estimated future cash flows based on the terms and maturity of each contract using forward currency rates and market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include, where appropriate, adjustments to take account of the credit risk of the Group entity and counterparty.

The fair value of cross-currency interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates.

The swaps are a mixture of fixed to fixed and fixed to floating rate swaps. The Group classifies the fixed to floating swap as a fair value hedge and has stated it at its fair value with a corresponding opposite adjustment to the underlying debt for the risk being hedged. Both of these adjustments are recorded within the Income Statement and to the extent they do not offset, this represents the ineffective portion of the fair value hedge. The fair value of this swap at 30 September 2018 was a net asset of $944,000 (2017: net asset of $1,171,000).

The fixed to fixed rate cross-currency interest rate swaps are classified as cash flow hedges and are stated at their fair value. The fair value of these swaps at 30 September 2018 was a net asset of $1,541,000 (2017: net asset of $2,229,000), and the effective portion of this adjustment was accounted for in the cash flow hedge reserve.

The interest element of the cash flow hedges will be recognised in the Income Statement in the periods to 30 September 2025, as the associated interest on the hedged debt is recognised.

Deferred Contingent Consideration

Deferred contingent consideration is included in Level 3 of the fair value hierarchy. Details of the movement in the year are included in Note 26. The fair value is determined considering the expected payment, discounted to present value using a risk adjusted discount rate. The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition. The provision for deferred contingent consideration is principally in respect of acquisitions completed during 2016 to 2018.

The significant unobservable inputs are:
- forecast weighted average EBIT growth rate 24% (2017: 26%); and
- risk adjusted discount rate 0.02%–2.75% (2017: 0.02%–1.55%).

Inter-relationship Between Significant Unobservable Inputs and Fair Value Measurement

The estimated fair value would increase/(decrease) if:
- the EBIT growth rate was higher/(lower); and
- the risk adjusted discount rate was lower/(higher).

For the fair value of deferred contingent consideration, a reasonably possible change to one of the significant unobservable inputs at 30 September 2018, holding the other inputs constant, would have the following effects:

	Increase $'000	Decrease $'000
Effect of change in assumption on income statement:		
Annual EBIT growth rate (1% movement)	134	(134)
Risk-adjusted discount rate (1% movement)	655	(522)

Capital Management

The Board considers capital to consist of equity (share capital, share premium and retained earnings) and net debt. The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the ongoing development of the Group. The directors periodically review the capital structure of the Group, considering the cost of capital and the risks associated with each class of capital. The Board monitors the return on equity generated by the Group and the level of dividends paid to shareholders. There were no changes to the Board's approach to capital management during the year.

	2018 $'000	2017 $'000
Capital and reserves attributable to the equity holders of the Company	885,172	880,547
Net debt	60,787	53,266
Capital and net debt	**945,959**	933,813

Financial Ratios

Financial covenants in our principal debt facilities are based on net debt to EBITDA being less than 3.5 times and EBITDA interest cover being greater than three times.

	2018 Times	2017 Times
Net debt to EBITDA	0.34	0.32
EBITDA interest cover	22.0	16.3

Financial Risk Management

The Group's multinational operations expose it to different financial risks that include foreign exchange rate risks, credit risks, liquidity risks and interest rate risks. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks as set out below.

Credit Risk

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, clients' track record and historic default rates. Individual credit limits are generally set by client and credit is only extended above such limits in defined circumstances.

The Group establishes an allowance for impairment that represents the best estimate of incurred losses in respect of trade and other receivables (Note 17). Where the Group is satisfied that no recovery of the amount owing is possible, the amount is considered irrecoverable and is written off directly against the receivable.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest Rate Risk

The majority of the Group's ongoing operations are financed from a mixture of cash generated from operations and borrowings. Other than the US dollar private placement borrowings which are secured at fixed interest rates, borrowings are initially secured at floating interest rates and interest rate risk is monitored on an ongoing basis.

A reduction of one hundred basis points in interest rates at the reporting date would have increased profit before tax by the amounts shown below assuming all other variables including foreign currency rates remain constant. An increase of 100 basis points on the same basis would reduce profit before tax by $145,000 (2017: $261,000).

Effect of reduction of one hundred basis points:

	2018 $'000	2017 $'000
Profit before tax	145	261

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk (continued)

Currency Risk

Structural Currency Risk

A significant proportion of the Group's operations are carried out in the UK and Europe and as a result the Group is exposed to structural currency fluctuations in respect of sterling and the euro. Where practical, the Group finances investments through borrowings denominated in the same currency in which the related cash flows will be generated. To the extent that the non-US dollar-denominated assets and liabilities of the Group do not offset, the Group is exposed to structural currency risk. Such movements are reported through the Group Statement of Comprehensive Income.

Euro and sterling-denominated profits are translated into US dollars at the average rate of exchange for the financial year. The average rate at which euro profits were translated during the year was $1:€0.8403 (2017: $1:€0.9047) and sterling profits were translated at $1:£0.7436 (2017: $1:£0.7891).

The Group is also subject to translational currency risk on the translation of profits earned outside of the US.

Transactional Currency Risk

The euro is the principal currency of the Group's Irish and Continental European businesses, sterling is the principal currency for the Group's UK businesses and the US dollar is the principal currency for the Group's US businesses. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot and forward rates where necessary. Details of the Group's transactional foreign currency risk at 30 September 2018 and 2017 arising from foreign currency transactions are set out in the table below.

	Euro 2018 $'000	Sterling 2018 $'000	US dollar 2018 $'000	Total 2018 $'000
Cash and cash equivalents	**483**	**167**	**1,330**	**1,980**
Trade receivables	**11,760**	**692**	**8,611**	**21,063**
Trade and other payables	**(1,996)**	**(311)**	**(452)**	**(2,759)**
	10,247	**548**	**9,489**	**20,284**

	Euro 2017 $'000	Sterling 2017 $'000	US dollar 2017 $'000	Total 2017 $'000
Cash and cash equivalents	3,906	2,349	3,385	9,640
Trade receivables	6,521	397	4,137	11,055
Trade and other payables	(3,755)	(945)	(3,131)	(7,831)
	6,672	1,801	4,391	12,846

Sensitivity Analysis on Transactional Currency Risk

For the purposes of performing sensitivity analysis on transactional currency risk, financial assets and liabilities outstanding at the balance sheet date denominated in a currency other than the functional currency of individual entities, have been aggregated by currency and the impact of a 5% strengthening of the US dollar against the relevant currency calculated. This analysis assumes that all other variables, in particular interest rates, remain constant.

Euro:

Based on the value of euro-denominated financial assets and liabilities held by individual entities with a functional currency other than the euro, a 5% strengthening of the US dollar against the euro at 30 September 2018 and 30 September 2017 would have increased equity and profit after tax by the amounts shown below:

	2018 $'000	2017 $'000
Profit after tax	**439**	292

Sterling:

Based on the value of sterling-denominated financial assets and liabilities held by individual entities with a functional currency other than sterling, a 5% strengthening of the US dollar against sterling at 30 September 2018 and 30 September 2017 would not have had a material effect on equity or profit after tax of the Group.

Funding and Liquidity

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group uses a combination of long and short-term debt and cash and cash equivalents to meet its liabilities as they fall due. This is in addition to the Group's strong cash flow generation. The Group believes it has sufficient cash resources and bank debt facilities at its disposal, which provides flexibility in financing existing operations, acquisitions and other developments.

The following are the undiscounted contractual maturities of financial instruments, including interest payments and excluding the impact of netting arrangements:

30 September 2018	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6–12 months $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Non-derivative financial instruments							
Bank borrowings	**327**	**357**	**357**	**–**	**–**	**–**	**–**
Finance leases	**53**	**55**	**33**	**13**	**9**	**–**	**–**
Floating rate unsecured guaranteed senior notes	**15,090**	**14,565**	**101**	**101**	**14,363**	**–**	**–**
Fixed rate unsecured guaranteed senior notes	**227,901**	**247,929**	**3,979**	**3,979**	**55,066**	**125,073**	**59,832**
Trade and other payables	**163,646**	**163,646**	**163,646**	**–**	**–**	**–**	**–**
Deferred contingent consideration	**96,915**	**102,052**	**26,803**	**2,800**	**27,792**	**44,657**	**–**
Derivative financial instruments							
Cash flow hedges	**(1,541)**	**(1,685)**	**(27)**	**(27)**	**(374)**	**(850)**	**(407)**
Fair value hedges	**(944)**	**(971)**	**(7)**	**(7)**	**(957)**	**–**	**–**
	501,447	**525,948**	**194,885**	**6,859**	**95,899**	**168,880**	**59,425**

30 September 2017	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6–12 months $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Non-derivative financial instruments							
Bank borrowings	70	73	73	–	–	–	–
Finance leases	164	169	70	64	35	–	–
Floating rate unsecured guaranteed senior notes	15,545	15,002	103	103	14,796	–	–
Fixed rate unsecured guaranteed senior notes	228,356	260,304	4,042	4,042	58,136	17,657	176,427
Trade and other payables	189,177	189,177	189,177	–	–	–	–
Deferred contingent consideration	71,878	73,076	1,119	12,794	43,002	16,161	–
Derivative financial instruments							
Cash flow hedges	(2,229)	(2,559)	(40)	(40)	(572)	(174)	(1,733)
Fair value hedges	(1,171)	(1,220)	(8)	(8)	(1,204)	–	–
	501,790	534,022	194,536	16,955	114,113	33,644	174,694

Notes forming part of the Group Financial Statements (continued)

31. Financial Instruments and Financial Risk (continued)

Maturity Profile of Net Debt

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

30 September 2018	Effective interest rate	Total $'000	Less than 1 year $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Cash at bank and short-term deposits	1.18%	180,099	180,099	–	–	–
Other loans and borrowings	18.00%	(327)	(327)	–	–	–
Finance leases	1.51%	(53)	(45)	(8)	–	–
Floating rate unsecured guaranteed senior notes	1.43%	(15,090)	28	(15,118)	–	–
Fixed rate unsecured guaranteed senior notes	3.78%	(227,901)	72	(49,927)	(118,729)	(59,317)
Total loan notes		(242,991)	100	(65,045)	(118,729)	(59,317)
Total before derivatives		(63,272)	179,827	(65,053)	(118,729)	(59,317)
Derivatives		2,485	2,474	1,697	111	(1,797)
Net (debt)/cash		(60,787)	182,301	(63,356)	(118,618)	(61,114)

30 September 2017	Effective interest rate	Total $'000	Less than 1 year $'000	Between 1–2 years $'000	Between 2–5 years $'000	More than 5 years $'000
Cash at bank and short-term deposits	0.33%	187,469	187,469	–	–	–
Other loans and borrowings	7.00%	(70)	(70)	–	–	–
Finance leases	1.51%	(164)	(130)	(34)	–	–
Floating rate unsecured guaranteed senior notes	1.29%	(15,545)	17	6	(15,568)	–
Fixed rate unsecured guaranteed senior notes	3.73%	(228,356)	125	89	(49,794)	(178,776)
Total loan notes		(243,901)	142	95	(65,362)	(178,776)
Total before derivatives		(56,666)	187,411	61	(65,362)	(178,776)
Derivatives		3,400	2,450	1,299	3,713	(4,062)
Net (debt)/cash		(53,266)	189,861	1,360	(61,649)	(182,838)

The effect of the derivatives included above has been to swap US dollar-denominated debt to euro-denominated debt and to partially swap fixed rate interest into floating rate interest.

Movements of Liabilities Within Cash Flows from Financing Activities

	2018 Interest-bearing loans and liabilities 2018 $'000	2017 Interest-bearing loans and liabilities 2017 $'000
At the beginning of the year	**244,135**	306,990
Changes from financing cash flows:		
– Repayments of interest-bearing loans and borrowings	**(2,118)**	(63,266)
– Proceeds from interest-bearing loans and borrowings	**2,507**	–
– Capital repayments of finance leases	**(111)**	(3)
Currency translation adjustment	**(1,042)**	414
At end of year	**243,371**	244,135
Presented as		
Current	**272**	58
Non-current	**243,099**	244,077
	243,371	244,135

32. Capital Commitments

Capital expenditure authorised but not contracted for amounted to $8,502,000 (2017: $18,900,000) at the balance sheet date.

33. Related Parties

The Group trades in the normal course of business with its joint venture undertakings. The aggregate value of these transactions is not material in the context of the Group's financial results.

Magir Limited, the Group's joint venture investment, has been classified as an asset held for sale at 30 September 2018. The Group has provided a loan to Magir, gross of interest, of Stg£11,371,000 (2017: Stg£10,997,000).

IAS 24 Related Party Disclosures requires the disclosure of compensation paid to the Group's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. UDG Healthcare plc classifies directors, the Company Secretary and members of its SET as key management personnel. The SET is the body of senior executives that formulates business strategy along with the directors, follows through on implementation of that strategy and directs and controls the activities of the Group on a day-to-day basis.

In addition to the executive directors, the following individuals were members of the SET during the year ended 30 September 2018:

Name	Title
Eleanor Garvey	Group Head of Quality and Compliance
Eimear Kenny	Group Head of Human Resources
Liam Logue	Executive Vice President, Corporate Development
Mike O'Hara	Managing Director of Sharp
Damien Moynagh	General Counsel and Company Secretary
Julian Tompkins	President of Ashfield Commercial and Clinical
Doug Burcin	President of Ashfield Healthcare Communications
Rob Wood	Global President of Advisory Services and Business Development
Sean Coyle	Managing Director of Aquilant and Group Finance Director
Jez Moulding	Executive Vice President of Ashfield and Group Chief Operating Officer

Remuneration of Key Management Personnel

	2018 $'000	2017 $'000
Salaries and other short-term benefits	**7,480**	7,882
Post-employment benefits	**966**	882
Share-based payment (calculated in accordance with the principles disclosed in Note 30)	**3,588**	1,823
Termination benefits	**559**	–
	12,593	10,587

Notes forming part of the Group Financial Statements (continued)

33. Related Parties (continued)

Details of the remuneration of the Group's individual directors, together with the number of UDG Healthcare plc shares owned by them and their outstanding share options, are set out in the Directors' Remuneration Report.

34. Contingent Liabilities

The Group is subject to various claims that arise in the ordinary course of business. During the year, the Group received a claim from McKesson arising from its purchase of United Drug from the Group in 2016. At present, while the Group continues to engage with McKesson to investigate the claim, the merit of the claim, likely outcome, timing and potential impact on the Group cannot be determined. Accordingly, and as a result of these uncertainties, the Group cannot make any assessment of the likely outcome or estimate the financial effect of any such claim as at the date of approval of the financial statements.

35. Events After the Balance Sheet Date

There have been no significant events after the balance sheet date which require disclosure.

Company Statement of Comprehensive Income
for the year end 30 September 2018

	Note	**2018 €'000**	2017 €'000
Profit for the financial year		**31,526**	76,437
Other comprehensive income/(expense):			
Company defined benefit pension schemes:			
– Remeasurement gain on defined benefit pension schemes	43	–	9,542
– Deferred tax on defined benefit pension schemes	38	–	(354)
Other comprehensive income for the financial year		–	9,188
Total comprehensive income for the financial year		**31,526**	85,625

Company Statement of Changes in Equity
for the year ended 30 September 2018

	Equity share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 1 October 2017	**12,792**	**164,525**	**56,895**	**365,175**	**599,387**
Profit for the financial year	**–**	**–**	**–**	**31,526**	**31,526**
Other comprehensive income/(expense):					
Total comprehensive income for the year	**–**	**–**	**–**	**31,526**	**31,526**
Transactions with shareholders:					
New shares issued	**19**	**1,127**	**–**	**–**	**1,146**
Share-based payment expense	**–**	**–**	**5,582**	**–**	**5,582**
Dividends paid to equity holders	**–**	**–**	**–**	**(28,945)**	**(28,945)**
Release from share-based payment reserve	**–**	**–**	**(824)**	**824**	**–**
At 30 September 2018	**12,811**	**165,652**	**61,653**	**368,580**	**608,696**

for the year ended 30 September 2017

	Equity share capital €'000	Share premium €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 1 October 2016	12,715	156,084	54,123	308,038	530,960
Profit for the financial year	–	–	–	76,437	76,437
Other comprehensive income/(expense):					
Remeasurement gain on defined benefit pension schemes	–	–	–	9,542	9,542
Deferred tax on defined benefit pension schemes	–	–	–	(354)	(354)
Total comprehensive income for the year	–	–	–	85,625	85,625
Transactions with shareholders:					
New shares issued	41	2,831	–	–	2,872
Issued in business combination	36	5,610	–	–	5,646
Share-based payment expense	–	–	3,269	–	3,269
Dividends paid to equity holders	–	–	–	(28,985)	(28,985)
Release from share-based payment reserve	–	–	(497)	497	–
At 30 September 2017	12,792	164,525	56,895	365,175	599,387

Company Balance Sheet
as at 30 September 2018

	Note	2018 €'000	2017 €'000
ASSETS			
Non-current			
Investment in subsidiary undertakings	37	**291,486**	289,593
Total non-current assets		**291,486**	289,593
Current			
Trade and other receivables	39	**393,345**	369,347
Cash and cash equivalents		**34,567**	44,634
Total current assets		**427,912**	413,981
Total assets		**719,398**	703,574
EQUITY			
Equity share capital		**12,811**	12,792
Share premium		**165,652**	164,525
Other reserves	40	**61,653**	56,895
Retained earnings	40	**368,580**	365,175
Capital and reserves attributable to equity holders of the parent		**608,696**	599,387
LIABILITIES			
Current			
Trade and other payables	42	**110,054**	103,249
Current income tax liabilities		**648**	938
Total current liabilities		**110,702**	104,187
Total liabilities		**110, 702**	104,187
Total equity and liabilities		**719,398**	703,574

As permitted by section 304 of the Companies Act 2014, the company is availing of the exemption from presenting its separate Income Statement in the financial statements and from filing it with the Registrar of Companies. The company's profit for the financial year is €31,526,000 (2017: €76,437,000).

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

Company Cash Flow Statement
for the year ended 30 September 2018

	2018 €'000	2017 €'000
Cash flows from operating activities		
Profit before tax	**31,235**	76,596
Finance income	**(6)**	(1)
Finance expense	**12**	191
Transfer of defined benefit pension obligations	**–**	7,678
Operating profit	**31,241**	84,464
Increase in trade and other receivables	**(4,259)**	(6,190)
Decrease in trade payables, provisions and other payables	**(17,464)**	(17,234)
Loss on disposal of investments	**18,944**	–
Interest paid	**(12)**	(2)
Income taxes received	**–**	962
Net cash inflow from operating activities	**28,450**	62,000
Cash flows from investing activities		
Interest received	**6**	1
Disposal of property, plant and equipment	**–**	1,084
Disposal of intangible assets – computer software	**–**	5,647
Investment in subsidiary undertakings	**(13,162)**	(116,051)
Disposal of investment in subsidiary undertakings	**2,438**	–
Net cash outflow from investing activities	**(10,718)**	(109,319)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon)	**1,146**	2,872
Dividends paid to equity holders of the company	**(28,945)**	(28,985)
Net cash outflow from financing activities	**(27,799)**	(26,113)
Net decrease in cash and cash equivalents	**(10,067)**	(73,432)
Cash and cash equivalents at beginning of year	**44,634**	118,066
Cash and cash equivalents at end of year	**34,567**	44,634
Cash and cash equivalents is comprised of:		
Cash at bank and short-term deposits	**34,567**	44,634
	34,567	44,634

36. Loss on Disposal

On 8 August 2018 the Group completed the disposal of Aquilant.

UDG Healthcare plc was the immediate parent of Aquilant Scientific (ROI) Limited and Aquilant Analytical Sciences Limited. The below table outlines the loss on disposal which was recognised in the Company's income statement during the year.

	2018 €'000	2017 €'000
Cash consideration	2,438	–
Deferred consideration	65	–
Total consideration received	2,503	–
Disposal of investments	(21,292)	–
Disposal costs	(155)	–
Loss on disposal	(18,944)	–

37. Investment in Subsidiary Undertakings

	2018 €'000	2017 €'000
Cost		
At beginning of year	289,593	152,193
Additions in year	37,276	134,131
Disposals in year	(40,965)	–
Impairment	–	–
Share options granted to employees of subsidiary undertakings	5,582	3,269
At end of year	291,486	289,593

The additions to investment in subsidiary undertakings during the year of €37,276,000, were comprised of cash consideration of €13,162,000 and non-cash considerations of €24,114,000.

In the prior year, the additions to investment in subsidiary undertakings during the year of €134,131,000, were comprised primarily of cash consideration.

The disposal during the year related to Aquilant of €21,292,000 and other subsidiary undertakings of €19,673,000.

38. Deferred Income Tax Assets

	2018 $'000	2017 $'000
At beginning of year	–	1,336
Temporary differences – arising in income	–	(982)
Employee benefits – arising in other comprehensive income	–	(354)
At end of year	–	–

39. Trade and Other Receivables

	2018 $'000	2017 $'000
Current		
Amounts due from subsidiary undertakings	393,161	368,712
Other receivables	184	635
Prepayments	–	–
	393,345	369,347

Amounts due from subsidiary undertakings are repayable on demand.

Notes forming part of the Company Financial Statements (continued)

40. Capital and Reserves

	Other reserves €'000	Retained earnings €'000
At 30 September 2016	54,123	308,038
Profit for the financial year	–	76,437
Release from share-based payment reserve	(497)	497
Dividends paid to equity holders	–	(28,985)
Remeasurement loss on defined benefit pension scheme	–	9,542
Deferred tax on defined benefit pension scheme	–	(354)
Share-based payment expense	3,269	–
At 30 September 2017	56,895	365,175
Profit for the financial year	**–**	**31,526**
Release from share-based payment reserve	**(824)**	**824**
Dividends paid to equity holders	**–**	**(28,945)**
Share-based payment expense	**5,582**	**–**
At 30 September 2018	**61,653**	**368,580**

Other reserves represents a share-based payment reserve of €11,570,000 (2017: €6,812,000), a treasury shares reserve of (€5,742,000) (2017: (€5,742,000)), a goodwill reserve of (€93,000) (2017: (€93,000)), a non-distributable reserve of €55,668,000 (2017: €55,668,000) and a capital redemption reserve of €250,000 (2017: €250,000).

The Company's non-distributable reserve consists of €16,762,000 (2017: €16,762,000) transferred from the share premium account against which goodwill, arising from acquisitions in financial periods prior to 1 October 1999, is offset on consolidation and a transfer from the income statement of €38,906,000 (2017: €38,906,000), arising on the restructuring of Group activities.

Details of equity share capital are set out in Note 18.

41. Interest-bearing Loans and Borrowings

Details of how the Company manages risk exposures and accounts for financial instruments are set out in Note 31.

Foreign Currency Risk Management

The majority of trade conducted by the Company is in euro. Therefore, the level of transactional foreign exchange exposure is not material to the Company.

Funding and Liquidity

The following are the undiscounted contractual maturities of financial instruments, including interest payments and excluding the impact of netting arrangements:

30 September 2018	**Carrying amount €'000**	**Contractual cash flow €'000**	**6 months or less €'000**	**6–12 months €'000**	**Between 1–2 years €'000**	**Between 2–5 years €'000**
Trade and other payables	**110,054**	**110,054**	**110,054**	**–**	**–**	**–**
	110,054	**110,054**	**110,054**	**–**	**–**	**–**

30 September 2017	Carrying amount €'000	Contractual cash flow €'000	6 months or less €'000	6–12 months €'000	Between 1–2 years €'000	Between 2–5 years €'000
Trade and other payables	103,249	103,249	103,249	–	–	–
	103,249	103,249	103,249	–	–	–

42. Trade and Other Payables

	2018 €'000	2017 €'000
Current		
Amounts due to subsidiary undertakings	**109,889**	103,089
Accruals	**165**	160
	110,054	103,249

Amounts due to subsidiary undertakings are repayable on demand.

43. Employee Benefits

The aggregate employee costs recognised in the income statement are as follows:

	2018 €'000	2017 €'000
Wages and salaries	**216**	270
Social security contributions	**6**	14
Pension costs – defined contribution schemes	**8**	9
	230	293

The average number of employees, including executive directors, during the year was as follows:

	2018 Number	2017 Number
Administration	**2**	2
	2	2

(i) Defined Contribution Schemes

The Company makes contributions to a number of defined contribution schemes, the assets of which are vested in independent trustees for the benefit of members and their dependants.

(ii) Defined Benefit Schemes

On 30 September 2017, the Company transferred the duties and obligations of the schemes to UDG Healthcare Ireland Limited by executing a deed of substitution.

The principal long-term financial assumptions used by the Company's actuaries in the computation of the defined benefit liabilities arising on pension schemes as at 30 September 2017 are as follows:

	2018	2017
Increase in salaries	**–**	n/a
Increase in pensions	**–**	0–1.65%
Inflation rate	**–**	1.65%
Discount rate	**–**	2.05%

The composition of the Company scheme assets in the prior year is detailed below.

Movements in Fair Value of Plan Assets

	2018 $'000	2017 $'000
At beginning of year	**–**	35,352
Interest income on plan assets	**–**	388
Employer contributions	**–**	3,816
Benefit payments	**–**	(925)
Return on plan assets excluding interest income	**–**	1,871
Settlements	**–**	(11,457)
Transfer of plan assets to subsidiary undertaking	**–**	(29,045)
At end of year	**–**	–

Notes forming part of the Company Financial Statements (continued)

43. Employee Benefits (continued)

Movements in Present Value of Defined Benefit Obligations

	2018 $'000	2017 $'000
At beginning of year	–	53,667
Interest cost on scheme obligations	–	577
Revaluation gain on experience variations	–	(2,809)
Benefit payments	–	(925)
Effect of changes in actuarial assumptions	–	(4,862)
Settlements	–	(13,925)
Transfer of defined benefit obligations to subsidiary undertaking	–	(31,723)
At end of year	–	–

Reconciliation of the measurement gain to the plan assets and present value of the defined benefit obligation is as follows:

	2018 $'000	2017 $'000
Remeasurement gain on experience variations	–	2,809
Return on plan assets excluding interest cost	–	1,871
Effect of changes in actuarial assumptions:		
– Changes in financial assumptions	–	4,862
Total included in Company statement of comprehensive income	–	9,542

44. Related Party Transactions

The Company has related party relationships with its subsidiaries and with the directors of the Company. Details of the remuneration of the Company's individual directors, together with the number of shares in the Company owned by them and their outstanding share options, are set out in the Directors' Remuneration Report.

Transactions with Subsidiary Undertakings

Details of balances outstanding with subsidiary undertakings are provided in Notes 39 and 42.

IAS 24 Related Party Disclosures requires the disclosure of compensation paid to the Company's key management personnel. The details on key management personnel are outlined in Note 33.

In 2015 the Company transferred a significant element of its business activities to a subsidiary, UDG Healthcare Ireland Limited. The key management personnel engaged in the business throughout the year were employed by UDG Healthcare Ireland Limited.

45. Principal Subsidiaries

Incorporated in the ROI

Name	Nature of business	Group share
Ashfield Healthcare (Ireland) Limited	Contract sales outsourcing	100%
UDG Healthcare Ayrtons (Dublin) Limited*	Investment holding company	100%
UDG Healthcare Finance Limited*	Financial services	100%
UDG Healthcare (US) Holdings Limited*	Investment holding company	100%
UDG Healthcare Distributors Limited*	Investment holding company	100%
UDG Healthcare Ireland Limited	Investment holding company	100%
United Care Limited	Investment holding company	100%

All of the above companies have their registered office at 20 Riverwalk, Citywest Business Campus, Dublin 24, NR23 D24.

All shares held are ordinary shares.

* Subsidiary undertakings owned directly by UDG Healthcare plc.

Incorporated in the UK

Name	Nature of business	Group share
Ashfield Healthcare Limited[1]	Contract sales outsourcing	100%
Ashfield Insight & Performance Limited[1]	Sales force effectiveness training services provider	100%
Ashfield Meetings & Events Limited[1]	Event management services provider	100%
Galliard Healthcare Communications Limited[1]	Specialist healthcare and scientific public relations provider	100%
Ashfield Healthcare Communications Group Limited[1]	Healthcare communications and consultancy services provider	100%
Pegasus Public Relations Limited[1]	Healthcare communications provider	100%
Sharp Clinical Services (UK) Limited[1]	Clinical trials services provider	100%
UDG Healthcare (UK) Holdings Limited[1]	Investment holding company	100%
STEM Healthcare Limited[2]	Commercial, marketing and medical audit services provider	100%

1 This company has its registered office at Ashfield House, Resolution Road, Ashby de la Zouch, Leicestershire, LE65 1HW.
2 This company has its registered office at 1.04 Power Road Studios, 114 Power Road, Chiswick, London W4 5PY.

Incorporated in Continental Europe

Name	Nature of business	Group share
Ashfield Healthcare GmbH[4]	Contract sales outsourcing	100%
Ashfield Healthcare GmbH[5]	Contract sales outsourcing	100%
Ashfield Iberia SLU[6]	Contract sales outsourcing	100%
Ashfield Nordic AB[7]	Pharmaceutical sales and marketing company	100%
Ashfield S.A[8]	Contract sales outsourcing	100%
Ashfield Saglik Hizmetleei Ticaret Limited Sirketi[9]	Pharmaceutical sales and marketing company	100%
Enestia Belgium N.V.[10]	Packaging solutions provider	100%
European Packaging Centre B.V.[3]	Contract packaging company	100%
Ashfield Iberia Lda[11]	Contract sales outsourcing	100%
UDG Healthcare Holdings B.V.[3]	Investment holding company	100%
Sellxpert GmbH & Co KG[12]	Contract sales outsourcing	100%
Selldirekt GmbH[12]	Contract sales outsourcing	100%
Physicians World GmbH[13]	Medical Communications business	100%

3 This company has its registered office at Neptunus, 8448 CN Heerenveen, the Netherlands.
4 This company has its registered office at Euro Plaza, Gebaude F, Technologiestrabe 5, 4. OG, 1120 Vienna, Austria.
5 This company has its registered office at Goldbeckstrasse 5, 69493 Hirschberg, Germany.
6 This company has its registered office at Calle Quintanavides 13, Parque Empresarial Vía Norte, Edificio 1-2a planta, 28050 Madrid, Spain.
7 This company has its registered office at Luntmakargatan 66, 5van, 11351 Stockholm, Sweden.
8 This company has its registered office at Foundation Plaza, Building 501, Belgicastraat 1, 1930 Zaventum, Belgium.
9 This company has its registered office at Büyükdere Caddesi Yapı Kredi Plaza B Blok K:12/D:29 34330 Levent/Istanbul.
10 This company has its registered office at Klocknerslyaat 1, 3930 Hamont-Achel, Belguim.
11 This company has its registered office at Avenida Dom João Ii, Nº 44c – 2.3 Edificio Atlantis, Parque Das Naçoes, 1990–095 Lisboa, Portugal.
12 This company has its registered office at Gutenbergstr. 4, Speyer, 67346 Germany.
13 This company has its registered office at Hauptsr. 161, 68259 Mannheim, Germany.

Notes forming part of the Company Financial Statements (continued)

45. Principal Subsidiaries (continued)

Incorporated in North America

Name	Nature of business	Group share
Ashfield Healthcare LLC[14]	Pharmaceutical sales and marketing company	100%
Ashfield Healthcare Canada Inc[15]	Marketing, communications and sample and promotional material management services provider	100%
Ashfield Healthcare Communications LLC[18]	Healthcare communications and consultancy services provider	100%
Ashfield Meetings & Events Inc.[27]	Event management services provider	100%
Ashfield Pharmacovigilance, Inc.[16]	Safety and risk management services provider	100%
Informed Direct, Inc.[17]	Healthcare communications and consultancy services provider	100%
Sharp Clinical Services, Inc.[19]	Clinical trials services provider	100%
Sharp Corporation[20]	Contract packaging company	100%
Sharp Bethlehem, LLC[22]	Contract packaging company	100%
Vynamic LLC[23]	Management consulting	100%
Cambridge BioMarketing Group, LLC[24]	Healthcare communications business	100%
MicroMass Communications, Inc.[21]	Healthcare communications business	100%
UDG Healthcare US Holdings, Inc.[22]	Investment holding company	100%
Smart Analyst, Inc[25]	Commercialisations, consulting and analytics business	100%
Create Group NYC[26]	Communications agency	100%

14 This company has its registered office at 1100 Virginia Drive, Suite 200, Ft. Washington, Pennsylvania 19034.
15 This company has its registered office at 263 Labrosse Avenue, Pointe-Claire, Quebec H9R 1A3.
16 This company has its registered office at 5003 South Miami Blvd, Suite 500, Durham, North Carolina 27703.
17 This company has its registered office at 7 Island Dock Road, Suite A, Haddam, Connecticut 06438.
18 This company has its registered office at 125 Chubb Avenue, Lyndhurst, New Jersey 07071.
19 This company has its registered office at 300 Kimberton Road, Phoenixville, Pennslyvania, 19460.
20 This company has its registered office at 23 Carland Road, Conshohocken, Pennslyvania, 19428.
21 This company has its registered office at 100 Regency Forest Drive, Suite 400, Cary, NC, 27518.
22 This company has its registered office at 7451 Keebler Way, Allentown, 18106.
23 This company has its registered office at 1600 Arch St, Philadelphia, PA 19103.
24 This company has its registered office at 245 First Street, 12th Floor, Cambridge, MA 02142.
25 This company has its registered office at 9 East 38th Street, 8th Floor, New York, NY 10016.
26 This company has its registered office at 180 Varick Street, Suite 212, New York, NY 10014.
27 This company has its registered office at One Ivybrook Blvd, Suite 170, Iyland, Pennslyvania, 18974.

46. Auditor Remuneration

The auditor's remuneration for the audit of the Company is detailed in Note 5.

47. Section 357 Guarantees and Contingent Liabilities

Guarantees have been given by the Company in respect of the borrowing facilities of certain subsidiary undertakings and clients.

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed commitments entered into and liabilities of the following subsidiaries for the financial year ended 30 September 2018:, Ashfield Alliance Limited, Ashfield Healthcare (Ireland) Limited, Dublin Drug (Investments) Limited, Dublin Drug Company Limited, Dublin Drug Public Limited Company, Marker (U.D.) Ireland Limited, Pharmexx Ireland (Sales Solutions) Limited, UDG Healthcare Ireland Limited, United Care Limited, UDG Healthcare (US) Holdings Limited, UDG Healthcare Ayrtons (Dublin) Limited, UDG Healthcare Distributors Limited, UDG Healthcare Finance Limited, UDG Healthcare Nordic Limited, UDG Healthcare Packaging Group Limited and UDG Healthcare Property Holdings Limited.

48. Approval of Financial Statements

The Group and Company financial statements were approved by the directors on 3 December 2018.

Financial Calendar

UDG Healthcare plc is an Irish registered company. The Company's ordinary shares are quoted on the London Stock Exchange.

Ex-dividend date for 2018 final dividend	10 January 2019
Record date for 2018 final dividend	11 January 2019
AGM	29 January 2019
Payment date for 2018 final dividend	4 February 2019
Interim Announcement of Results for 2019	21 May 2019
Financial year end	30 September 2019
Preliminary Announcement of Results for 2019	26 November 2019

Additional Information

Key Performance Indicators and Non-IFRS Performance Measures

The Group reports certain financial measurements that are not required under IFRS which represent the GAAP under which the Group reports. The Group believes that the presentation of these non-IFRS measurements provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. These measurements are also used internally to evaluate the historical and planned future performance of the Group's operations and to measure executive management's performance-based remuneration.

None of the non-IFRS measurements should be considered as an alternative to financial measurements derived in accordance with IFRS. The non-IFRS measurements can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of results as reported under IFRS.

The principal non-IFRS measurements used by the Group, together with reconciliations where the non-IFRS measurements are not readily identifiable from the financial statements, are as follows:

Net Revenue

Definition

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

Calculation		**2018 $'000**	2017 $'000
Revenue	Income Statement	**1,315,186**	1,219,755
Pass-through revenue		**(185,494)**	(191,269)
Net revenue		**1,129,692**	1,028,486

Adjusted Operating Profit

Definition

This comprises of operating profit as reported in the Group Income Statement before amortisation of acquired intangible assets, transaction costs and exceptional items (if any).

Calculation		**2018 $'000**	2017 $'000
Operating profit	Income Statement	**5,501**	103,186
Transaction costs	Income Statement	**2,374**	4,028
Amortisation of acquired intangible assets	Note 5	**31,001**	22,066
Exceptional items	Note 9	**108,630**	–
Adjusted operating profit		**147,506**	129,280

Adjusted Profit Before Tax

Definition

This comprises profit before tax as reported in the Group Income Statement before amortisation of acquired intangible assets, transaction costs and exceptional items (if any).

Calculation		**2018 $'000**	2017 $'000
Profit before tax	Income Statement	**8,386**	92,834
Transaction costs	Income Statement	**2,374**	4,028
Amortisation of acquired intangible assets	Note 5	**31,001**	22,066
Exceptional items	Note 9	**97,054**	–
Adjusted profit before tax		**138,815**	118,928

Adjusted Operating Margin

Definition

Measures the adjusted operating profit as a percentage of revenue.

Calculation		2018 $'000	2017 $'000
Adjusted operating profit	Per above	**147,506**	129,280
Revenue	Income Statement	**1,315,186**	1,219,755
Adjusted operating margin		**11.2%**	10.6%

Adjusted Net Operating Margin

Definition

Measures the adjusted operating profit as a percentage of net revenue.

Calculation		2018 $'000	2017 $'000
Adjusted operating profit	Per above	**147,506**	129,280
Net revenue	Per above	**1,129,692**	1,028,486
Adjusted net operating margin		**13.1%**	12.6%

Adjusted and Annualised EBITDA

Definition

Adjusted EBITDA is included as a new performance measure in 2018 as it is used internally for performance management and is also a useful supplemental measure for external shareholders. Adjusted EBITDA is adjusted operating profit (operating profit before amortisation of acquired intangible assets, transaction costs and exceptional items) before depreciation, share-based payment expense, amortisation of computer software, the share of joint venture profits and profit/(loss) on disposal of property, plant and equipment.

The annualised EBITDA used for debt covenant compliance purposes, amends adjusted EBITDA to include the annualisation of the EBITDA for acquisitions and exclude share-based payment expense, transaction costs and the EBITDA of completed disposals.

Calculation		2018 $'000	2017 $'000
Operating profit	Income Statement	**5,501**	103,186
Exceptional items	Note 9	**108,630**	–
Transaction costs	Income Statement	**2,374**	4,028
Amortisation of acquired intangible assets	Note 14	**31,001**	22,066
Adjusted operating profit		**147,506**	129,280
Share-based payment expense	Cash Flow Statement	**5,069**	3,613
Depreciation	Cash Flow Statement	**24,477**	21,221
Amortisation of computer software	Note 14	**6,036**	3,384
Joint venture profit share	Income Statement	**(958)**	(667)
(Profit)/Loss on disposal of property, plant and equipment	Cash Flow Statement	**(340)**	55
Adjusted EBITDA		**181,790**	156,886
Share-based payment expense	Cash Flow Statement	**(5,069)**	(3,613)
Transaction costs	Income Statement	**(2,374)**	(4,028)
EBITDA of completed disposals		**(2,845)**	–
Annualised EBITDA of acquisitions[1]		**6,079**	14,827
Annualised EBITDA		**177,581**	164,072

1 Includes EBITDA for acquisitions which were not part of the Group for the full financial year.

Financial Ratios

Definition

The net debt to EBITDA and EBITDA interest cover ratios disclosed are calculated using annualised EBITDA and adjusted net finance expense (net finance expense excluding interest on pension scheme obligations and the unwinding of discount on provisions, see Note 6). Net debt represents the net total of current and non-current borrowings, current and non-current derivative financial instruments and cash and cash equivalents as presented in the Group Balance Sheet and as calculated in Note 31.

Additional Information (continued)

Return on Capital Employed (ROCE)

Definition

ROCE is the continuing adjusted operating profit expressed as a percentage of the Group's net assets employed. Net assets employed is the average of the opening and closing net assets in the year excluding net debt adjusted for cumulative historical amortisation of acquired intangible assets and restructuring charges.

Calculation		2018 $'000	2017 $'000
Net assets	Balance Sheet	**885,343**	880,656
Net debt	Note 31	**60,787**	53,266
Assets before net debt		**946,130**	933,922
Historical intangible amortisation		**189,206**	176,997
Historical restructuring costs		**38,365**	47,494
Total capital employed		**1,173,701**	1,158,413
Average total capital employed		**1,166,057**	1,006,869
Adjusted operating profit	Per above	**147,506**	129,280
Return on capital employed		**12.7%**	12.8%

Adjusted Effective Tax Rate

Definition

The Group effective tax rate expresses the income tax expense adjusted for the impact of exceptional items, transaction costs and the amortisation of acquired intangible assets as a percentage of adjusted profit before tax.

Calculation		2018 $'000	2017 $'000
Tax charge	Income Statement	**4,529**	20,976
Tax relief with respect to transaction costs		**180**	370
Deferred tax credit with respect to intangible amortisation		**7,715**	5,070
Tax relief with respect to exceptional items		**1,548**	–
Deferred tax credit associated with the US Tax Cuts and Jobs Act		**9,715**	–
Income tax expense before exceptional, transaction costs and deferred tax attaching to amortisation of intangible assets		**23,687**	26,416
Adjusted profit before tax	Per above	**138,815**	118,928
Adjusted effective tax rate		**17.1%**	22.2%

Constant Currency

Definition

The translation of foreign denominated earnings can be impacted by movements in foreign exchange rates versus US dollars, the Group's presentation currency. In order to present a better reflection of underlying performance in the period, the Group retranslates foreign denominated prior year earnings at current year exchange rates.

Revenue – constant currency	2018 $'000	2017 $'000
Revenue	**1,315,186**	1,219,755
Currency impact	**–**	37,176
Revenue – constant currency	**1,315,186**	1,256,931
Revenue – constant currency increase on 2017	**58,255**	
Revenue – constant currency increase on 2017 %	**5%**	

Net revenue – constant currency	$'000	$'000
Net revenue	**1,129,692**	1,028,486
Currency impact	**–**	32,340
Net revenue – constant currency	**1,129,692**	1,060,826
Net revenue – constant currency increase on 2017	**68,866**	
Net revenue – constant currency increase on 2017 %	**6%**	

Adjusted operating profit – constant currency	$'000	$'000
Adjusted operating profit	**147,506**	129,280
Currency impact	**–**	2,812
Adjusted operating profit – constant currency	**147,506**	132,092
Adjusted operating profit – constant currency increase on 2017	**15,414**	
Adjusted operating profit – constant currency increase on 2017 %	**12%**	

Adjusted profit before tax – constant currency	$'000	$'000
Adjusted profit before tax	**138,815**	118,928
Currency impact	**–**	2,019
Adjusted profit before tax – constant currency	**138,815**	120,947
Adjusted profit before tax – constant currency increase on 2017	**17,868**	
Adjusted profit before tax – constant currency increase on 2017 %	**15%**	

Adjusted diluted earnings per share (EPS) – constant currency	$'000	$'000
Adjusted profit attributable to owners of the parent	**115,067**	92,512
Currency impact	**–**	1,737
Adjusted profit attributable to owners of the parent – constant currency	**115,067**	94,249
Weighted average number of shares used in diluted EPS calculation	**250,464,788**	249,239,387
Adjusted diluted EPS – constant currency (cent)	**45.94**	37.81
Adjusted diluted EPS – constant currency increase on 2017 (cent)	**8.13**	
Adjusted diluted EPS – constant currency increase on 2017 %	**22%**	

The dividend per share constant currency increase on 2017 percentage disclosed is the same as actual percentage increase in dividend per share as this is based on the disclosed US dollars dividend per share.

Measurements removed from the additional information section that are shown elsewhere in the preliminary announcement are as follows:

- Adjusted diluted earnings per share – this measurement is shown in Note 11.

Glossary

AGM	Annual General Meeting
CAGR	Compound Annual Growth Rate
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CMIC	Current Medical Information Centre
CO_2	Carbon Dioxide
CODM	Chief Operating Decision Maker
CRM	Customer Relationship Management
The Code	UK Corporate Governance Code 2016 issued by the UK Financial Reporting Council
CSR	Corporate Social Responsibility
DEA	Drug Enforcement Administration
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBR	Electronic Batch Record
EHS	Environmental Health and Safety
EMEA	Europe, the Middle East and Africa
EPS	Earnings per Share
ERP	Enterprise Resource Planning
ESG	Economic, Social and Governance
ESOP	Executive Share Option Plan
ESOS	Executive Share Option Scheme
EU	European Union
EY	Ernst & Young Chartered Accountants and Statutory Audit Firm
FDA	Food and Drug Administration
FTSE 100 Index	Capitalisation – weighted index consisting of the 100 largest companies listed on the London Stock Exchange with the highest market capitalisation
FTSE 250 Index	Capitalisation – weighted index consisting of the 101st to the 350th largest companies on the London Stock Exchange
FY2017	Financial Year 2017
FY2018	Financial Year 2018
FY2019	Financial Year 2019
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GDPR	General Data Protection Regulation
HCP	Healthcare Professionals
HEOR	Health Economics and Outcomes Research
HIPAA	Health Insurance Portability and Accountability Act
HR	Human Resources
IAASA	Irish Auditing and Accounting Supervisory Authority
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Inc.	Incorporated
IRT	Interactive Response Technology
IT	Information Technology
ISAs	International Standards on Auditing
KPI	Key Performance Indicator
LTA	Lost Time Accidents
LTIP	Long Term Incentive Plan
MAH	Marketing Authorisation Holder
M&A	Mergers and Acquisitions
MES	Manufacturing Execution System
MHRA	Medicines and Healthcare Products Regulatory Agency
MSL	Medical Science Liaison
NETS	Network of Employers for Traffic Safety
NHTSA	National Highway Traffic Safety Administration
N/A	Not Applicable
NI	Northern Ireland
PA	Pennsylvania
PAYE	Pay As You Earn
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
PLC	Public Limited Company
PSP	Patient Support Programme
PwC	PricewaterhouseCoopers
R&D	Research and Development
RIF	Risk, Investment and Financing Committee
ROCE	Return on Capital Employed
ROI	Return on Investment
SET	Senior Executive Team
SID	Senior Independent non-executive Director
TSR	Total Shareholder Return
UK	United Kingdom
UN	United Nations
US	United States
VAT	Value Added Tax

Contacts for Shareholders

Company Secretary and Registered Office
Damien Moynagh
UDG Healthcare plc,
20 Riverwalk,
Citywest Business Campus, Citywest,
Dublin 24, Ireland

Tel: +353 1 468 9000
Website: www.udghealthcare.com

Registered Number
12244

Registrar
Enquiries concerning shareholdings should be addressed to:

Computershare Investor Services (Ireland) Limited
Heron House, Corrig Road,
Sandyford Industrial Estate,
Dublin 18, Ireland

Tel: +353 1 447 5100
Fax: +353 1 447 5571
Email: webqueries@computershare.co.uk

Stockbrokers
Jefferies Hoare Govett, a division of Jefferies International Limited
Vintners Place, 68 Upper Thames Street,
London, EC4V 3BJ, UK

Davy
Davy House, 49 Dawson Street,
Dublin 2, Ireland

Goodbody Stockbrokers
Ballsbridge Park, Ballsbridge,
Dublin 4, Ireland

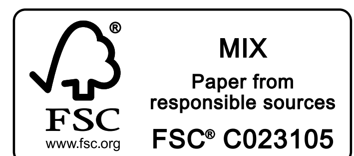
Principal Bankers
Ulster Bank
Ulster Bank Ireland DAC,
George's Quay,
Dublin 2, Ireland

Solicitors
A&L Goodbody
International Financial Services Centre,
North Wall Quay,
Dublin 1, Ireland

Pinsent Masons LLP
3 Hardman Street,
Manchester, M3 3AU, UK

Auditor
Ernst & Young
Harcourt Centre,
Harcourt Street,
Dublin 2, Ireland

Website
Further information on UDG Healthcare is available on the Group's website:
www.udghealthcare.com



Designed and produced by emperor
Visit us at emperor.works