



STRONG PERFORMANCE WITH ADJUSTED EPS UP 25%

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 2017.

FINANCIAL SUMMARY

Year ended 30 June	2017 £m	2016 £m	Growth
Revenue	302.3	339.9	(11)%
Adjusted gross profit	122.8	100.7	22%
Adjusted EBITDA	65.1	53.7	21%
Cash generated from operations	54.7	49.4	11%
Reported earnings per share	3.3p	11.9p	(72)%
Adjusted earnings per share	41.8p	33.4p	25%
Dividend per share	5.0p	4.0p	25%
Net debt	35.0	68.1	

Note: The Group results on an adjusted basis exclude amortisation and non-underlying costs (see note 2 and 3 of this financial information). Adjusted EBITDA is also adjusted to include the Group's share of EBITDA from its joint venture. Adjusted EBITDA and adjusted EPS metrics are now shown after share-based payments of £2.5m (2016: £2.3m). Prior year has been restated accordingly.

HIGHLIGHTS

- Adjusted gross profit up 22% - driven by organic growth, full year's contribution from Link Healthcare ('Link') and currency benefits
- Adjusted EPS up 25% to 41.8p (2016: 33.4p)
- Strong cash flow performance with cash generated from operations of £54.7m (2016: £49.4m)
- Net debt substantially decreased by £33.1m to £35.0m (2016: £68.1m)
- Full year dividend increased 25% to 5.0p (2016: 4.0p)
- Strong growth across all operations
- Outstanding performance in Africa and Asia Pacific
- Dexrazoxane portfolio revitalisation significantly enhanced by EC approval to update product information for Cardioxane, and launch of Totect in US
- New simplified reporting structure comprising Clinical Trial Services ('CTS'), Unlicensed Medicines and Commercial Medicines

POST PERIOD END

- Proposed acquisition of Quantum Pharma plc ('Quantum') for £150.3m announced on 13 September 2017 subject to Quantum's shareholder approval

Shaun Chilton, Group Chief Executive Officer, said:

“All of our business operations have performed strongly over the year resulting in a 25% increase in adjusted EPS and a 25% increase in dividend.

“We have continued to make significant progress in our strategy to build scale and capability in high growth geographies in the Africa and Asia Pacific region.

“Our strategic priorities remain unchanged - we continue to drive organic growth across all parts of the Group and search for selective acquisitions to complement our existing offering and capabilities.

“In line with this strategy, our recently announced proposed acquisition of Quantum would extend our Unlicensed Medicines capability, accelerate Clinigen’s unlicensed to licensed global strategy and enable Clinigen to internationalise Quantum’s existing portfolio of commercial products.

“The Group is well positioned to deliver another good year of progress and longer term the Board believes we are in an excellent position to capitalise on the substantial opportunity in our markets.”

*Adjusted results exclude amortisation and non-underlying costs. Adjusted EBITDA includes the 50% share of the EBITDA from the joint venture in South Africa. Adjusted results are now shown after share-based payments and the prior year has been restated accordingly.

An analyst briefing will be held at 9:30am on Thursday, 28 September 2017 at the offices of Instinctif Partners, 65 Gresham Street, London EC2V 7NQ.

A video of the CEO and CFO describing today’s results can be seen here: <http://www.clinigengroup.com/results-reports-presentations>

An audio replay file will be made available shortly afterwards via the Group’s website: www.clinigengroup.com.

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Notes to readers

Following the completion of the Link earn-out and subsequent closer integration of Link into the Group, the performance of the business is now reported as three synergistic operations; Clinical Trial Services, Unlicensed Medicines and Commercial Medicines. This structure reflects how the Group operates in practice and will allow the Group to develop further its complementary portfolio of businesses worldwide, enhance its ability in providing access to medicines and capitalise on its market-leading positions and expanded geographical footprint.

The Unlicensed Medicines operation encompasses Managed Access, Global Access and the unlicensed business within Link. Commercial Medicines encompasses the Specialty Pharmaceuticals portfolio and the commercial business of the Link division. Note 2 of the condensed financial information reports the Group results for the five segments structure as operated throughout the year and also the new three segment structure.

About Clinigen Group

Clinigen Group plc (AIM: CLIN) is a global pharmaceutical and services company with a unique combination of businesses focused on providing 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.

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.

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 programmes to innovative new medicines and provides 'on-demand' access globally to medicines which remain unlicensed at the point of care.

Commercial Medicines

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

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.

The information contained in this statement has not been audited and may be subject to further review.

OVERVIEW

The Group has delivered another excellent full year performance with all parts of the business performing strongly.

As previously announced, following the completion of the Link earn-out and subsequent closer integration of Link into the Group, the performance of the business will be reported as three business operations: CTS, Unlicensed Medicines, and Commercial Medicines.

This structure reflects how the Group now operates in practice and will allow the Group to better capitalise on its market leading positions and expanded geographical footprint.

Financial results

Revenue increased 6%, excluding the effect of the change in mix in Managed Access towards programmes where the product is provided by the pharmaceutical client free of charge and the termination of a large Global Access low margin commercial contract, which was inherited with the Idis acquisition. This revenue growth is lower than the growth in gross profit primarily due to the change in mix in CTS towards higher margin products and activity. Reported revenue was £302.3m (2016: £339.9m).

Adjusted gross profit, viewed by the Board as the best measure of top-line growth, increased 22%, driven by organic growth across all operations, a full year's contribution from Link and currency benefits following the depreciation of sterling.

Adjusted EBITDA increased by 21% to £65.1m (2016: £53.7m) and adjusted EPS increased by 25% to 41.8p (2016: 33.4p). Reported EPS was 3.3p (2016: 11.9p) after taking account of amortisation and other non-underlying costs which included the revision to the earlier estimate for the contingent consideration of the Link acquisition, which is charged to the income statement.

Cash generated from operations was £54.7m (2016: £49.4m) indicating another strong cash flow performance, underpinned by good credit control and working capital management.

In view of the strong trading performance, the Directors are proposing to increase the final dividend to 3.4p per share (2016: 2.7p), resulting in a 25% increase in the full year dividend to 5.0p per share (2016: 4.0p).

Strategic progress

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 knowledge.

Underlying the business remains the mission: 'Right Medicine, Right Patient, Right Time'.

Clinical Trial Services

The strategy for CTS is to build the core business in supplying quality-assured comparator medicines and develop further the added value services for clinical trials and Investigator Initiated Trials ('IITs').

The focus for the year has been on increasing client penetration with those clients spending more than £1m per annum and providing added value services, especially IITs, whose rising prominence reflects the changing

nature of generating data in support of commercialising medicines. Progress has been positive and is reported in more detail in the operational section.

Unlicensed Medicines (*encompassing Managed Access, Global Access and the unlicensed business within Link*) Clinigen's aim is to become the trusted global leader in the ethical access to unlicensed medicines, both through the management of innovative new medicines and through compliant access to 'on-demand' medicines.

During the year, the Group has continued its focus in adding Managed Access Programmes ('MAPs') in early access, exclusive supply agreements in 'on-demand' access, and increasing the demand for its added value services.

Access to products and deeper relationships with customers remain the major drivers of the business.

The long term opportunity for the Group is to leverage its market leading position and capability to drive organic growth across multiple geographies.

Commercial Medicines (*encompassing Specialty Pharmaceuticals and the commercial business within Link*)

During the year, the Group has continued with the revitalisation of its current product portfolio, has sought new products for acquisition and has explored regional commercial opportunities in the Africa and Asia Pacific region.

Major areas of focus for the global Specialty Pharmaceuticals product portfolio have included the Foscavir bag line extension, the launch of Totect in the US and the transfer of the US license for Ethylol to Clinigen's strategic partner, Cumberland. Post period end, in August the Group received approval by the European Commission to modify the current product information for Cardioxane originally applied during an Article 31 referral in 2011. This was a major regulatory achievement for the Group, and is the first time such a result has been achieved. It is a key milestone in the revitalisation of Cardioxane and will drive sales in the medium term.

As a result of the Link acquisition and its regional licensed and commercial medicines capabilities, the Group is now being presented with new collaboration opportunities. The agreements with Eisai to provide access to Halaven® and Fycompa® in South Africa demonstrate a continuation of a successful relationship with Eisai, underlining how Clinigen is becoming the partner of choice to top pharmaceutical companies in the supply and distribution of their products.

Proposed acquisition of Quantum

On 13 September 2017, post period end, the Group announced the proposed acquisition of Quantum valued at 82p per Quantum share (37p in cash and 0.0405 new Clinigen shares) totaling £150.3m for the entire diluted share capital. It is intended that the acquisition will be effected by means of a court-sanctioned scheme of arrangement which is subject to the agreement by Quantum shareholders.

The acquisition provides the opportunity to strengthen Clinigen's position as global leader in ethical access to medicines.

Quantum's capabilities in unlicensed to licensed medicines ('UL2L') is complementary to Clinigen and would accelerate the Group's UL2L global strategy. The acquisition would also allow Quantum's portfolio of commercial products to be internationalised through Clinigen's current infrastructure.

The acquisition would bring immediate financial benefits and there is a sound cultural fit between the two businesses.

Current trading and FY18 priorities

Significant progress is being made against the Group's strategic objectives. The priorities in the current year are to capitalise on Clinigen's international market leading positions and geographical footprint in order to drive organic growth across the Group, and to overlay organic growth with selective bolt on acquisitions.

The Group is well positioned to deliver another good year of progress. Longer term, the Board believes the Group is in an excellent position to capitalise on the substantial opportunity in its markets.

OPERATIONAL REVIEW

Adjusted gross profit by division

Year ended 30 June	2017 £m	2016 £m	Growth
Clinical Trial Services	23.3	19.7	18%
Unlicensed Medicines	52.2	43.7	19%
Commercial Medicines	47.3	37.3	27%
	122.8	100.7	22%

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 IITs.

The division, representing 19% of adjusted Group gross profit, has again delivered another excellent year of growth increasing gross profit by 18%. CTS served 93 clients in the year, with the top 10 clients representing 89% of gross profit. Six clients generated more than £1m in gross profit, contributing 80% of the division's gross profit.

The gross margin of 21% increased significantly versus prior year (2016: 14%) due to the change in mix towards higher margin products and activity.

Growth has come from deeper engagement with clients in the core business, the winning of new clients among the world's largest 25 pharmaceutical companies and an increase in the number of IITs supported.

IITs are independently sponsored studies which are developed and executed by third-party investigators, operating externally to the originators of the investigational product. There is an increasing trend towards using these trials to support the more traditional randomised clinical trials to commercialise medicines. CTS supported 19 IITs in the period (2016: 13).

CTS is seeing that clients increasingly require a larger service provider, which has a global reach and is capable of offering a broader and more complex solution. Adding complementary added value services, such as IITs, is a key part of the strategy to access an attractive additional market. This widens service capability, deepens the relationships with current clients and reinforces CTS' market-leader status.

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 over-layering the core service offering with added value services, position the operation to take advantage of the rapidly developing market opportunity.

The priorities this year are to further develop the expanded services, formalise the IIT service offering, increase client penetration and extend into new markets.

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 programmes to innovative new medicines and provides 'on-demand' access globally to medicines which remain unlicensed at the point of care.

The Unlicensed Medicines operation encompasses Managed Access, Global Access and the unlicensed business within Link. It represents 42% of adjusted Group gross profit and increased its gross profit by 19%.

This operation works with 25 of the top 50 pharmaceutical and biotech companies in the world, and with more than 7,000 hospital pharmacists. During the year it shipped 956,000 units of drugs across 109 countries.

In the early access space, 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 Programmes.

At the end of the year, there were 107 MAPs under management (2016: 112), including those in the Africa and Asia Pacific region, of which 87% of products shipped on behalf of the client were provided free of charge to patients (2016: 85%). 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. This is why the Group views gross profit as the best measure of top-line growth.

Clinigen Consulting, part of the Unlicensed Medicines operation, advises companies in evaluating and establishing best practice early access policies and in the importance of leveraging Real World Data ('RWD') to maximise impact and sustained value. These added value services provide the Group with an additional opportunity to enhance its market-leading position. During the year, these added value services contributed 4% of the operation's gross profit (2016: 3%).

The Unlicensed Medicines business also comprises the ethical supply of 'on-demand' unlicensed or short supply medicines to patients, via their physicians.

The sourcing and supply of unlicensed medicines is highly complex and leads to a high unmet patient need. Clinigen benefits from being a specialist global supplier with a deep understanding of the complex regulatory environment and from having broad and embedded relationships with both pharmaceutical companies and pharmacists.

Progress was made against the operation's key objective of increasing the number of 'on-demand' exclusive supply agreements for certain high demand or niche medicines. During the year, the number of these agreements increased to 31 (2016: 24), including those in the Africa and Asia Pacific region, most notably were those signed with Mitsubishi Tanabe, Shionogi and Romark.

Each of these agreements were different in nature and the products ranged from innovative, to older, more established medicines. This illustrates Clinigen's reach in providing access across the product lifecycle and demonstrates its ability to provide bespoke solutions to pharmaceutical companies.

The Africa and Asia Pacific region delivered strong organic growth across all geographies whilst also benefiting from the translation effects from the depreciation in sterling. As the Link business is integrated further into the Clinigen infrastructure, the Unlicensed Medicines operation will be able to leverage on the global supply and distribution infrastructure.

The launch of the Japanese business in H1 2017 strengthened Clinigen's presence in Asia by allowing the Group to supply and distribute both commercial and unlicensed medicines. In addition, the Group obtained a wholesale license in Hong Kong, allowing it to expand its reach and control its distribution in this region.

The priorities this year in early access are to expand the added value services and achieve better penetration of new and existing clients. In 'on-demand' access, the aims are to capitalise on the considerable long-term international opportunity by adding exclusive supply agreements and strengthen the pipeline of new products. Clinigen also intends to increase its profile further with physicians, pharmacists and KOLs through targeted marketing activity.

Commercial Medicines

Clinigen's Commercial Medicines operation acquires global rights to niche hospital-only and critical care products and revitalises them back to sustained growth. It also provides access to licensed and branded generic medicines in the Africa and Asia Pacific region.

Commercial Medicines, encompassing the Specialty Pharmaceuticals portfolio and the commercial business of the Link division, represents 39% of adjusted Group gross profit. The operation was the biggest driver of Group profit following an excellent year of progress, increasing gross profits by 27%.

Gross margin was 71.3% (2016: 76.3%). The decrease was due to the change in mix towards the lower margin commercial activity in the Africa and Asia Pacific region, as a result of a full year's contribution from Link. The gross margin from the Specialty Pharmaceutical products was broadly unchanged.

Clinigen owns five products undergoing revitalisation in two therapy areas (oncology support and infectious disease). Collectively, these products represent 75% of Commercial Medicines gross profit (2016: 86%).

Foscavir is an anti-viral targeting human herpes viruses and is used primarily in bone marrow transplant patients. Foscavir achieved good growth in the year benefiting from a 6% increase of in-market sales and currency benefits. Foscavir now represents 53% of Commercial Medicines gross profit (2016: 55%). The Foscavir bag line extension is progressing to plan, with sales expected to begin in the second half of 2018.

The launch of the Japanese business has allowed the Group to take back direct control of Foscavir in this country. Japan is the third largest pharmaceutical market in the world and remains an important market for Foscavir, with more than 2,000 patients treated annually.

Ethyol is used to reduce the incidence of dry mouth in patients undergoing high dose radiation treatment. Sales improved in the second half, following the transfer in H1 of the US licence to Cumberland, the Group's US strategic partner. Success of Ethyol in the US market is an important part of its global revitalisation strategy.

The Group's dexrazoxane portfolio comprises Cardioxane, Savene and Totect. Cardioxane is used as a cardio protectant in oncology (anthracycline) treatment. Savene and Totect are used as important emergency treatments for extravasation (leakage) at the site of injection of oncology (anthracycline) treatments. The dexrazoxane portfolio performed as expected. Gross profit was lower than last year due to the completion of a phase of a clinical trial where Cardioxane was used as an adjuvant drug.

During the calendar year, a key milestone was achieved in the revitalisation of Cardioxane. The product received approval from the European Commission in August 2017 to modify its current product information. This was originally applied during an Article 31 referral in 2011. This approval represents a major regulatory achievement for the Group as physicians will now be able to consider using Cardioxane where high dose anthracycline therapy is planned in paediatric patients. The safety profile has also been reassessed in the adult population and will result in updated product information. The approval is expected to lead to an increase in usage of Cardioxane in the medium term.

In January 2017, the Group announced an exclusive US agreement with Cumberland to commercialise Totect, the second such agreement under the strategic partnership. In September 2017, the Group further announced the product launch. This is an important milestone in the product's revitalisation strategy, and will enable patients to access this vital FDA-approved emergency support therapy.

In the Africa and Asia Pacific region, the Group has 175 specialist pharmaceutical and medical technology actively marketed licensed products including both branded and generic products, and supplies diagnostic kits, diabetes management and wound care products. Collectively, products in this region represent 25% of Commercial Medicines gross profit (2016: 14%).

Excellent progress was made in the Africa and Asia Pacific region, building sales from the existing commercial portfolio and the strategy of converting UL2L medicines. Growth was strong across all geographies and the region also benefited from the translation effects from the depreciation in sterling, and the expansion of the gross profit % resulting from the appreciation of the local currencies.

An important growth driver in this region will be the conversion of UL2L medicines. Agreements with Eisai for Halaven® for advanced breast cancer and Fycompa® for partial-onset seizures demonstrate how the Group is building this part of the business. Clinigen is increasingly becoming the partner of choice to top pharmaceutical companies in the supply and distribution of their products.

The priorities for Commercial Medicines are: continued revitalisation of existing products, the launch of the Foscavir bag line extension, seeking selective product acquisitions that fit within the portfolio, and further conversion of UL2L medicines.

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

Technology

The Group ERP system, which will help make the business more efficient and scalable is progressing to plan with implementation expected to complete in 2018. Cliniport, the online proprietary medicines access platform, which aims to strengthen Clinigen's market proposition and interaction with customers, was launched during the year.

FINANCIAL REVIEW

Summary adjusted income statement

Year ended 30 June <i>Adjusted results</i>	2017 £m	2016 £m	Growth
Revenue	302.3	339.9	(11)%
Gross profit	122.8	100.7	22%
Administrative expenses	(56.2)	(45.3)	(24)%
EBITDA from joint venture	1.0	0.6	67%
EBITDA (before SBP)	67.6	56.0	21%
Share-based payments	(2.5)	(2.3)	
EBITDA (after SBP)	65.1	53.7	21%
Depreciation	(0.6)	(0.8)	
EBITA	64.5	52.9	22%
Finance cost	(2.4)	(4.0)	
Profit before tax	62.1	48.9	27%
Basic earnings per share (after SBP)	41.8p	33.4p	25%
Dividend per share	5.0p	4.0p	25%

This summary income statement presents the Group results on an adjusted basis excluding amortisation and non-underlying costs (see note 2 and 3 of the condensed financial statements). EBITDA as disclosed in this summary is also adjusted to include the Group's share of EBITDA from its joint venture.

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. Underlying results reflect the Group's trading performance and exclude amortisation and non-underlying costs which are explained in note 3.

Now that the IPO related share-based payments ('SBP') have concluded and consequently the SBP are at a normalised level, SBP costs are now included in adjusted EBITDA and adjusted profit before tax. The joint venture ('JV') contribution is no longer shown in adjusted revenue and gross profit, but is included on a pre-tax basis in adjusted EBITDA and adjusted profit before tax. The prior year comparative has been restated accordingly.

Overall, the Group achieved a strong financial performance with its key three financial metrics, adjusted gross profit, adjusted EBITDA and adjusted earnings per share all growing more than 20%.

Revenue increased 6% excluding the effect of the change in mix in Managed Access towards programmes where the product is provided by the pharmaceutical client free of charge, and the termination of a large Global Access low margin commercial contract, which was inherited with the Idis acquisition. This revenue growth is lower than growth in gross profit, primarily due to the change in mix in CTS towards higher margin products and activity. Reported revenue was £302.3m (2016: £339.9m).

Adjusted gross profit, which the management views as the key indicator of top-line performance, increased by 22% due to a combination of good organic growth across all divisions, a full year's contribution from Link and currency benefits. The Commercial Medicines operation was the largest beneficiary of the currency movements.

As planned, the percentage increase in administrative expenses was modestly higher than for gross profit. Contributing to the increase in overheads were a full year of Link's overheads, increased cost of overseas overheads on translation following the depreciation in sterling (35% of employees are overseas), and increased

spend to strengthen the infrastructure and management team to support the Group's long-term growth ambitions.

EBITDA from the JV in South Africa increased from £0.6m to £1.0m due to a full year's contribution this year.

The SBP charge, relating to long-term incentive plans, increased from £2.3m to £2.5m due to an increased number of people included in the schemes.

Adjusted EBITDA, shown excluding non-underlying costs and including EBITDA from the JV, increased by 21%, benefiting from the increase in gross profits. See note 2 of the financial statements for a reconciliation of adjusted EBITDA to the IFRS equivalent comparative.

Finance cost

The adjusted net finance cost, excluding the amounts relating to the increase in the estimate for contingent consideration for Link and the associated unwind of the discount, was £2.4m (2016: £4.0m). This relates primarily to bank debt and the reduction is due to lower debt levels and lower interest rates applied as leverage decreases. The average interest charge on gross debt during the period was 1.5%.

The reported finance cost was £31.5m (2016: £4.7m), with the significant increase attributable to the increase in the estimate of the contingent consideration for Link.

The table below shows the reconciling items between the adjusted profit before tax of £62.1m (2016: £48.9m) and the reported profit before tax of £14.1m (2016: £15.9m).

Reconciliation of adjusted profit before tax to reported profit before tax

Year ended 30 June	2017 £m	2016 £m
Adjusted profit before tax	62.1	48.9
Link contingent consideration	(29.1)	(0.7)
Amortisation	(18.6)	(20.0)
Adjustment for fair value of acquired stock sold in the period	(0.1)	(4.6)
Tax on joint venture in South Africa	(0.2)	(0.2)
Acquisition costs	–	(1.4)
Restructuring costs	–	(5.6)
Impairment of intangible fixed assets	–	(0.5)
Total adjustments	(48.0)	(33.0)
Reported profit before tax	14.1	15.9

The adjustments to profit before tax comprise £29.1m in finance costs relating to the increase in the estimate for contingent consideration for Link and the non-cash interest charge unwind relating to the Link contingent consideration, amortisation of £18.6m (2016: £20.0m), the release of fair value profit margin on acquired inventory of £0.1m (2016: £4.6m) and the Company's share of the tax charge in the JV earnings of £0.2m (2016: £0.2m).

The £29.1m (2016: £0.7m) adjustment to the net finance charge is the increase in the earlier estimate for the contingent consideration for the Link business of £27.0m (2016: £nil) and the unwind of the discount applied to the contingent consideration payable in respect of Link of £2.1m (2016: £0.7m) (these items are described in more detail in the balance sheet section).

Amortisation was £18.6m (2016: £20.0m), of which £13.4m related to acquired intangibles, £4.4m related to the trademarks and licences of SP products, and £0.8m related to software. Amortisation relating to the Group ERP system currently being implemented is expected to begin towards the end of the current financial year after the system becomes operational.

The non-underlying costs last year included acquisition costs relating to Link, restructuring costs relating mainly to the integration of the Idis and Link acquisitions and the regulatory and compliance costs relating to the Vibativ product that has now been transferred back to Theravance Biopharma.

Taxation

Taxation was £10.3m (2016: £2.4m), based primarily on the prevailing UK and US tax rates. This charge is calculated as £14.0m based on the adjusted profit of £62.1m, offset by a credit of £3.7m in respect to the adjusted items.

The adjusted effective tax rate remains unchanged at 23% (2016: 23%).

Earnings per share

Adjusted basic earnings per share, calculated excluding amortisation and non-underlying costs, increased by 25% to 41.8p (2016: 33.4p). The increase reflects the Group's higher adjusted profit from operations.

Reported basic earnings per share was 3.3p (2016: 11.9p) due to the revision to the earlier estimate of contingent consideration on the Link acquisition being charged to the income statement.

Dividend

The Board is committed to a sustainable and progressive dividend policy and expects interim and final dividend payments to be split approximately one-third to two-thirds respectively.

In view of the strong results, the Board proposes a final dividend of 3.4p per share (2016: 2.7p), resulting in an increase in the full year dividend of 25% to 5.0p per share (2016: 4.0p).

The final dividend will be paid, subject to shareholder approval, on 1 December 2017 to shareholders on the register on 10 November 2017.

Cash flow and net debt

Cash flow performance was again strong in the year, with cash generated from operations of £54.7m (2016: £49.4m). As expected, net working capital increased by £9.6m due to the winding down in the first half of some large Managed Access contracts with favourable working capital characteristics and the increase in scale in the business.

Capital expenditure was £8.8m (2016: £8.0m), of which £4.5m related to the Group ERP system, £1.4m related to office and warehouse refurbishments and £2.1m related to SP products, including £1.0m deferred consideration on Totect. As previously guided, capital expenditure has been higher than usual due to budgeted spend on the Group ERP system, which is currently being implemented.

The other main cash flows were tax paid of £6.9m (2016: £3.7m), interest paid of £1.7m (2016: £3.6m) and dividends paid of £4.9m (2016: £4.1m).

Overall net debt decreased £33.1m on last year to £35.0m.

Balance sheet

Intangible assets decreased from £334.1m at 30 June 2016 to £332.5m, due to amortisation of £18.6m, offset by capital expenditure of £6.4m and foreign exchange adjustments of £10.6m.

Net working capital increased to £4.4m (2016: £(4.2)m) for the reasons described above. The low levels of working capital in the business reflect a strong focus on credit control and working capital management.

Total deferred consideration is £41.8m (2016: £13.2m); £37.6m (2016: £8.5m) of this relates to the contingent consideration on the Link acquisition. The contingent consideration, which was subject to performance criteria of Link and is payable in October 2017 in cash, has been discounted and is calculated based on the results for the 12 months ended 30 June 2017.

The increase is largely due to the depreciation in sterling, which results in an increase in the earnings of Link when the results for the performance period are translated into sterling, and, to a lesser extent, the appreciation of key local currencies which contributed to an improvement in Link's gross profit margin.

The remaining £4.2m (2016: £4.7m) of deferred consideration is in respect of further milestone payments on the previous year's product acquisitions.

Treasury management

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

As at 30 June 2017, the Group had a total bank facility of £122m, consisting of a five-year term repayment loan of £27m which matures in June 2020 and a revolving credit facility ('RCF') of £95m which is available until June 2020 and is renewable on a monthly basis. Covenant terms apply to the bank facilities comprising interest cover and adjusted leverage covenants.

At 30 June 2017, the fixed term loan was fully utilised at £27.0m (2016: £36.0m) and £36.9m (2016: £61.3m) was borrowed against the revolving credit facility. All borrowings are in sterling. There were no instances of default, including covenant terms, in the year.

To finance the proposed acquisition of Quantum announced on 13 September 2017, the finance facility has been extended for five years and increased by £78m to £200m. To provide additional headroom, there is a further option to increase this facility to £220m for the first 12 months exercisable on completion of the Quantum acquisition. In the event that the deal does not complete, the finance facility will revert back to £122m.

The Group's finance facilities provide good headroom and flexibility to support the strategy of adding bolt-on acquisitions.

Borrowings at the end of the year are in sterling 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 product 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 2017

(In £m)	Note	2017 Underlying	2017 Non- underlying (note 3)	2017 Total	2016 Underlying restated	2016 Non- underlying restated (note 3)	2016 Total
Revenue	2	302.3	–	302.3	339.9	–	339.9
Cost of sales		(179.5)	(0.1)	(179.6)	(239.2)	(4.6)	(243.8)
Gross profit	2	122.8	(0.1)	122.7	100.7	(4.6)	96.1
Administrative expenses		(64.5)	(13.4)	(77.9)	(53.4)	(22.5)	(75.9)
Profit from operations		58.3	(13.5)	44.8	47.3	(27.1)	20.2
Finance cost	4	(2.4)	(29.1)	(31.5)	(4.0)	(0.7)	(4.7)
Share of profit of joint venture		0.8	–	0.8	0.4	–	0.4
Profit before income tax		56.7	(42.6)	14.1	43.7	(27.8)	15.9
Income tax expense	5	(12.8)	2.5	(10.3)	(10.0)	7.6	(2.4)
Profit attributable to owners of the Company		43.9	(40.1)	3.8	33.7	(20.2)	13.5
Earnings per share (pence)							
Basic	6			3.3			11.9
Diluted	6			3.2			11.8

Condensed consolidated statement of comprehensive income for the year ended 30 June 2017

(In £m)	2017 Underlying	2017 Non- underlying (note 3)	2017 Total	2016 Underlying	2016 Non- underlying restated (note 3)	2016 Total
Profit for the year attributable to the owners of the parent	43.9	(40.1)	3.8	33.7	(20.2)	13.5
Other comprehensive income items that may be reclassified to profit or loss						
Cash flow hedges	0.3	–	0.3	–	–	–
Currency translation differences	10.1	–	10.1	0.6	–	0.6
Total comprehensive income attributable to owners of the Company	54.3	(40.1)	14.2	34.3	(20.2)	14.1

All amounts relate to continuing operations.

**Condensed consolidated statement of financial position
as at 30 June 2017**

(In £m)	Note	2017	2016 restated
Non-current assets			
Intangible assets		332.5	334.1
Property, plant and equipment		3.3	2.7
Investment in joint venture		8.7	7.4
Deferred tax asset		3.6	3.5
		348.1	347.7
Current assets			
Inventories		16.7	15.6
Trade and other receivables		65.9	68.8
Derivative financial instrument		1.0	–
Cash and cash equivalents		27.8	27.8
		111.4	112.2
Total assets		459.5	459.9
Non-current liabilities			
Trade and other payables		1.3	11.0
Loans and borrowings	8	17.3	25.9
Deferred tax liability		20.1	22.2
		38.7	59.1
Current liabilities			
Trade and other payables		118.7	90.8
Provisions		–	0.8
Loans and borrowings	8	45.5	70.0
Corporation tax liability		7.5	1.4
Derivative financial instrument		–	1.3
		171.7	164.3
Total liabilities		210.4	223.4
Net assets		249.1	236.5
Equity			
Share capital		0.1	0.1
Share premium account		161.2	160.7
Merger reserve		5.4	5.4
Hedging reserve		0.3	–
Foreign exchange reserve		10.5	0.4
Retained earnings		71.6	69.9
Total shareholders' equity		249.1	236.5

The notes on pages 19 to 27 form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows for the year ended 30 June 2017

(In £m)	Note	2017	2016
Operating activities			
Profit for the year before tax		14.1	15.9
<i>Adjustments for:</i>			
Amortisation of intangible fixed assets		18.6	20.0
Depreciation of property, plant and equipment		0.6	0.8
Loss on disposal of non-current assets		0.2	0.1
Provision for restructuring costs		–	0.8
Movement in fair value of derivatives		(2.0)	1.3
Release of fair value on acquired inventory	3	0.1	4.6
Share of profit of joint venture		(0.8)	(0.4)
Finance cost	4	31.5	4.7
Share-based payment expense		2.0	1.8
		64.3	49.6
Decrease in trade and other receivables		3.2	8.1
Increase in inventories		(0.8)	(2.1)
Decrease in trade and other payables		(12.0)	(6.2)
Cash generated from operations		54.7	49.4
Income taxes paid		(6.9)	(3.7)
Interest paid		(1.7)	(3.6)
Net cash flows from operating activities		46.1	42.1
Investing activities			
Purchase of intangible fixed assets		(7.4)	(6.7)
Purchase of property, plant and equipment		(1.4)	(1.3)
Purchase of subsidiary, net of cash acquired		–	(22.4)
Net cash used in investing activities		(8.8)	(30.4)
Financing activities			
Proceeds from issue of shares		0.5	0.3
Proceeds from increase in loan		–	27.6
Loan repayments		(33.4)	(36.1)
Dividends paid		(4.9)	(4.1)
Net cash used in financing activities		(37.8)	(12.3)
Net decrease in cash and cash equivalents		(0.5)	(0.6)
Cash and cash equivalents at beginning of the year		27.8	27.8
Exchange gains		0.5	0.6
Cash and cash equivalents at end of the year		27.8	27.8

**Condensed consolidated statement of changes in equity
for the year ended 30 June 2017**

(In £m)	Share capital	Share premium account	Merger reserve	Hedging reserve	Foreign exchange reserve	Retained earnings	Total equity
At 1 July 2015	0.1	141.0	5.4	–	(0.2)	58.3	204.6
Profit for the year	–	–	–	–	–	13.5	13.5
Currency translation differences	–	–	–	–	0.6	–	0.6
Total comprehensive income	–	–	–	–	0.6	13.5	14.1
Share-based payment scheme	–	–	–	–	–	1.8	1.8
Deferred taxation on share-based payment scheme	–	–	–	–	–	(1.6)	(1.6)
Tax credit in respect of tax losses arising on exercise of share options	–	–	–	–	–	2.0	2.0
Issue of new shares	–	19.7	–	–	–	–	19.7
Dividend paid (note 7)	–	–	–	–	–	(4.1)	(4.1)
Total transactions with owners of the Company, recognised directly in equity	–	19.7	–	–	–	(1.9)	17.8
At 30 June 2016	0.1	160.7	5.4	–	0.4	69.9	236.5

(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 gains	–	–	–	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

Notes forming part of the condensed consolidated financial statements

1. Basis of preparation

The consolidated financial statements of Clinigen Group plc have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRSs”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union (“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 contained in this announcement which does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited, has been derived from the statutory consolidated accounts for the year ended 30 June 2017. The auditors’ report on those accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

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 the notes to the Group’s statutory consolidated financial statements for the year ended 30 June 2017 in note 2.

Having reassessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated 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 year. The chief operating decision maker has been identified as the Executive Directors. Subsequent to the year end, the organisation structure of the business has changed to the three reported businesses of Commercial Medicines, Unlicensed Medicines and CTS, and with effect from 1 July 2017 the internal reporting to the chief operating decision maker has changed to this basis. The results have also been presented on this revised basis which is how the results will be reported in future.

Operating segment results

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

(In £m)	2017		2016	
	Revenue	Gross profit	Revenue	Gross profit
Clinical Trial Services	109.9	23.3	137.9	19.7
Managed Access	60.1	28.4	100.8	26.5
Global Access	40.1	14.5	39.6	13.8
Specialty Pharmaceuticals	41.4	35.6	37.1	31.9
Link Healthcare	50.8	21.0	24.5	8.8
Segmental result	302.3	122.8	339.9	100.7
Adjustment for fair value of acquired stock sold in the year	–	(0.1)	–	(4.6)
Reported results	302.3	122.7	339.9	96.1

The following analysis shows how the segmental results will be reported in future following the organisation changes effective from 1 July 2017.

(In £m)	2017		2016	
	Revenue	Gross profit	Revenue	Gross profit
Clinical Trial Services	109.9	23.3	137.9	19.7
Commercial Medicines	66.3	47.3	48.9	37.3
Unlicensed Medicines	126.1	52.2	153.1	43.7
Segmental result	302.3	122.8	339.9	100.7
Adjustment for fair value of acquired stock sold in the year	–	(0.1)	–	(4.6)
Reported results	302.3	122.7	339.9	96.1

(In £m)	2017			2016		
	Underlying	Non-underlying	Total	Underlying (restated)	Non-underlying (restated)	Total
Segmental gross profit	122.8	(0.1)	122.7	100.7	(4.6)	96.1
Administrative expenses excluding amortisation, depreciation and share-based payment costs	(56.2)	–	(56.2)	(45.3)	(7.5)	(52.8)
Share-based payment costs	(2.5)	–	(2.5)	(2.3)	–	(2.3)
EBITDA	64.1	(0.1)	64.0	53.1	(12.1)	41.0
Analysed as:						
Adjusted EBITDA including joint venture	65.1	(0.1)	65.0	53.7	(12.1)	41.6
Joint venture EBITDA	(1.0)	–	(1.0)	(0.6)	–	(0.6)
EBITDA excluding joint venture	64.1	(0.1)	64.0	53.1	(12.1)	41.0
Amortisation	(5.2)	(13.4)	(18.6)	(5.0)	(15.0)	(20.0)
Depreciation	(0.6)	–	(0.6)	(0.8)	–	(0.8)
Profit from operations	58.3	(13.5)	44.8	47.3	(27.1)	20.2
Finance costs	(2.4)	(29.1)	(31.5)	(4.0)	(0.7)	(4.7)
Share of joint venture profit	0.8	–	0.8	0.4	–	0.4
Profit before taxation	56.7	(42.6)	14.1	43.7	(27.8)	15.9
Taxation	(12.8)	2.5	(10.3)	(10.0)	7.6	(2.4)
Profit after taxation	43.9	(40.1)	3.8	33.7	(20.2)	13.5

	2017			2016		
	Underlying	Non-underlying	Total	Underlying	Non-underlying (restated)	Total
(In £m)						
Analysed as						
Adjusted profit after tax before amortisation of software and licences (as used for adjusted EPS)	48.1	(40.1)	8.0	37.7	(20.2)	17.5
Amortisation of software	(0.8)	–	(0.8)	(0.7)	–	(0.7)
Amortisation of licences	(4.4)	–	(4.4)	(4.3)	–	(4.3)
Tax on amortisation of software and licences	1.0	–	1.0	1.0	–	1.0
Reported profit after tax	43.9	(40.1)	3.8	33.7	(20.2)	13.5

Share-based payment costs have been reclassified from non-underlying to underlying in the year and the prior year comparatives restated. Share-based payment costs comprise an equity-settled charge of £2.0m (2016: £1.8m) and associated social security costs of £0.5m (2016: £0.5m).

(In £m)	2017	2016
Breakdown of revenues by products and services:		
Products	259.8	304.2
Services	35.8	31.4
Royalties	6.7	4.3
	302.3	339.9

Geographical analysis

(In £m)	2017	2016
Revenue arises from the following locations:		
UK	72.2	52.1
Europe	101.0	138.5
USA	56.5	100.1
Rest of world	72.6	49.2
	302.3	339.9

(In £m)	2017	2016
Gross profit arises from the following locations:		
UK	23.5	19.3
Europe	42.0	38.9
USA	29.8	29.3
Rest of world	27.5	13.2
	122.8	100.7

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, one off costs including business acquisition costs, restructuring costs, changes in contingent consideration, unwind of discount on contingent consideration, and impairment charges. The associated tax impact is also reported as non-underlying.

(In £m)	2017	2016 restated
Cost of sales		
a) Adjustment for fair value of acquired stock sold in the year	0.1	4.6
Administrative expenses		
b) Acquisition costs	–	1.4
c) Restructuring costs	–	5.6
d) Impairment of intangible fixed assets	–	0.5
e) Amortisation of intangible fixed assets acquired through business combinations	13.4	15.0
	13.4	22.5
Finance costs		
f) Increase in Link contingent consideration	27.0	–
g) Unwind of discount on Link contingent consideration	2.1	0.7
	29.1	0.7
Taxation		
h) Credit in respect of tax on non-underlying costs	(2.9)	(4.9)
i) Credit in respect of rate differences on deferred tax	(0.5)	(1.4)
j) Corporation tax adjustments in respect of prior year	0.9	(1.3)
	(2.5)	(7.6)
	40.1	20.2

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 £0.1m (2016: £4.6m) above represents the profit margin on the inventory sold in the year which was acquired with both the Idis and Link businesses.

b) The acquisition costs incurred in the prior year relating to Link Healthcare amounted to £1.4m. The main costs included £0.5m of legal advice, £0.4m for corporate finance advice and £0.1m of stamp duty.

c) The restructuring costs in the prior year of £5.6m relate mainly to the integration of the Idis and Link Healthcare acquisitions. These costs include £2.0m of redundancy costs, £1.0m related to the closure and integration of offices, and £1.9m of incremental costs related to maintaining the Idis IT systems which are being used in the short term before a new system is implemented across the Group.

d) The impairment of intangible fixed assets in the prior year are further costs in respect of Vibativ to comply with the regulatory requirements up to when this product was transferred back to the vendor on 4 August 2016. This product was fully impaired in the second half of the previous financial year due to its loss making position.

e) The amortisation of intangible assets acquired as part of the business combination with Idis and Link, (namely brand, trade names, customer relationships and contracts) are included in non-underlying due to their significance and to provide the reader with a consistent view of the underlying costs of the operating Group.

f) Changes in the estimate of the contingent consideration payable in relation to the Link acquisition based on the earnings of Link for the year ended 30 June 2017. This is classified as a finance cost as the primary reason for the increase is 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 payable in relation to the acquisition of Link Healthcare.

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

i) The reduction in corporation tax rate to 19% and 17% from 1 April 2017 and 1 April 2020 respectively, reduces the deferred tax balances expected to unwind in the future creating a credit to the income statement of £0.5m (2016: £1.4m). The credit is recognised in non-underlying items as the associated deferred tax balances relate to the fair value of acquired intangible assets.

j) Tax computations of acquired entities for periods prior to acquisition have identified additional tax charges/credits recognised during the year.

In the prior year share-based payment charges of £2.3m and the associated tax credit of £0.3m were classified as non-underlying. In prior years a significant element of these charges arose from the initial listing of the Group on the London Stock Exchange. Share-based payment charges now reflect the ongoing trading activities of the Group and therefore are now included within the underlying results, with the prior year comparatives restated accordingly.

4. Finance cost

(In £m)	2017	2016
Bank interest	1.4	3.2
Borrowing costs	0.3	0.3
Amortisation of facility issue costs	0.3	0.4
Unwind of discount on Totect and Foscavir deferred consideration	0.4	0.1
Underlying finance cost	2.4	4.0
Increase in Link contingent consideration	27.0	–
Unwind of discount on Link contingent consideration	2.1	0.7
Total finance cost	31.5	4.7

The contingent consideration payable on the Link acquisition is remeasured each period end depending on the current forecasts for the earn-out period. At 30 June 2017, following the completion of the earn-out period, the remeasurement of the contingent consideration resulted in a charge of £27.0m. This increase is recognised in finance costs as the primary reason for the increase is the depreciation of sterling against the local functional currencies since October 2015.

5. Income tax

(In £m)	2017	2016
Current tax expense		
Current tax on profits of the year	13.2	8.4
Adjustments in respect of prior years	0.4	(1.3)
Total current tax expense	13.6	7.1
Deferred tax expense		
Decrease in deferred tax assets	0.1	0.1
Decrease in deferred tax liability	(3.4)	(4.8)
Total deferred tax benefit	(3.3)	(4.7)
Income tax expense	10.3	2.4

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)	2017	2016
Profit before income tax	14.1	15.9
Expected tax charge based on corporation tax rate of 19.75% (2016: 20.0%)	2.8	3.2
Expenses not deductible for tax purposes other than goodwill amortisation and impairment	6.2	0.5
Adjustments to tax charge in respect of prior years	0.4	(1.3)
Higher rates of taxes on overseas earnings	1.0	0.9
Loss arising in year for which no deferred income tax is recognised	0.4	0.3
Remeasurement of deferred tax - change in the UK tax rate	(0.5)	(1.2)
Total tax expense	10.3	2.4

Amounts recognised directly in equity:

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

(In £m)	2017	2016
Deferred tax: unexercised share options and losses recognised directly in equity	0.8	0.4

(In £m)	2017	2016
Unused tax losses for which no deferred tax asset has been recognised	2.9	2.0
Potential tax benefit at 38%	1.1	0.8

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

Following announcements in the Summer Budget 2015 and the Budget 2016, the UK corporation tax rate reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020. The Summer Budget 2015 had originally announced that the rate would reduce to 18% from 1 April 2020. This reduction was substantively enacted on 26 October 2015 and so the prior year deferred tax assets and liabilities were calculated at this rate. The subsequent announcement in the Budget 2016 that the rate will reduce to 17% from 1 April 2020 was substantively enacted on 6 September 2016, and so closing deferred tax assets and liabilities have been calculated at this rate.

6. Earnings per share

(In £m)	2017	2016
Reported profit used in calculating basic and diluted EPS	3.8	13.5
Number of shares (million)		
Weighted average number of shares	115.0	113.1
Dilution effect of share options	1.8	1.3
Weighted average number of shares used for diluted EPS	116.8	114.4
Reported EPS (pence)		
Basic	3.3p	11.9p
Diluted	3.2p	11.8p

The adjusted EPS, based on the following earnings figure for the year and weighted average number of shares of 115,017,972 (2016: 113,084,261 shares) is 41.8p (2016 restated: 33.4p).

(In £m)	2017	2016 restated
Underlying profit after tax	43.9	33.7
Add-back of amortisation on software and licences	5.2	5.0
Less tax associated with amortisation on software and licences	(1.0)	(1.0)
Adjusted underlying earnings used in calculating basic and diluted adjusted EPS	48.1	37.7

	2017	2016
Number of shares (million)		
Weighted average number of shares	115.0	113.1
Dilution effect of share options	1.8	1.3
Weighted average number of shares used for diluted EPS	116.8	114.4
Adjusted EPS (pence)		
Basic	41.8p	33.4p
Diluted	41.2p	33.0p

7. Dividends

(In £m)	2017	2016
Final dividend in respect of the year ended 30 June 2016 of 2.7p (2016: 2.3p) per ordinary share	3.1	2.6
Interim dividend of 1.6p (2016: 1.3p) per ordinary share paid during the year	1.8	1.5
	4.9	4.1

The Board proposes to pay a final dividend of 3.4p per ordinary share, subject to approval at the AGM on 1 December 2017.

8. Loans and borrowings

The book value of loans and borrowings are as follows:

(In £m)	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings	45.5	17.3	62.8	70.0	25.9	95.9

At 30 June 2017, the Group had a total bank facility of £122.0m available (2016: £131.0m). This consisted of a 5 year fixed term repayment loan of £27.0m (2016: £36.0m) and a revolving credit facility (RCF) of £95.0m (2016: £95.0m). The RCF had a remaining period of 2 years 10 months and was renewable on a monthly basis. It is therefore included within current liabilities.

At 30 June 2017, the fixed term loan was fully utilised at £27.0m (2016: £36.0m) and £36.9m (2016: £61.3m) was borrowed against the revolving credit facility. All borrowings are in sterling. There were no instances of default, including covenant terms, in either the current or the preceding year.

Interest is payable on a tiered scale based on the level of borrowing. The applicable interest rate on amounts drawn down is up to 2.75% plus LIBOR/EURIBOR (as applicable) on both the RCF and the term loan facility. The margin payable is dependent on the adjusted leverage ratio and will reduce to a minimum of 1.25% plus LIBOR/EURIBOR (as applicable) as adjusted leverage decreases.

The bank loans are secured on the intangible fixed assets of the Group.

On 13 September 2017 the Group announced the proposed acquisition of Quantum Pharma plc. To finance this proposed acquisition, the Group's bank facility has been extended for 5 years to 2022 and increased to £200m, with an option to increase the facility to £220m for 12 months exercisable on completion of the Quantum acquisition. The term loan has been repaid in full with the extended facility consisting entirely of RCF. In the event that the acquisition does not complete, the bank facility will revert back to £122m.

Maturity of loans and borrowings

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

(In £m)	2017			2016		
	Gross borrowings	Unamortised Issue costs	Net borrowings	Gross borrowings	Unamortised Issue costs	Net borrowings
Within 1 year	45.9	(0.4)	45.5	70.3	(0.3)	70.0
In more than 1 year but less than 2 years	9.0	(0.4)	8.6	9.0	(0.4)	8.6
In more than 2 years but less than 5 years	9.0	(0.3)	8.7	18.0	(0.7)	17.3
	63.9	(1.1)	62.8	97.3	(1.4)	95.9

9. Business combinations

Following the acquisition of Link Healthcare in October 2015 and the disclosure of the provisional fair values in the annual report for the financial year ended 30 June 2016, the directors have reviewed the fair value of the assets and liabilities acquired. This review resulted in a reduction in the fair value of inventory of £0.4m.

The revised fair value of assets acquired and liabilities assumed on the Link Healthcare acquisition were as follows:

(In £m)	Restated
Intangible assets	17.1
Investment in joint venture	7.0
Property, plant and equipment	0.6
Inventories	6.9
Trade and other receivables	6.6
Cash	1.9
Trade and other payables	(6.3)
Provision for deferred tax	(5.4)
Net assets acquired	28.4
Goodwill arising on acquisition	23.1
Total consideration	51.5

The total consideration of £51.5m initially used to calculate goodwill arising on acquisition, was made up of initial consideration of £43.7m and contingent consideration of £7.8m, being the discounted expected deferred payment which would be payable in October 2017. This contingent consideration was subject to performance against target EBITA and is calculated based on the expected results of Link Healthcare during that period taking into account its historical track record and financial forecasts.

The contingent consideration is included in the Group balance sheet in current trade and other payables. At 30 June 2017, the re-measurement of the contingent consideration increased the liability to £37.6m resulting in a charge to the income statement of £27.0m. This increase is shown in finance costs as the primary reason for the increase is the depreciation of sterling against the local functional currencies since October 2015.

The fair value of acquired inventories represents inventories valued at the sale price in line with IFRS 3 less provision for obsolescence and slow moving inventory following the application of Clinigen's group accounting policies. This provision takes account of the condition of inventory, the remaining expiry period and applies assumptions around expected future demand for the inventory.

The goodwill of £23.1m arising from the acquisition represents the geographical expansion potential provided through access to the South Africa and APAC markets, and the benefit of having local in-house regulatory expertise and distribution capabilities. None of the goodwill is expected to be deductible for income tax purposes.

10. Post balance sheet events

On 13 September 2017, the Group announced the proposed acquisition of Quantum valued at 82p per Quantum share (37p in cash and 0.0405 new Clinigen shares) totalling £150.3m for the entire diluted share capital. It is intended that the acquisition will be effected by means of a court-sanctioned scheme of arrangement which is subject to the agreement by Quantum shareholders.

To finance this proposed acquisition, the Group's bank facility has been extended for 5 years to 2022 and increased to £200m, with an option to increase the facility to £220m for 12 months exercisable on completion of the Quantum acquisition. The term loan has been repaid in full with the extended facility consisting entirely of RCF. In the event that the acquisition does not complete, the bank facility will revert back to £122m.