27 September 2018

DIVERSIFIED PORTFOLIO DRIVES STRONG FINANCIAL RESULTS

Clinigen Group plc (AIM: CLIN, 'Clinigen' or 'the Group'), the global pharmaceuticals and services group, has today published its full year results for the year ended 30 June 2018.

FINANCIAL SUMMARY

Year ended 30 June	2018	2017 Restated	Growth	
	£m	£m	Reported	Constant Currency
Revenue	381.2	302.3	26%	28%
Adjusted gross profit	140.1	122.8	14%	16%
Adjusted EBITDA	76.0	65.1	17%	19%
Reported earnings per share	22.9p	3.3p	>100%	
Adjusted earnings per share	45.4p	41.3p	10%	
Dividend per share	5.6p	5.0p	12%	
Cash generated from operations	64.1	54.7	17%	
Net debt	136.5	35.0		

Note: Group results on an adjusted basis exclude amortisation of acquired intangibles and products, and other non-underlying items relating to acquisitions (see note 2 and 3 of the condensed financial statements). Adjusted EBITDA includes the Group's share of EBITDA from its joint venture. Adjusted results now include amortisation on software and developed IP, and the prior year has been restated accordingly. Constant currency is growth applying the prior year's actual exchange rate to this year's result.

HIGHLIGHTS

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

POST YEAR END

- Acquired global rights outside the US to Proleukin® from Novartis

- Acquired global rights to Imukin® outside the US, Canada and Japan from Horizon Pharma
- Acquisitions of CSM and iQone as announced separately this morning

Shaun Chilton, Group Chief Executive Officer, said:

"We are now established as a leading international expert and partner in the increasingly complex global supply and distribution of both unlicensed and licensed medicines.

"*Our continued ambition is to be the global trusted leader in access to medicines. With that in mind, we continue to execute our buy and build strategy with the purchase of two niche, hospital medicines, as well as today's announcements on the acquisitions of CSM and iQone, which create a specialist European infrastructure to benefit all of Clinigen's businesses.*

"*The strength and diversity of our portfolio of complementary business, with markedly strong performances by the Commercial Medicines business and the Africa and Asia Pacific regions, led to a strong financial performance this year, with double-digit increases in both adjusted EBITDA and EPS.*

"*The Group is very well positioned to deliver another year of good progress. We continue to deliver consistently on our strategic objectives and focus on extending the value proposition of the business globally. The Board is confident that the recent acquisitions further strengthen Clinigen's capability to capitalise on the substantial long-term growth opportunity in our markets*."

- Ends-

The planned analyst results meeting is now at 8.30am, not 9.30am. A presentation will be available shortly to analysts and investors on the Clinigen website at: www.clinigengroup.com. A recording of the meeting will be available online later in the day.

Analyst or investors who wish to dial in please contact Instinctif Partners on +44 (0) 20 7457 2020 or email clinigen@instinctif.com.

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Notes to editors

The Unlicensed Medicines operation encompasses Managed Access and Global Access division, and the unlicensed businesses within Link and Quantum. The Commercial Medicines business encompasses Clinigen's own products and the commercial businesses of Link and Quantum.

About Clinigen Group
Clinigen Group plc (AIM: CLIN) is a global pharmaceutical and services company with a unique combination of businesses focused on providing ethical access to medicines. Its mission is to deliver the right medicine to the right patient at the right time through three areas of global medicine supply; clinical trial, unlicensed and licensed medicines.

Commercial Medicines
Clinigen acquires global rights to niche hospital only and critical care products, revitalising these assets around the world and returning them back to sustained growth. It is also the commercial partner for licensed and branded generic medicines in regions such as the Africa and Asia Pacific region.

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

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

Clinical Trial Services
Clinigen is the global market leader in the specialist supply and management of quality-assured comparator medicines and services to clinical trials and Investigator Initiated Trials.

For more information on Clinigen, please visit www.clinigengroup.com

Cautionary statement
This announcement contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of Clinigen Group plc. These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. Recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. Except as required by law, Clinigen undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances.

OVERVIEW

Clinigen has a unique combination of businesses providing access to medicines across clinical trials, unlicensed and licensed medicines – the key stages of a pharmaceutical product's lifecycle. It is able to offer access and supply solutions to both pharmaceutical companies and Healthcare Professionals ('HCPs') through a combination of a global reach and local regulatory and operational expertise.

Clinigen's mission remains to deliver: 'Right Medicine, Right Patient, Right Time'.

Financial review

The Group has combined a strong financial performance with further progress in driving the strategy to cement its market leading positions.

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

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

Adjusted EBITDA increased by 17% to £76.0m (2017: £65.1m), benefitting from the increase in gross profit and disciplined cost control. Quantum contributed £10.2m in adjusted EBITDA which includes £1.1m of cost synergies following the acquisition. Adjusted EBITDA on a constant currency basis increased by 19% compared to last year.

Adjusted EPS increased by 10% to 45.4p (2017: 41.3p). Reported EPS was 22.9p (2017: 3.3p) after taking account of amortisation on acquired intangibles and products, and other non-underlying items relating to acquisitions.

Cash generated from operations increased by 17% to £64.1m (2017: £54.7m) underpinned by good credit control and working capital management.

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

Current trading and outlook

The new financial year has started well with the Group in a good position to drive further growth across all parts of the business in the year ahead. The Board believes the Group is in an excellent position to capitalise on the substantial opportunity in its markets, continuing to focus on driving organic growth across the business.

The focus in FY19 will be to quickly integrate the recent product and corporate acquisitions to further strengthen Clinigen's international market-leading positions and geographical footprint.

Acquisitions and integration

Quantum

The acquisition of Quantum in November 2017 for £143.5m strengthened Clinigen's position as the global trusted leader in access to medicines by extending its Unlicensed Medicines capability and accelerating its

unlicensed to licensed medicines ('UL2L') global strategy. The acquisition also enables Quantum's portfolio of commercial products to be internationalised through Clinigen's global infrastructure.

The Group has been structured in a way that can accommodate bolt-on acquisitions, such as Quantum. The integration of Quantum began shortly after acquisition and has enabled us to drive through the revenue synergies identified and the Group has made good progress.

Quantum's unlicensed businesses have been incorporated into the Group's Unlicensed Medicines business operation, while the niche division of Lamda Laboratories and Colonis now feed directly into the Commercial Medicines business. Over the eight months of the year since Quantum's acquisition, the Group has also made important progress in consolidating the key operational support areas such as Quality, Logistics, Legal, Finance, HR and IT.

The Quantum business is trading well post acquisition and the integration is progressing to plan. The Group will continue to look at where it can obtain efficiencies in the way it operates and fully utilise the top line synergies to drive an improved business performance.

IMMC

On 23 October 2017, the Group acquired IMMC, Japan's largest supplier of unlicensed medicines.

The acquisition has strengthened the Group's presence in Japan, the world's second largest pharmaceutical market. The business operates throughout Japan in sectors including niche vaccine, oncology and IVF, and has relationships with over 850 hospitals and clinics, which will be able to benefit from the broader access to medicines available as part of Clinigen.

The IMMC team are now embedded within the Clinigen office in Japan and performance is in line with management's expectations.

OPERATIONAL REVIEW

Adjusted gross profit by operation

Year ended 30 June	2018	2017	Growth	
Adjusted results	£m	£m	Reported	Constant Currency
Commercial Medicines	64.0	47.3	35%	37%
Unlicensed Medicines	62.1	52.2	19%	21%
Clinical Trial Services	14.0	23.3	(40)%	(40)%
	140.1	122.8	14%	16%

Note: The prior year comparative has been restated for the change in segmental reporting as detailed in note 2 of the condensed financial statements. Constant currency is growth applying prior year's actual exchange rate to this year's result.

The three business operations of Clinigen are synergistic with one another as they all target the same clients and customers (pharmaceutical and biotech companies, and hospital physicians and pharmacists), and add value to a medicine by extending and expanding its lifecycle at critical time points.

Commercial Medicines *(encompassing all licensed products and Quantum's commercial business)*

Clinigen's Commercial Medicines operation has a threefold strategy. It acquires global rights to niche hospital-only and critical care products and revitalises them back to sustained growth. It provides access to licensed and branded generic medicines as a commercial partner of the owner/innovator in regions such as Africa and Asia

Pacific. In addition, it has an UL2L strategy, where it looks to take unlicensed medicines with commercial potential and develops them into licensed medicines, helping to address unmet medical need.

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

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

Following the year end, in July 2018, the Group acquired two further medicines, bringing its portfolio of acquired, global, specialty medicines undergoing revitalisation to seven.

The Group acquired the global rights outside the US to Proleukin® from Novartis and acquired the global rights outside the US, Canada and Japan to Imukin® from Horizon Pharma. Proleukin® is indicated for use in metastatic renal cell carcinoma, as well as for metastatic melanoma in certain markets. Imukin® is licensed to reduce the frequency of serious infections in patients with Chronic Granulomatous Disease and for the treatment of Severe Malignant Osteopetrosis.

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

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

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

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

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

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

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

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

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

The commercial business within Quantum develops, licenses and commercialises medicines with a particular focus on those currently prescribed as unlicensed medicines. At the end of the year, the business had 13 commercialised products in its portfolio. The performance across most the portfolio was strong with the business's main product, Glycopyrronium Bromide Oral Solution 1mg/5ml ('Glyco'), performing well in the eight months' since acquisition.

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

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

Unlicensed Medicines *(encompassing early access, 'on-demand' access and Quantum's unlicensed business)*

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

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

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

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

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

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

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

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

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

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

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

Clinical Trial Services

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

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

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

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

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

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

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

Technology

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

Senior divisional management changes

In March 2018, the Group strengthened the senior management team with the appointment of Terry Walsh as Senior Vice President of CTS and the promotion of Benjamin Miny to Senior Vice President of Commercial Medicines.

The appointment of Terry is to better position the CTS business in the US and to drive the future development of the business globally. The appointment of Benjamin is to manage globally the Commercial Medicines business and strategic development of the Group's unlicensed to licenced strategy.

In addition, in September 2018, the Group appointed James Winterman as Senior Vice President of Unlicensed Medicines. James was appointed to build on the foundations already in place in the Unlicensed Medicines business operation and to realise the potential of this global business.

FINANCIAL REVIEW

Summary adjusted income statement

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

This summary adjusted income statement presents Group results on an adjusted basis excluding amortisation of acquired intangibles and products, and other non-underlying items relating to acquisitions (see note 2 and 3 of the condensed financial statements). Adjusted EBITDA includes the Group's share of EBITDA from its joint venture. Adjusted results now include amortisation on software and internally developed products and the prior year has been restated accordingly. Constant currency is growth applying prior year's actual exchange rate to this year's result.

When presenting the financial results, a number of adjusted measures are used which are considered by the Board and management in reporting, planning and decision making. Adjusted results reflect the Group's trading performance and exclude amortisation of acquired intangibles and products, and non-underlying costs relating to acquisitions which are explained in note 3 of the condensed financial statements.

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

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

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

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

See note 2 of the condensed financial statements for a reconciliation of adjusted EBITDA to the IFRS equivalent comparative.

Finance cost

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

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

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

Reconciliation of adjusted profit before tax to reported profit before tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group paid a total consideration of £143.5m, being a cash payment of £62.9m and an issue of 6,849,264 shares in Clinigen, which had a fair value of £80.6m representing the market price on 31 October 2017. The consideration was paid in full to Quantum shareholders on the acquisition date. In order to fund the cash element of the consideration, the Group's bank facility was amended and extended (as detailed in the treasury management section).

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

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

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

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

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

The debt facilities have subsequently been refinanced as part of the financing arrangements for the acquisition of CSM, as announced separately this morning.

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

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

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

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

Condensed consolidated income statement for the year ended 30 June 2018

		2018			2017		
(In £m)	Note	**Underlying**	**Non-underlying (note 3)**	**Total**	Underlying restated	Non-underlying (note 3) restated	Total
Revenue	2	**381.2**	**–**	**381.2**	302.3	–	302.3
Cost of sales		**(241.1)**	**(1.4)**	**(242.5)**	(179.5)	(0.1)	(179.6)
Gross profit	2	**140.1**	**(1.4)**	**138.7**	122.8	(0.1)	122.7
Administrative expenses		**(66.9)**	**(30.3)**	**(97.2)**	(60.1)	(17.8)	(77.9)
Profit from operations		**73.2**	**(31.7)**	**41.5**	62.7	(17.9)	44.8
Finance income	4	**0.3**	**–**	**0.3**	0.2	–	0.2
Finance expense	4	**(5.6)**	**(1.1)**	**(6.7)**	(2.6)	(29.1)	(31.7)
Share of profit of joint venture		**0.8**	**–**	**0.8**	0.8	–	0.8
Profit before income tax		**68.7**	**(32.8)**	**35.9**	61.1	(47.0)	14.1
Income tax expense	5	**(14.2)**	**5.7**	**(8.5)**	(13.6)	3.3	(10.3)
Profit attributable to owners of the Company		**54.5**	**(27.1)**	**27.4**	47.5	(43.7)	3.8
Earnings per share (pence)							
Basic	6			**22.9**			3.3
Diluted	6			**22.5**			3.2

Condensed consolidated statement of comprehensive income for the year ended 30 June 2018

	2018			2017		
(In £m)	**Underlying**	**Non-underlying (note 3)**	**Total**	Underlying restated	Non-underlying (note 3) restated	Total
Profit for the year attributable to owners of the Company	**54.5**	**(27.1)**	**27.4**	47.5	(43.7)	3.8
Other comprehensive income items that may be reclassified to profit or loss						
Cash flow hedges	**(0.7)**	**–**	**(0.7)**	0.3	–	0.3
Currency translation differences	**(2.9)**	**–**	**(2.9)**	10.1	–	10.1
Total other comprehensive income for the year	**(3.6)**	**–**	**(3.6)**	10.4	–	10.4
Total comprehensive income attributable to owners of the Company	**50.9**	**(27.1)**	**23.8**	57.9	(43.7)	14.2

All amounts relate to continuing operations.

Condensed consolidated statement of financial position as at 30 June 2018

(In £m)	Note	2018	2017 restated
Assets			
Non-current assets			
Intangible assets	8	**497.6**	332.5
Property, plant and equipment		**6.8**	3.3
Investment in joint venture		**6.6**	8.7
Deferred tax assets		**2.6**	3.6
Total non-current assets		**513.6**	348.1
Current assets			
Inventories		**21.3**	16.7
Trade and other receivables		**95.9**	65.9
Derivative financial instruments		**–**	1.0
Cash and cash equivalents		**36.3**	27.8
Total current assets		**153.5**	111.4
Total assets		**667.1**	459.5
Liabilities			
Non-current liabilities			
Trade and other payables		**–**	1.3
Loans and borrowings	9	**172.8**	54.2
Deferred tax liabilities		**31.0**	20.1
Total non-current liabilities		**203.8**	75.6
Current liabilities			
Trade and other payables		**106.5**	118.7
Loans and borrowings	9	**–**	8.6
Corporation tax liabilities		**6.8**	7.5
Derivative financial instruments		**0.5**	–
Total current liabilities		**113.8**	134.8
Total liabilities		**317.6**	210.4
Net assets		**349.5**	249.1
Equity			
Share capital		**0.1**	0.1
Share premium account		**161.3**	161.2
Merger reserve		**86.0**	5.4
Hedging reserve		**(0.4)**	0.3
Foreign exchange reserve		**7.6**	10.5
Retained earnings		**94.9**	71.6
Total shareholders' equity		**349.5**	249.1

The notes on pages 18 to 26 form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows for the year ended 30 June 2018

(In £m)	Note	**2018**	2017
Operating activities			
Profit for the year before tax		**35.9**	14.1
Share of profit of joint venture		**(0.8)**	(0.8)
Net finance costs	4	**6.4**	31.5
Profit from operations		**41.5**	44.8
Adjustments for:			
Amortisation of intangible fixed assets		**22.6**	18.6
Depreciation of property, plant and equipment		**1.2**	0.6
Loss on disposal of non-current assets		**–**	0.2
Dividends received from joint venture		**2.9**	–
Movement in fair value of derivatives		**0.8**	(2.0)
Release of fair value on acquired inventory	3	**1.4**	0.1
Equity-settled share-based payment expense		**2.1**	2.0
Operating cash flows before movements in working capital		**72.5**	64.3
(Increase)/decrease in trade and other receivables		**(14.6)**	3.2
Increase in inventories		**(1.4)**	(0.8)
Increase/(decrease) in trade and other payables		**7.6**	(12.0)
Cash generated from operations		**64.1**	54.7
Income taxes paid		**(12.6)**	(6.9)
Interest paid		**(3.9)**	(1.7)
Net cash flows from operating activities		**47.6**	46.1
Investing activities			
Purchase of intangible fixed assets	8	**(11.1)**	(6.4)
Deferred consideration on the purchase of products		**(1.5)**	(1.0)
Purchase of property, plant and equipment		**(1.2)**	(1.4)
Purchase of subsidiaries, net of cash acquired		**(62.1)**	–
Settlement of Quantum share awards on acquisition		**(8.6)**	–
Contingent consideration paid on the Link acquisition		**(38.7)**	–
Net cash flows used in investing activities		**(123.2)**	(8.8)
Financing activities			
Proceeds from issue of shares		**0.1**	0.5
Proceeds from increase in loan		**135.6**	–
Loan repayments		**(45.0)**	(33.4)
Dividends paid	7	**(6.3)**	(4.9)
Net cash flows from/(used in) financing activities		**84.4**	(37.8)
Net increase/(decrease) in cash and cash equivalents		**8.8**	(0.5)
Cash and cash equivalents at beginning of the year		**27.8**	27.8
Exchange (losses)/gains		**(0.3)**	0.5
Cash and cash equivalents at end of the year		**36.3**	27.8

Condensed consolidated statement of changes in equity for the year ended 30 June 2018

(In £m)	Share capital	Share premium account	Merger reserve	Hedging reserve	Foreign exchange reserve	Retained earnings	Total equity
At 1 July 2017	**0.1**	**161.2**	**5.4**	**0.3**	**10.5**	**71.6**	**249.1**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**27.4**	**27.4**
Currency translation differences	**–**	**–**	**–**	**–**	**(2.9)**	**–**	**(2.9)**
Cash flow hedges							
– Effective portion of fair value movements	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
– Ineffective portion of fair value movements	**–**	**–**	**–**	**(0.4)**	**–**	**–**	**(0.4)**
– Transfers to the income statement (revenue)	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Total comprehensive income	**–**	**–**	**–**	**(0.7)**	**(2.9)**	**27.4**	**23.8**
Share-based payment scheme	**–**	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Deferred taxation on share-based payment scheme	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Tax credit in respect of tax losses arising on exercise of share options	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Issue of new shares	**–**	**0.1**	**80.6**	**–**	**–**	**–**	**80.7**
Dividend paid (note 7)	**–**	**–**	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Total transactions with owners of the Company, recognised directly in equity	**–**	**0.1**	**80.6**	**–**	**–**	**(4.1)**	**76.6**
At 30 June 2018	**0.1**	**161.3**	**86.0**	**(0.4)**	**7.6**	**94.9**	**349.5**

(In £m)	Share capital	Share premium account	Merger reserve	Hedging reserve	Foreign exchange reserve	Retained earnings	Total equity
At 1 July 2016	0.1	160.7	5.4	–	0.4	69.9	236.5
Profit for the year	–	–	–	–	–	3.8	3.8
Currency translation differences	–	–	–	–	10.1	–	10.1
Cash flow hedges							
– Effective portion of fair value movements	–	–	–	1.4	–	–	1.4
– Transfers to the income statement (revenue)	–	–	–	(1.1)	–	–	(1.1)
Total comprehensive income	–	–	–	0.3	10.1	3.8	14.2
Share-based payment scheme	–	–	–	–	–	2.0	2.0
Deferred taxation on share-based payment scheme	–	–	–	–	–	0.2	0.2
Tax credit in respect of tax losses arising on exercise of share options	–	–	–	–	–	0.6	0.6
Issue of new shares	–	0.5	–	–	–	–	0.5
Dividend paid (note 7)	–	–	–	–	–	(4.9)	(4.9)
Total transactions with owners of the Company, recognised directly in equity	–	0.5	–	–	–	(2.1)	(1.6)
At 30 June 2017	0.1	161.2	5.4	0.3	10.5	71.6	249.1

1. Basis of preparation

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

The financial information, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and related notes, is derived from the full Group financial statements for the year ended 30 June 2018 and does not constitute full accounts within the meaning of section 435 (1) and (2) of the Companies Act 2006.

The Group Annual Report and Financial Statements 2018 on which the auditors have given an unqualified report and which does not contain a statement under section 498(2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies in due course, and made available to shareholders in October 2018.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise its judgement in the process of applying the Group's accounting policies. The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2 to the Group's statutory consolidated financial statements for the year ended 30 June 2018.

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

Restatements

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

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

1. Basis of preparation (continued)

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

There have been no accounting standards, amendments and interpretations that are effective for the first time in respect of the condensed consolidated financial statements for the year ended 30 June 2018 and which have had a material impact on these financial statements.

2. Segment information

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

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

Operating segment results

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

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

2. Segment information (continued)

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

Underlying profit after tax has been restated to exclude amortisation on acquired products of £3.7m (2016: £4.4m) and the associated tax credit of £0.7m (2017: £0.8m), but includes software and product development amortisation of £0.5m (2017: £0.8m) and the associated tax credit of £0.1m (2017: £0.2m). The prior year has been restated accordingly.

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

Geographic analysis

(In £m)	**2018**	2017
Revenue arises from the following locations:		
UK	**97.0**	72.2
Europe	**87.9**	101.0
USA	**83.5**	56.5
South Africa	**24.9**	22.3
Australia	**19.9**	21.2
Rest of World	**68.0**	29.1
	381.2	302.3

2. Segment information (continued)

(In £m)	**2018**	2017
Gross profit arises from the following locations:		
UK	**38.2**	23.5
Europe	**31.1**	42.0
USA	**36.7**	29.8
South Africa	**11.6**	9.9
Australia	**7.4**	7.3
Rest of World	**15.1**	10.3
	140.1	122.8

3. Non-underlying items

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

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

a) Under IFRS 3, inventory acquired in a business combination is valued at fair value on acquisition, which includes the profit margin in the inventory's carrying value. The £1.4m (2016: £0.1m Link business) above represents the profit margin on the inventory sold in the year which was acquired with the Quantum business.

b) The acquisition costs relate to Quantum and IMMC comprising legal, corporate finance and due diligence advice.

c) Following the acquisition of Quantum, a settlement has been agreed in Quantum's favour in relation to a legal claim with the vendors of a business acquired by Quantum in a prior year which has now subsequently been closed. The likelihood and amount of any settlement of the claim was highly uncertain at the time the Group acquired Quantum and therefore a contingent asset was not recognised in the acquisition balance sheet.

d) Restructuring costs have been incurred during the year in respect of the integration of acquired businesses primarily relating to redundancy costs.

e) The amortisation of intangible assets acquired as part of the business combination with Idis, Link, IMMC and Quantum (namely brand, trademarks and licences, customer relationships, and contracts) and acquired products, is included in non-underlying due to its significance and to provide the reader with a consistent view of the underlying costs of the operating Group.

3. Non-underlying items (continued)

f) The change in the estimate of the contingent consideration payable in relation to Link in the prior year was based on the earnings of the Link group for the year ended 30 June 2017. This was classified as a finance cost as the primary reason for the increase was the depreciation of sterling against the local functional currencies since October 2015, when the contingent consideration was originally calculated.

g) The non-cash unwind of the discount applied to the contingent consideration on Link.

h) The tax credit in respect of non-underlying items reflects the tax benefit on the costs incurred during the year.

i) In the prior year, the reduction in corporation tax rate from 18% to 17% from 1 April 2020, reduced the deferred tax balances expected to unwind in the future creating a credit to the income statement of £0.5m. The credit was recognised in non-underlying items as the associated deferred tax balances related to the fair value of acquired intangible assets.

j) In the prior year, tax computations of acquired entities for periods prior to acquisition identified tax charges/credits which were subsequently recognised during the year.

4. Finance income and expense

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

5. Income tax

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

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

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

Amounts recognised directly in equity:

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

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

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

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

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

6. Earnings per share ('EPS')

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

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

Underlying profit after tax has been restated to exclude amortisation on acquired products of £3.7m (2016: £4.4m) and the associated tax credit of £0.7m (2017: £0.8m), but includes software and product development amortisation of £0.5m (2017: £0.8m) and the associated tax credit of £0.1m (2017: £0.2m).

7. Dividends

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

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

8. Intangible assets

(In £m)	Brand	Contracts	Customer relationships	Trademarks & licences	Computer software	Goodwill	Total
At 1 July 2017	49.6	14.5	36.1	44.7	5.4	182.2	332.5
Acquisition of subsidiaries	9.3	–	33.7	38.0	0.4	97.9	179.3
Additions	–	–	–	5.1	6.0	–	11.1
Amortisation charge	(3.4)	(3.7)	(9.8)	(5.3)	(0.4)	–	(22.6)
Exchange differences	(0.3)	(0.5)	–	(0.1)	(0.2)	(1.6)	(2.7)
At 30 June 2018	**55.2**	**10.3**	**60.0**	**82.4**	**11.2**	**278.5**	**497.6**

9. Net debt

During the year ended 30 June 2018, the Group's bank facility was amended and extended in order to finance the Quantum acquisition. The RCF was increased from £95m to £200m and extended for 5 years to October 2022, and the fixed term loan was fully repaid with the extended facility consisting entirely of RCF. Additionally, the Group exercised its option to further extend this facility by £20m to £220m for a period of twelve months ended October 2018.

(In £m)	**2018**	2017
Revolving credit facility	**174.7**	36.9
Term loan	**–**	27.0
Unamortised issue costs	**(1.9)**	(1.1)
Gross borrowings	**172.8**	62.8
Cash	**(36.3)**	(27.8)
Net debt	**136.5**	35.0

There were no instances of default, including covenant terms, in either the current or the preceding year.

During the year, interest was payable on a tiered scale based on the level of borrowing. The applicable interest rate on amounts drawn down was up to 2.25% plus LIBOR.

The bank facility outstanding at the year end was secured on the intangible fixed assets of the Group.

Subsequent to the year end, the debt facilities have been refinanced as part of the financing arrangements for the acquisition of CSM, separately announced this morning.

10. Business combinations

During the year, the Group settled the final contingent consideration for the acquisition of Link Healthcare of £38.7m in cash.

On 23 October 2017, the Group acquired the entire share capital of International Medical Management Corporation ('IMMC'), Japan's largest supplier of unlicensed medicines. In the period since acquisition, the IMMC gross profit was £1.2m.

On 1 November 2017, Clinigen Group plc acquired the entire diluted share capital of Quantum Pharma Holdings Limited (formerly known as Quantum Pharma plc), a company incorporated in the UK and previously listed on the Alternative Investment Market (AIM). This transaction provides the opportunity to strengthen Clinigen's position as global leader in ethical access to medicines. The Quantum group extends Clinigen's Unlicensed Medicines capability and will accelerate the Group's UL2L global strategy. The acquisition also enables Quantum's portfolio of commercial products to be internationalised through Clinigen's global infrastructure.

The Group paid total consideration of £143.5m being a cash payment of £62.9m and an issue of 6,849,264 shares in Clinigen Group plc which had a fair value of £80.6m representing the market price on 31 October 2017. The consideration was paid in full to Quantum shareholders on the acquisition date. In order to fund the cash element of the consideration, an extension to the Group's borrowing facilities was agreed as detailed in note 9.

10. Business combinations (continued)

The provisional fair value of assets acquired and liabilities assumed on the acquisition of Quantum are as follows:

(In £m)	**Quantum**
Intangible assets	77.1
Property, plant and equipment	3.5
Inventories	4.8
Trade and other receivables	14.2
Cash	6.8
Trade and other payables	(25.8)
Corporation tax liability	(0.7)
Borrowings	(19.0)
Provision for deferred tax	(13.7)
Net assets acquired	**47.2**
Goodwill arising on acquisition	96.3
Total consideration	**143.5**
Satisfied by:	
Cash consideration paid	62.9
Consideration settled by shares in Clinigen Group plc	80.6
	143.5

The fair value of the acquired identifiable intangible assets in Quantum consists of £9.3m attributable to brand, £29.4m attributable to customer relationships, and £38.0m attributable to trademarks and licences (including developed licences, out-licensing contracts, dossiers and licences under development). A related deferred tax liability of £13.5m has also been recognised. In IMMC, the only identifiable acquired intangible assets are customer relationships which have been valued at £4.3m with an associated £1.3m deferred tax liability. These values have been assessed by an independent third party valuation expert.

A fair value uplift to inventories of £1.4m was recognised on the Quantum acquisition in line with IFRS 3 (revised) together with an associated £0.3m deferred tax liability.

The loans and other borrowings assumed as part of the acquisition were repaid in full out of the Group's existing facilities.

Goodwill represents the synergies, assembled workforces and future growth potential of the acquired businesses. The goodwill arising in the year of £97.9m is not deductible for tax purposes.

The revenue and loss before tax included in the consolidated income statement contributed by Quantum was £48.4m and £0.6m respectively. The loss in the year is after the charge for amortisation of acquired intangibles and adjustment for fair value of stock sold in the year.

On a pro forma basis, for the year ended 30 June 2018, the revenue and loss before tax of Quantum would be £72.5m and £12.6m respectively. The loss in the year is driven by the purchase of employee share options and other costs relating to the acquisition by Clinigen.

11. Post balance sheet events

In July 2018, the Group acquired the global rights outside the US to Proleukin® from Novartis and the global rights to Imukin® outside the US, Canada and Japan from Horizon Pharma. The Group has also agreed to acquire CSM and iQone as announced separately this morning.