Uniphar plc
2019 Preliminary Results

Uniphar plc a diversified healthcare services business announces its preliminary results for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

Year ended 31 December[1]	**2019 €'000**	2018 €'000	Growth: Reported %	Growth: Constant currency[2] %
Revenue	**1,665,283**	1,417,895	17.4%	17.3%
Gross profit	**180,602**	115,717	56.1%	55.9%
Commercial & Clinical	**76,754**	35,378	117.0%	116.6%
Product Access	**17,199**	10,338	66.4%	65.5%
Supply Chain & Retail	**86,649**	70,001	23.8%	23.8%
Gross margin % (Group)	**10.8%**	8.2%		
EBITDA	**58,555**	32,237	81.6%	81.4%
EBITDA excluding impact of IFRS 16[3]	**48,022**	32,237	49.0%	48.8%
Operating profit	**28,207**	15,826	78.2%	77.7%
Profit before tax excluding exceptional items	**31,770**	20,479	55.1%	55.0%
Net bank cash/(debt)	**26,622**	(152,880)		
Basic EPS (cent)	**11.5**	7.3		
Adjusted EPS (cent)	**14.3**	15.0		

- Gross profit increase of 56% to €180.6m (7% on an organic basis).
- EBITDA[3] increase of 49%, from €32.2m to €48.0m.
- Return on capital employed for the year was 14.7%. (2018: 15.3%)
- Net bank cash of €26.6m as at 31 December 2019 (2018: net bank debt of €152.9m).
- Dividend of €2.0m proposed in respect of period from IPO to 31 December 2019, subject to approval at AGM.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Strong gross profit **growth across all trading divisions and geographies**, with 7% organic growth.
- **52% of gross profit from growth divisions** (Commercial & Clinical and Product Access): driving Group gross margin from 8.2% to 10.8%.
- **IPO Complete in July 2019:** successful dual listing on the Euronext Growth (Dublin) and AIM (London) markets.
- **Durbin Acquisition:** key strategic acquisition of Durbin[4] completed providing a global platform in Product Access and integration progressing in line with plan.
- **Entry into the Nordics:** important milestone achieved with Uniphar's successful entry into the Nordics through the acquisition of EPS Group[5].

1. *Additional information in relation to Alternative Performance Measures (APMs) are set out on pages 46 to 49.*
2. *Constant currency growth is calculated by applying the prior period's actual exchange rate to the current period's result.*
3. *IFRS 16 "Leases" was adopted from 1 January 2019. For comparative purposes, EBITDA has also been presented excluding the impact of the adoption of IFRS 16.*
4. *Durbin plc and Durbin inc ("Durbin").*
5. *EPS Vascular AB, EP Endovascular AB and EPS Vascular OY ("EPS Group").*

Ger Rabbette, Uniphar Group Chief Executive Officer said:

"Our 2019 results reflect a very strong performance by the Group, with €48m EBITDA in line with the Board expectations. We have achieved 56% growth in reported gross profit, 7% of which is organic. Our Product Access and Commercial & Clinical divisions continue to be the key growth engines for the Group and for the first time contributed over 50% of gross profit. Supply Chain & Retail saw strong volume growth outperforming the market.

The successful IPO of Uniphar in July provided the Group with a robust capital structure and strong liquidity at year end.

As previously advised, we continue to monitor and respond to Covid–19 developments, cognisant of the vital role Uniphar plays in the healthcare ecosystem, in terms of maintaining continuity in the supply and distribution of much needed medicines, medical devices and related services.

Our highly committed staff are managing the situation with dedication and resilience and will continue to be essential in delivering our strategy in the medium term.

Our strategic developments in 2019 have positioned us well to achieve our strategic objective of doubling EBITDA within 5 years of IPO."

Analyst presentation

A presentation for investors and analysts will be held by conference call at 9am, today, 27 March 2020. To register for the call please visit www.uniphar.ie .

A copy of the presentation and announcement will be available on our website at the time of the call.

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About Uniphar Group plc

Headquartered in Dublin, Ireland, Uniphar plc is an international diversified healthcare services business servicing the requirements of more than 200 multinational pharmaceutical and medical technology manufacturers across three divisions – Commercial & Clinical, Product Access and Supply Chain & Retail. With a workforce of more than 2,200, the Group is active in Ireland, the UK, Benelux, the Nordics and the US.

The Group's vision is to improve patient access to pharmaco–medical products and treatments by enhancing connectivity between manufacturers and healthcare stakeholders. Uniphar represents a strong combination of scale, growth and profitability.

Commercial & Clinical

In Commercial & Clinical the Group provides sales, marketing & distribution solutions to multinational pharmaceutical and medical device manufacturers on an outsourced basis. Active in Ireland, the UK, Benelux, and the Nordics, the Group is growing with its clients to provide pan–European solutions. Uniphar has built a fully integrated multi–channel solution that is supported by highly experienced, clinically trained teams to deliver exceptional outcomes for all clients.

Product Access

In Product Access the Group is growing two distinct service offerings: 1) "On Demand Access", which are pharmacy led solutions for sourcing and supplying unlicensed medicines to meet the needs of both retail and hospital pharmacists; and 2) "Exclusive Access", which are manufacturer led solutions for controlling the release of speciality medicines for specifically approved patient populations in agreed markets. The Group currently delivers product access solutions to more than 160 countries globally.

Supply Chain & Retail

Uniphar is an established market leader in Ireland with c.50% market share in the wholesale/hospital market, supported by a network of 287 owned, franchised and symbol group pharmacies. The business supports the diverse customer base through the provision of strong service levels coupled with innovative commercial initiatives. Supply Chain & Retail is an Irish only business for the Group, although the manufacturer relationships and infrastructure are utilised for the benefit of the growth divisions.

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 Uniphar Group. 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 projections and forward–looking statements. Any of the assumptions underlying these projections and forward–looking statements could prove inaccurate or incorrect and therefore any results contemplated in the projections and forward–looking statements may not actually be achieved. Recipients are cautioned not to place undue reliance on any projections and forward–looking statements contained herein. Except as required by law or by any appropriate regulatory authority, Uniphar Group undertakes no obligation to update or revise (publicly or otherwise) any projection or forward–looking statement, whether as a result of new information, future events or other circumstances.

Overview

2019 was a transformative year for Uniphar and a significant milestone in our history. Having successfully completed our listings in Dublin and London in July, we are now well positioned to deliver the Group's strategy of doubling 2018 pro–forma EBITDA within five years from IPO.

The structures are in place for our two growth divisions, Commercial & Clinical and Product Access, and the Group has made great progress against its strategic objectives, with the acquisition of Durbin and the entry into the Nordic market. In 2019, the growth divisions delivered 52% of the Group's gross profit, increasing from 40% in 2018. Additionally, gross profit generated from outside of Ireland more than doubled in the year, with the expansion of the pan–European footprint in Commercial & Clinical, and the global platform now in place in Product Access following the acquisition of Durbin.

The Uniphar platform seeks to provide Commercial & Clinical and Product Access solutions to meet the growing needs of pharmaceutical and medical device manufacturers across the lifecycle of their products and is underpinned by the following structural growth drivers:

- More complex manufacturer needs for commercialisation and distribution of speciality pharmaceutical and medical device products.
    - By 2023 speciality pharma is forecast to grow to 50% of total global pharma sales by value (from 11% in 1997 and 43% in 2017).
- Continued strong growth in outsourcing of non–core activities by manufacturers, including the commercialisation of speciality products and access to niche markets.
    - The European contract sales outsourcing market is forecast to grow from €1.6b in 2018 to €2.3b in 2022.
- Highly fragmented European market for the commercialisation and supply of pharmaceuticals and medical devices.
    - Individual country regulatory regimes and cultures (language etc.) make Europe a very challenging geography for manufacturers to serve.

Key to the delivery of this strategy has been;

1. The formation of a medical device operating unit within Commercial & Clinical through the acquisition of Sisk Healthcare in 2018;
2. The acquisitions of medical device distributors EPS Group and M3 Medical in 2019, adding to the acquisitions of Sisk Healthcare, Macromed and Angiocare in 2018;
3. The expansion into the Nordics through the acquisition of EPS Group; and
4. The acquisition of Durbin in July 2019, a specialist supplier of pharmaceuticals with offices in the UK and the US, providing a global platform in Product Access, delivering to over 160 countries in both the On Demand and Exclusive Access sectors.

The Group has strong established relationships with 7 of the top 10 pharma companies and 6 of the top 10 medical device companies. Following the completion of the Durbin acquisition, Uniphar has a workforce in excess of 2,200 across Europe and the US and delivers unlicensed and specialty medicine to over 160 countries.

Group revenues increased by 17% to €1,665.3m (2018: €1,417.9m). Gross profit increased by 56% to €180.6m (2018: €115.7m), driven by 7% organic gross profit growth, the full year benefit of the Group's 2018 acquisitions and a contribution from acquisitions in 2019. The improvement in the Group's gross margin, from 8.2% to 10.8% is primarily driven by the strategy of expanding into higher growth, higher margin businesses.

This has resulted in strong EBITDA performance of €48.0m (2018: €32.2m). These figures are stated excluding the adoption of IFRS 16 ("Leases"), which increases the Group's reported EBITDA by €10.6m to €58.6m. Basic EPS is now 11.5 cent per share increasing from 7.3 cent in 2018, with adjusted EPS of 14.3 cent in 2019, compared to 15.0 cent in 2018. The lower adjusted earnings per share in 2019 reflects the improved underlying trading performance of the Group, offset by the increase in the weighted average number of shares in issue during the year as a result of the IPO. Adjusted EPS for 2019 was 10.1 cent when calculated on the basis that all IPO and Sisk warrant shares are in issue for the full year, the comparable figure in 2018 calculated on the same basis would be 6.9 cent.

Return on capital employed ("ROCE") for the period was 14.7%, performing at the upper end of the Group's medium–term target.

Following a strong cash performance during the year and our successful IPO, the Group now has a positive net bank cash position of €26.6m (2018: net bank debt €152.9m).

The strategic priority continues to be on expanding the Group's pan–European commercial offering and developing its global Product Access capabilities to meet the increasing needs of speciality products and innovative medical technologies.

Current trading and outlook

Having delivered an excellent year in 2019, we are well positioned to deliver the plan in the coming year, excluding any potential disruption due to Covid-19.

While we continue to monitor ongoing Covid-19 developments, performance is ahead of our expectations for the first two months of 2020, and there has been limited disruption to our business up to now. As we prepare for the full impact of the Covid-19 crisis, we expect to continue to see increased volumes across the Group, with likely increases in cost to serve as we invest in additional resources to manage significantly higher volumes, while at the same time dealing with reduced availability of manpower due to potential sick leave, self-isolation or quarantine situations arising. Due to reprioritisation of resources within hospitals and other healthcare facilities we are preparing for a possible delay in medical device revenue if certain 'non-urgent' elective surgeries have to be postponed. Using currently available information our best estimate, of a three month disruption, could result in a reduction of 2020 EBITDA in the region of €5m. We would, however, expect that this would be recovered in future periods as and when healthcare systems return to normal.

Outside of Covid-19 preparedness, our priorities for 2020 include the continued integration of Durbin and growth of Product Access, continued integration of our Commercial & Clinical acquisitions, further geographic expansion and to further grow our market share in Supply Chain & Retail. Uniphar is well positioned to deliver continued organic growth across all divisions in line with its medium–term outlook, with the additional benefit of the full year impact of recent bolt–on acquisitions. Our medium-term divisional organic gross profit growth guidance remains unchanged:

- Product Access: Double digit
- Commercial & Clinical: Mid single digit
- Supply Chain & Retail: Low single digit

We are confident we have the strategy, the market opportunity, the platform, the competitive edge, and the team in place to double 2018 pro–forma EBITDA within five years from IPO.

Acquisitions and integration

During the year, Uniphar completed one key strategic acquisition to build a global platform for Product Access, two Commercial & Clinical acquisitions as part of the strategy to expand our pan–European footprint and the acquisition of 17 retail pharmacies in Supply Chain & Retail.

Commercial & Clinical

The acquisitions of M3 Medical and EPS Group continue the pan–European growth strategy of Commercial & Clinical and marks the Group's entry into the Nordic market.

The combination of these acquisitions and the Group's existing medical device businesses, ensures Uniphar is one of the largest independent sales, marketing and distribution companies in our targeted speciality medtech and pharma sectors. Commercial & Clinical now has a significant pan–European footprint across Ireland, the UK, Benelux, and the Nordics.

Product Access

Durbin represents a strategic acquisition for the Group, providing the platform for Uniphar to become a leading global player in the provision of On Demand and Exclusive Access services. Durbin has approximately 45 years' experience in shipping unlicensed and hard–to–find medicines and has built up significant global capability in managing access programmes for pharmaceutical manufacturers. The acquisition provides Product Access with global capabilities in particular in the areas of regulatory expertise, distribution, sourcing and sales. Through their offices in key hubs in the UK and the US, Durbin ship medicinal products to over 160 countries across the globe, Uniphar's distribution facilities in Ireland further enhances the Durbin proposition, particularly post Brexit.

Supply Chain & Retail

During 2019, the Group completed the acquisition of 17 retail pharmacies which have been operating under the Allcare and Life brands throughout the Republic of Ireland. These newly acquired pharmacies, along with the pharmacies acquired as part of the Bradley's acquisition in 2018, have achieved strong gross profit growth year on year, demonstrating the expertise, support and purchasing power which the Uniphar symbol group offering brings to pharmacies under its management.

Uniphar IPO

The Group successfully listed on the AIM and Euronext Growth markets of the London Stock Exchange and Euronext Dublin, respectively on 17 July 2019. The IPO price was set at €1.15 per share, and the market capitalisation on the day of Admission was approximately €310m. The total gross proceeds from the IPO of €139.4m will enable the implementation of the Group's medium–term strategy.

Principal Risks & Uncertainties

The Group's Risk Management Policy provides the framework to identify, assess, monitor and manage the risks associated with the Group's business. It is designed to enable the Group to meet its business objectives by appropriately managing, rather than eliminating, these risks. The principal risks and uncertainties faced by the Group were outlined in our IPO Admission Document (pages 44 – 56). The principal risks and uncertainties for the current financial year are summarised below.

- Covid–19 – Business disruption arising out of the spread of the Covid–19 virus. This includes, but is not limited to, supply chain disruption, postponement of certain elective surgeries, curtailment of travel and impact on staff.
- Brexit – Uncertainty and complexities as to the future fiscal and regulatory landscape in the United Kingdom may have a negative impact on supply and trade.
- Acquisitions – Failure by the Group to identify, complete and integrate acquisitions successfully may directly impact the Group's projected growth.
- Economic & geopolitical risk – The global macroeconomic, regulatory, political and legal environment may impact the markets in which we operate and in turn our client and supplier base.

- Key personnel & succession planning – Failure to attract, retain and develop the skills and expertise of key individuals.
- Market perception & reputational risk – Failure to deliver in line with market expectations may result in reputational damage.
- IT systems – Interruption or downtime may have a negative impact on the Group's operations, financial conditions and competitive position.
- Cybercrime - Failure to protect against a cyber-attack could lead to a breach in security.
- Business interruption – External factors such as, natural disasters, environmental hazard or industrial disputes may result in potential lost sales and loss of customer loyalty.
- Health & safety - Failure to implement and follow proper health and safety procedures may have adverse effects on employees or patients.
- Laws, regulations & compliance - Failure to operate under any of the stringent laws and regulations the Group is subject to could result in financial penalties, reputational damage and risk to business operations.
- Foreign currency – The Group operates outside the Eurozone and, therefore is exposed to foreign exchange risk.
- Treasury - The Group is exposed to liquidity, interest rate and credit risks.
- Inventory losses & provisions - Inventory losses may occur due to theft, loss, fire, spoilage of stock and obsolescence.

Operational overview

Commercial & Clinical

			Growth	
Year ended 31 December	**2019 €'000**	2018 €'000	Reported %	Constant currency %
Revenue	**204,031**	102,558	98.9%	98.5%
Gross Profit	**76,754**	35,378	117.0%	116.6%
Gross Profit Margin	**37.6%**	34.5%	312bps	

The adoption of IFRS 16 'Leases' from 1 January 2019 has resulted in an increase in reported gross profit of €1.1m.

Overview

Commercial & Clinical provides outsourced sales, marketing and distribution solutions to pharmaceutical and medical device manufacturers. The division is focused on the commercialisation of speciality brands and on building a pan–European presence. With a workforce of over 900 across Europe, supporting more than 200 brands for 70 key pharmaco–medical manufacturer clients, Commercial & Clinical represents 42% of the Group's gross profit in 2019.

2019 Performance

Reported gross profit has more than doubled in 2019. This has primarily been achieved through:

- The benefit of a full year of earnings from Sisk Healthcare and Angiocare.
- Scaling the division and expansion in Europe, entering Benelux (2018) and Nordics (2019).
- Organic growth of 5% through focusing on growing our customer base in existing geographies and bringing existing customers into new geographies.
- Increasing the number of HCP interactions by approximately 70% in 2019 to over 580k interactions.
- Strong organic growth of 16% in pharma. This is driven primarily across Ireland and the UK with a combination of leading and emerging pharmaceutical clients.
- Growth in our multi–channel enabled solutions which is underpinned by a suite of digital capabilities (organic growth of 35% for the year in digital).
- We now represent 23 manufacturers in more than one geography.

Medtech

Uniphar provides a fully integrated solution for our clients across sales, marketing and distribution of medical devices. We are focused on building in–depth therapeutic expertise across several high value market opportunities. Medtech has grown significantly through the acquisitions of Sisk Healthcare, Macromed (UK) and Angiocare (Benelux) in 2018. In 2019, the business expanded into the Nordics through the acquisition of EPS Group. The 2018 acquisitions have been successfully integrated and are performing well, with the Nordics integration underway.

The medtech business has represented 90% of its top 20 clients for more than nine years, with significant opportunity for organic growth on a pan–European basis.

Pharma

Our pharma business unit focusses on providing insight–driven, multi–channel solutions for pharmaceutical partners. This allows Uniphar to engage with healthcare professionals in a manner which is most convenient for them and to deliver clear, targeted information that helps them to understand better how a particular specialist product might benefit their patient cohort. Uniphar's digital solutions provide a compelling alternative to in–house sales or procuring a more traditional CSO solution. In 2019, our multi–channel digitally enabled solutions grew organically by 35%.

Outlook

The expansion into Benelux and the Nordic markets have been successful and provides the opportunity to grow long–standing manufacturer partners into new geographies as well as providing a multi geography platform to new clients. In the medium term, the Group is focused on identifying further bolt on acquisitions in European markets to further grow our pan–European platform. Due to ongoing Covid-19 developments, hospitals and other healthcare facilities may reprioritise resources and as such we are preparing for a possible delay in medical device revenue if certain 'non-urgent' elective surgeries have to be postponed. We would, however, expect that this would be recovered in future periods as and when healthcare systems return to normal. In Pharma, our mutli-channel account management and digital capabilities are proving valuable and offer the Group alternatives to in-person visits across our contract sales teams.

Product Access

			Growth	
Year ended 31 December	**2019 €'000**	2018 €'000	Reported %	Constant currency %
Revenue	**132,245**	74,416	77.7%	76.5%
Gross Profit	**17,199**	10,338	66.4%	65.5%
Gross Profit Margin	**13.0%**	13.9%	(89)bps	

Overview

Product Access specialises in two primary business areas: (i) On Demand Access, i.e. sourcing and supplying unlicensed and difficult to source medicines for specialist importers and pharmacy customers, and (ii) Exclusive Access, i.e. managing the release of speciality medicines for pharmaceutical manufacturers to specific, approved patient populations.

2019 Performance

The division delivered 66% reported gross profit growth in 2019. This was driven by:

- The acquisition of Durbin in 2019 which provides a global platform for Product Access, expanding our reach to over 160 countries while adding significant capability in regulatory affairs, compliance and logistics on a global basis.
- Strong organic growth of 16% underpinned by a workforce of now more than 170, supplying more than 5 million units to over 160 countries on an annual basis.
- Managing some of the highest profile and complex Managed Access Programmes globally (over 40 MAPs).
- Uniphar's digital platform was a key growth driver for the year with now over 30,000 patients enrolled and over 7,000 products available for retail and hospital pharmacy customers to access easily.

On Demand

The On Demand service offering provides access to unlicensed or difficult to source medicines. A team of pharmacy technicians and specialist colleagues consult with customers on their requirements, providing a value–added service to pharmacists and working with them to source medicines to offer solutions to their patients. Uniphar's e–commerce platform enables this demand to be met in a highly efficient way with over 7,000 products presently listed.

Uniphar through Durbin has now positioned itself as a major supplier of unlicensed medicines to specialist importers around the globe. The integration of Durbin has given Uniphar a far reaching customer network for unlicensed medicines which enables the continued growth of our geographic footprint and global capabilities.

Exclusive Access
Uniphar's administration of MAPs allow pharmaceutical companies to provide medicines to patients when a product has not yet been licensed in a jurisdiction, or has been licensed, but is not yet eligible for reimbursement by the relevant authority.

Some of the higher profile MAPs we are currently managing include:

1. Global MAP to treat spinal muscular atrophy in infants (gene therapy).
2. Global MAP for a medicinal cannabis treatment.
3. European MAP for an epilepsy therapy early access program across Europe.

Outlook
Uniphar's ability to offer an integrated solution to manage speciality products across their entire lifecycle is a key differentiator and allows us to fill the role of a trusted global partner for manufacturers, particularly in the case of specialist and orphan drugs which tend to require bespoke solutions and a high level of expertise. The combination of strong relationships, market leading digital platforms and strong financial management capabilities, together with Durbin's excellence in global regulation and distribution, provides a compelling offering to manufacturers. Covid-19 has not had a negative impact on divisional performance to date and we continue to monitor developments closely.

Supply Chain & Retail Services

			Growth	
Year ended 31 December	**2019 €'000**	2018 €'000	Reported %	Constant currency %
Revenue	**1,329,007**	1,240,921	7.1%	7.1%
Gross Profit	**86,649**	70,001	23.8%	23.8%
Gross Profit Margin	**6.5%**	5.6%	88bps	

Overview
Supply Chain & Retail operates two divisions 1) pre–wholesale and wholesale and 2) retail pharmacy. Uniphar operates in a highly concentrated Irish pre–wholesale and wholesale market. We are an established market leader in supply chain in Ireland with c.50% of the wholesale market servicing retail and hospital pharmacies, supported by a network of 287 owned and franchised pharmacies and symbol group members. There are c.1,800 pharmacies in Ireland of which approximately 65% are independent. The Uniphar symbol group of pharmacies, offer a service focused on enabling community pharmacists to compete with the larger and multi–national owned chains, supporting them with services such as a B2B e–commerce hub, and a range of consumer and own brand products. Experienced teams also provide advice and support on retail category development through a strong focus on training and category management and a range of other back office support services including regulatory audit support, claims and marketing.

The Group provides an essential national service supplying medicines to pharmacies and hospitals in Ireland, the importance of which is highlighted during the ongoing Covid–19 crisis. The Group has built on its market leading position with a workforce of close to 1,200, a high-tech distribution complex of over 160,000 sq. ft., and a bespoke distribution facility of over 100,000 sq. ft.

2019 Performance

This division delivered 23.8% growth in reported gross profit for the year. This was underpinned by organic gross profit growth of 8%, outperforming our expectations. Key drivers include:

- Significant uplift in the profitability of the Bradley's chain of pharmacies which was acquired in 2018 (distressed at time of acquisition).
- Volume growth of 12%, which significantly outperformed the market rate of 4%.
- Return on investments in owned retail pharmacies and the development of select consumer brands, both of which have been successful, with retail sales growing by 142% and consumer sales growing by 27% year on year.
- Transition of back office and customer facing activities to digital platforms has been highly effective in lowering costs and improving efficiency.
- In August 2019, the Group completed the acquisition of 15 Inischem retail pharmacies, which have been operating under the Allcare brand throughout the Republic of Ireland, with the acquisition of an additional two retail pharmacies completed in Q4 of 2019. These pharmacies, along with the Bradley's pharmacies have been integrated into the Group's existing pharmacy network and have achieved strong gross profit growth year on year. This demonstrates the benefit of the expertise, support and purchasing power which the Uniphar symbol group offering brings to pharmacies under its management.

Outlook

While 2019 outperformed, we expect to return to low single digit growth in 2020 in line with our medium–term guidance. The Group's key assets – high tech distribution facilities, longstanding manufacturer relationships and scalable digital infrastructure were developed within Supply Chain & Retail or from insights based on the division's operations and experienced personnel.

The strategy for Supply Chain & Retail is to continue to leverage these key assets to maintain market leadership in Ireland, while supporting increasing service levels and managing continued operational and financial efficiency within this division.

Covid-19 has not had a negative impact on divisional performance to date and we continue to monitor developments closely. However, the outbreak has demonstrated the significance of the role Uniphar plays in the national healthcare infrastructure in Ireland and also highlighted some of the constraints when demand increases exponentially for a prolonged period. To continue to capitalise on our growth and ensure we can offer a robust service as part of the healthcare infrastructure we will invest in a regional facility in 2020.

Financial Review

Summary financial performance

Year ended 31 December	2019 €'000	2018 €'000	Growth Reported %	Growth Constant currency %
IFRS measures				
Revenue	**1,665,283**	1,417,895	17.4%	17.3%
Gross profit	**180,602**	115,717	56.1%	55.9%
Operating profit	**28,207**	15,826	78.2%	77.7%
Basic EPS (cent)	**11.5**	7.3		
Alternative performance measures				
Gross margin %	**10.8%**	8.2%		
EBITDA	**58,555**	32,237	81.6%	81.4%
EBITDA excluding impact of IFRS 16	**48,022**	32,237	49.0%	48.8%
Adjusted EPS (cent)	**14.3**	15.0		
Net bank cash/(debt)	**26,622**	(152,880)		
Return on capital employed	**14.7%**	15.3%		

Revenue

Revenue growth of 17% across all three divisions, was achieved through a combination of strong organic growth, together with the impact of the 2018 Commercial & Clinical acquisitions, and the acquisition of Durbin during 2019 in Product Access.

Gross profit

The increase in revenues, coupled with significant growth in our gross margin percentage from 8.2% to 10.8% due to improvements in our revenue mix principally in the two growth divisions, contributed to 56% growth in gross profit during the period (7% on an organic basis). The improvement is primarily driven by the strategy of expanding into higher growth, higher margin businesses, with the acquisitions completed during 2018 and 2019, in the two growth divisions, Commercial & Clinical and Product Access. Gross Profit generated from outside of Ireland more than doubled in the year, with the expansion of the pan–European footprint in Commercial & Clinical, and also reflecting the new geographies which we are operating in following the acquisition of Durbin in Product Access.

Divisional gross profit

Year ended 31 December	2019 €'000	2018 €'000	Growth Reported %	Growth Constant currency %
Commercial & Clinical	**76,754**	35,378	117.0%	116.6%
Product Access	**17,199**	10,338	66.4%	65.5%
Supply Chain & Retail	**86,649**	70,001	23.8%	23.8%

EBITDA

Year on year, EBITDA has increased by €15.8m (49%) to €48.0m, benefiting from the increase in gross profit. The impact of the adoption of IFRS 16 resulted in a further increase of €10.6m to €58.6m.

Exceptional items

Exceptional costs incurred during the year of €5.3m are primarily due to acquisition related costs, and costs associated with our IPO, and are partially offset by the release of deferred contingent consideration following a review of the expected performance against earn–out targets. See note 3 in the financial statements for further details.

Earnings per share

The basic earnings per share amounted to 11.5 cent, increasing from 7.3 cent in 2018, with the increase driven by the improved trading performance of the Group and the reduction in exceptional costs in 2019.

Adjusted earnings per share reduced to 14.3 cent in 2019, from 15.0 cent in 2018. The lower adjusted earnings per share in 2019 reflects the improved underlying trading performance of the Group, offset by the increase in the weighted average number of shares in issue during the year as a result of the IPO.

The weighted average number of shares in 2019 was 183,546,000 compared to 119,044,000 in 2018, following our successful IPO in July. The full year dilutionary impact of the IPO on the weighted average number of shares will come through in 2020.

Impact of IFRS 16 'Leases'

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Group has applied IFRS 16 from its effective date using the cumulative catch up approach. The adoption of IFRS 16 has resulted in cost of sales reducing by €1.1m, and operating expenses reducing by €9.4m for the year ended 31 December 2019, as before IFRS 16, accounting standards required the recognition of operating lease expenses in the Income Statement.

Depreciation and finance costs as currently reported in the Group Income Statement have increased by €9.5m and €2.6m respectively, as under the new Standard the right–of–use asset has been capitalised and is now being depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

On adoption at 1 January 2019, a right–of–use asset of €80.9m has been recognised in the Group Balance Sheet included within property, plant and equipment, with a corresponding lease liability recognised for this amount in the Group Balance Sheet.

Cash flow and net debt

2019 showed a strong cash performance driven by free cash flow conversion of 82.6%, with the Group's net bank cash position being €26.6m (2018: net bank debt €152.9m).

	2019 €'000	**2018 €'000**
Net cash inflow/(outflow) from operating activities	106,997	(8,738)
Net cash outflow from investing activities	(45,644)	(82,005)
Net cash inflow from financing activities	42,148	100,094
Increase in cash and cash equivalents in the year	103,501	9,351
Movement in restricted cash	(210)	210
Cash flow from movement in borrowings	76,211	(111,939)
Movement in net bank cash/(debt)	179,502	(102,378)

The increase in our cash balances of €179.5m reflects the successful completion of the IPO in July 2019, and strong cash generated by our operating activities which includes the successful execution of the non-recourse financing arrangement unlocking €68.0m of cash in Supply Chain & Retail for reinvestment.

The Group has remained focused on strong working capital management, and together with the successful execution of the non–recourse financing arrangement which generated a cash inflow of €68.0m, is reflected in cash generated from our operating activities of €107.0m. Free cash flow conversion in 2019 of 82.6% is calculated excluding the impact of the non-recourse financing arrangement. The high conversion in 2019 reflects one off timing impacts which will unwind in early 2020. The Group's medium-term free cash flow conversion target is 60-70%.

The net cash outflow from investing activities consisted of acquisitions completed during the year of €38.3m, deferred consideration of €1.3m, and capital investment of €6.4m primarily in Commercial & Clinical. The Group completed one strategic (Durbin), and two bolt–on acquisitions (EPS Group, and M3 Medical), as part of our strategy to build a global platform for Product Access and expand the European footprint of Commercial & Clinical. The Group also completed the acquisition of 17 retail pharmacies in Supply Chain & Retail.

Cash generated from financing activities of €42.1m was principally due to the net proceeds from our successful IPO in July of €127.3m. This was partially offset by the repayment of banking facilities (including invoice discounting facilities), and the payment of the principal element of lease liabilities.

Taxation

The effective tax rate has increased from 13% in 2018 to 17% in 2019, primarily due the increase in profits generated from outside of Ireland in higher tax rate jurisdictions. The effective tax rate is calculated as the income tax charge as a percentage of the profit before tax and exceptional items.

Return on capital employed ('ROCE')

The Group's ROCE was 14.7% for the year (2018: 15.3%). Including the impact of IFRS 16, ROCE was 15.2%. This modest decrease in ROCE versus the prior year principally reflects the impact of the substantial acquisition spend during the current and prior year as the Group invested in the growth divisions and entered new geographies.

Dividends

The Board made a commitment at the time of IPO to pay a dividend in 2020 in respect of the period from IPO to 31 December 2019. Following another set of positive results for the Group, the Directors are proposing a final dividend of €2.0m. Subject to approval at the Annual General Meeting, it is proposed to pay the dividend to ordinary shareholders on the Company's register on 1 May 2020.

The Board intends to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long–term earnings potential of the Group.

Non–recourse financing arrangement

In December 2019 the Group entered into a new receivables purchase arrangement with its existing banking partners, which generated a cash inflow of €68.0m. Under the terms of this non–recourse agreement, the Group has transferred substantially all credit risk and control of certain trade receivables mainly within Supply Chain & Retail, unlocking the cashflow value for further reinvestment. For further detail see note 16.

IPO on AIM and Euronext Growth

The Group successfully listed on the AIM and Euronext Growth markets of the London Stock Exchange and Euronext Dublin on 17 July 2019. As part of the placing, 117,391,304 new ordinary shares were issued by the Company, at a listing price of €1.15 per share, resulting in gross share proceeds from the issuance of these ordinary shares of €135.0m. Market capitalisation on the day of Admission was approximately €310m.

Subsequently, on 16 August, the over–allotment option was exercised in respect of 3,818,004 ordinary shares in the Company, resulting in an additional €4.4m of gross proceeds being received by the Company, bringing the total gross proceeds from the placing to €139.4m.

Group Income Statement
for the year ended 31 December 2019

	Notes	2019 Pre–exceptional €'000	2019 Exceptional (note 3) €'000	2019 Total €'000	2018 Pre–exceptional €'000	2018 Exceptional (note 3) €'000	2018 Total €'000
Revenue	2	1,665,283	–	1,665,283	1,417,895	–	1,417,895
Cost of sales		(1,484,681)	–	(1,484,681)	(1,302,178)	–	(1,302,178)
Gross profit		180,602	–	180,602	115,717	–	115,717
Selling and distribution costs		(52,214)	–	(52,214)	(34,870)	–	(34,870)
Administrative expenses		(88,410)	(12,043)	(100,453)	(56,659)	(10,168)	(66,827)
Other operating income		272	–	272	813	993	1,806
Operating profit		40,250	(12,043)	28,207	25,001	(9,175)	15,826
Finance cost	4	(8,480)	6,731	(1,749)	(4,522)	–	(4,522)
Profit before tax		31,770	(5,312)	26,458	20,479	(9,175)	11,304
Income tax expense		(5,537)	–	(5,537)	(2,599)	–	(2,599)
Profit for the financial year		26,233	(5,312)	20,921	17,880	(9,175)	8,705
Attributable to owners				21,026			8,642
Attributable to non–controlling interests				(105)			63
				20,921			8,705
Profit attributable to:							
– Continuing operations				20,921			8,705
Earnings per ordinary share (in cent):	6						
– Basic and diluted – continuing operations				11.5			7.3
Basic and diluted earnings per share (in cent)				**11.5**			**7.3**

Group Statement of Comprehensive Income
for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Profit for the financial year		20,921	8,705
Other comprehensive income/(expense)			
Items that may be reclassified to the Income Statement:			
Unrealised foreign currency translation adjustments		3,815	(315)
Items that will not be reclassified to the Income Statement:			
Actuarial loss in respect of pension scheme		(1,207)	(434)
Deferred tax on Group defined benefit pension schemes		151	(54)
Total comprehensive income relating to the year		23,680	7,902
Total comprehensive income relating to the year			
Attributable to owners		23,785	7,839
Attributable to non–controlling interests		(105)	63
		23,680	7,902
Total comprehensive income attributable to:			
– Continuing operations		23,680	7,902

Group Balance Sheet
as at 31 December 2019

ASSETS	Notes	2019 €'000	2018 €'000
Non–current assets			
Intangible assets	7	275,959	206,978
Property, plant and equipment	8	119,483	23,141
Deferred tax asset		4,972	7,103
Other receivables		1,132	2,106
Employee benefit surplus	11	–	439
Financial assets – Investments in equity instruments		25	25
Financial assets – Long term receivables		–	5,500
		401,571	245,292
Current assets			
Properties held for sale	9	7,985	4,000
Inventory		98,105	76,070
Trade and other receivables		136,780	170,659
Cash and cash equivalents		114,040	10,539
Restricted cash		2,142	2,352
		359,052	263,620
Total assets		760,623	508,912
EQUITY			
Capital and reserves			
Called up share capital presented as equity	10	21,841	9,413
Share premium		176,501	22,489
Other reserves		3,464	(351)
Retained earnings		(20,601)	(31,990)
Attributable to owners		181,205	(439)
Attributable to non–controlling interests		(285)	(180)
Total equity		180,920	(619)
LIABILITIES			
Non–current liabilities			
Borrowings		66,977	84,018
Other non–current payables		545	–
Provisions	12	81,069	52,142
Derivative financial instruments	16	–	27,586
Facility termination fee	16	–	5,122
Employee benefit obligation		45	–
Lease obligations	15	82,901	–
		231,537	168,868
Current liabilities			
Borrowings		22,583	81,753
Trade and other payables		310,500	256,410
Facility termination fee	16	5,000	2,500
Lease obligations	15	10,083	–
		348,166	340,663
Total liabilities		579,703	509,351
Total equity and liabilities		760,623	508,912

Group Cash Flow Statement
for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Operating activities			
Cash inflow/(outflow) from operating activities	14	49,566	(4,897)
Proceeds from non–recourse financing		68,000	–
Interest paid		(3,831)	(2,651)
Interest paid on lease liabilities		(2,637)	–
Corporation tax payments		(4,101)	(1,190)
Net cash inflow/(outflow) from operating activities		106,997	(8,738)
Investing activities			
Payments to acquire property, plant and equipment		(5,585)	(2,880)
Receipts from disposal of property, plant and equipment		9	4,207
Receipts from disposal of assets held for sale		415	–
Payments to acquire intangible assets		(861)	(2,015)
Loans advanced to retail holding and management companies		–	(5,500)
Receipts from disposals/repayments of financial assets		5,359	763
Proceeds from disposal of subsidiary undertakings		–	655
Cash transferred on disposal of subsidiary undertakings		–	(230)
Payments to acquire subsidiary undertakings		(50,533)	(100,746)
Cash acquired on acquisition of subsidiary undertakings		6,860	27,014
Payment of deferred and deferred contingent consideration		(1,403)	(3,490)
Receipt of deferred consideration receivable		95	217
Net cash outflow from investing activities		(45,644)	(82,005)
Financing activities			
Issue of partly paid share capital	10	17	246
Proceeds from calling of unpaid element of partly paid share capital	10	1,211	–
Proceeds from IPO equity issue	10	139,391	–
IPO cash exceptional costs		(3,493)	–
IPO cash exceptional costs – recognised directly in equity		(8,581)	–
Proceeds from borrowings		–	89,500
Repayments of borrowings		(6,869)	(20,334)
Net (decrease)/increase in invoice discounting facilities		(69,342)	33,468
Net movement in restricted cash		210	–
Payment of deferred consideration		–	(286)
Payment of facility termination fee	16	(2,500)	(2,500)
Principal element of lease payments		(7,896)	–
Net cash inflow from financing activities		42,148	100,094
Increase in cash and cash equivalents in the year		103,501	9,351
Opening balance cash and cash equivalents		10,539	1,188
Closing balance cash and cash equivalents		114,040	10,539

Group Statement of Changes in Equity
for the year ended 31 December 2019

	Note	Share capital €'000	Share premium €'000	Foreign currency translation reserve €'000	Revaluation reserve €'000	Capital redemption reserve €'000	Retained earnings €'000	Attributable to non–controlling interests €'000	Total shareholders' equity €'000
At 1 January 2018		9,055	20,675	(797)	1,400	60	(40,844)	(271)	(10,722)
Profit for the financial year		–	–	–	–	–	8,642	63	8,705
Other comprehensive expense:									
Re–measurement loss on pensions (net of tax)		–	–	–	–	–	(488)	–	(488)
Movement in foreign currency translation reserve		–	–	(314)	–	–	–	(1)	(315)
Transactions recognised directly in equity:									
Non–controlling interest of acquired net assets		–	–	–	–	–	–	29	29
Transfer of revaluation reserve		–	–	–	(700)	–	700	–	–
Issue of fully paid share capital		112	1,814	–	–	–	–	–	1,926
Issue of partly paid share capital		246	–	–	–	–	–	–	246
At 31 December 2018		9,413	22,489	(1,111)	700	60	(31,990)	(180)	(619)
At 1 January 2019		9,413	22,489	(1,111)	700	60	(31,990)	(180)	(619)
Profit for the financial year		–	–	–	–	–	21,026	(105)	20,921
Other comprehensive (expense)/income:									
Re–measurement loss on pensions (net of tax)		–	–	–	–	–	(1,056)	–	(1,056)
Movement in foreign currency translation reserve		–	–	3,815	–	–	–	–	3,815
Transactions recognised directly in equity:									
Issue of partly paid share capital	10	17	–	–	–	–	–	–	17
Issue of fully paid share capital	10	1,211	–	–	–	–	–	–	1,211
Exercise of derivative financial instrument	16	1,503	24,318	–	–	–	–	–	25,821
Issuance of share capital	10	9,697	129,694	–	–	–	(8,581)	–	130,810
At 31 December 2019		21,841	176,501	2,704	700	60	(20,601)	(285)	180,920

Notes to the Consolidated Financial Statements

Basis of preparation

The preliminary results announcement was approved by the Board of Directors. The Annual Report and financial statements will be approved by the Board of Directors and reported on by the auditors in due course. The 2019 financial information set out in this document is unaudited does not constitute full statutory financial statements. The comparative 2018 financial information set out in this document has been extracted from the audited financial statements of Uniphar plc for the financial year ended 31 December 2018. The consolidated financial statements of Uniphar plc and its subsidiaries (the 'Group') have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS, as adopted by the EU. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB), as adopted by the EU and as applied in accordance with the Companies Acts 2014.

The financial information in the consolidated financial statements has been prepared on a basis consistent with that adopted for the year ended 31 December 2018. With the exception of our accounting policy for leases under IFRS 16 which is detailed in note 1, the accounting policies applied in these consolidated financial statements are the same as those applied in the 2018 Annual Report.

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. With the exception of the adoption of IFRS 16 "Leases" which is discussed in note 1, the areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Group's Annual Report for the year ended 31 December 2018 in note 1 on pages 52 and 53.

The Group's consolidated financial statements are prepared for the year ended 31 December 2019. The consolidated financial statements incorporate the Company and all of its subsidiary undertakings. A subsidiary undertaking is consolidated by reference to whether the Group has control over the subsidiary undertaking. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Uniphar plc is incorporated in the Republic of Ireland under registration number 224324 with a registered office at 4045 Kingswood Road, Citywest Business Park, Co. Dublin, D24 V06K.

Going Concern

The Directors have made appropriate enquiries and carried out a thorough review of the Group's forecasts, projections and available banking facilities, taking account of possible changes in trading performance and considering business risk.

In light of the ongoing Covid-19 developments, the Group has performed an impact assessment taking into account expected impacts of the pandemic. Uniphar plays a significant role in the healthcare sector and is classified as part of the critical infrastructure by the national Government, ensuring continuity in the supply and distribution of much needed medicines, medical devices and related services. We expect to continue to see increased volumes in Supply Chain & Retail, with likely increases in costs due to investment in additional resources to manage significantly higher volumes. Due to reprioritisation of resources within hospitals and other healthcare facilities the Group are preparing for a possible delay in Commercial & Clinical revenue if certain 'non-urgent' elective surgeries have to be postponed.

In preparing the impact assessment a number of scenarios were considered including the impact of the pandemic over an extended period of up to 12 months. The key assumptions within each of these scenarios include increased volumes and costs for a limited period within Supply Chain & Retail, a reduction in

Commercial & Clinical revenues with no corresponding reduction in costs, and no negative impact within Product Access. In all of these scenarios the assessment indicates that there is no impact on the underlying ability to meet debt repayments, comply with banking covenants and retain sufficient liquidity to meet our financial obligations as they fall due.

There are over three years remaining on our existing banking facility, ensuring the Group has access to capital on an ongoing basis. Following our successful IPO in July 2019, together with strong cash generation, and the execution of the non-recourse financing arrangement, the Group has a robust capital structure, with unrestricted cash of €114.0m, and a positive net bank cash position of €26.6m at 31 December 2019.

Having regard to the factors noted above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

New Standards, Amendments and Interpretations

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long–term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. This is the first set of the Group's financial statements where IFRS 16 has been applied. Changes in significant accounting policies are described in note 1. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

1. Changes in significant accounting policies

IFRS 16, published in January 2016 and effective on 1 January 2019, replaces the existing guidance in IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months and depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group has applied the cumulative catch up approach and as a result there was no retrospective adjustment required.

The Group has assessed the impact on its consolidated financial statements resulting from the application of IFRS 16. The adoption of this new standard at 1 January 2019 had a material impact on the Group Income Statement and Balance Sheet as follows:

Income Statement

The adoption of IFRS 16 has resulted in cost of sales reducing by €1.1m, and operating expenses reducing by €9.4m for the year ended 31 December 2019, as the Group previously recognised operating lease expenses in either cost of sales or operating expenses (depending on the nature of the lease).

Depreciation and finance costs as currently reported in the Group Income Statement have increased by €9.5m and €2.6m respectively, as under the new Standard the right–of–use asset has been capitalised and is now being depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

Balance Sheet

At the transition date the Group has assessed all lease commitments outstanding at that date and applied the appropriate discount rate to calculate the present value of the lease commitment. The Group adopted IFRS 16 by applying the cumulative catch up approach as permitted by the Standard.

The Group has entered into leases for a range of assets, including property, plant and equipment and motor vehicles. The Group has elected to apply the recognition exemption for both short–term and low–value leases.

On adoption of IFRS 16 at 1 January 2019, a right–of–use asset of €80.9m has been recognised in the Group Balance Sheet included within property, plant and equipment, with a corresponding lease liability recognised for this amount in the Group Balance Sheet.

	€'000
Operating lease commitments disclosed as at 31 December 2018	64,773
Discounted using the group's incremental borrowing rate of 3.1%	(10,197)
Add: adjustments as a result of a different treatment of extension and termination options	26,287
Lease liability recognised as at 1 January 2019	80,863
Lease liabilities recognised at 1 January 2019:	
Current	6,245
Non–current	74,618
	80,863

2019 Accounting policy under IFRS 16

The Group leases various properties, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 30 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right–of–use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right–of–use asset is depreciated over the right–of–use assets useful life on a straight–line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in–substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate which is calculated using a portfolio approach, based on the nature of the lease. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.1%.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Excluded initial direct costs from measuring the right–of–use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Right–of–use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Payments associated with leases of low–value assets are recognised on a straight–line basis as an expense in profit or loss.

Low–value assets comprise IT–equipment, small items of office furniture, and in–store equipment in our retail pharmacies.

Impact on the Group Balance Sheet
as at 1 January 2019

ASSETS	As reported 31 December 2018 €'000	IFRS 16 impact €'000	Adjusted Opening Balance Sheet €'000
Non–current assets			
Intangible assets	206,978	–	206,978
Property, plant and equipment	23,141	80,863	104,004
Deferred tax asset	7,103	–	7,103
Other receivables	2,106	–	2,106
Employee benefit surplus	439	–	439
Financial assets – Investments in equity instruments	25	–	25
Financial assets – Long term receivables	5,500	–	5,500
	245,292	80,863	326,155
Current assets			
Properties held for sale	4,000	–	4,000
Inventory	76,070	–	76,070
Trade and other receivables	170,659	–	170,659
Cash and cash equivalents	10,539	–	10,539
Restricted cash	2,352	–	2,352
	263,620	–	263,620
Total assets	508,912	80,863	589,775
EQUITY			
Capital and reserves			
Called up share capital presented as equity	9,413	–	9,413
Share premium	22,489	–	22,489
Other reserves	(351)	–	(351)
Retained earnings	(31,990)	–	(31,990)
Attributable to owners	(439)	–	(439)
Attributable to non–controlling interests	(180)	–	(180)
Total equity	(619)	–	(619)
LIABILITIES			
Non–current liabilities			
Borrowings	84,018	–	84,018
Provisions	52,142	–	52,142
Derivative financial instruments	27,586	–	27,586
Lease obligations	–	74,618	74,618
Facility termination fee	5,122	–	5,122
	168,868	74,618	243,486
Current liabilities			
Borrowings	81,753	–	81,753
Trade and other payables	256,410	–	256,410
Lease obligations	–	6,245	6,245
Facility termination fee	2,500	–	2,500
	340,663	6,245	346,908
Total liabilities	509,531	80,863	590,394
Total equity and liabilities	508,912	80,863	589,775

The following tables summarise the impact of the adoption of IFRS 16 on the Group Income Statement for the year ended 31 December 2019, the Group Balance Sheet as at 31 December 2019, and the Group Cash Flow Statement for the year ended 31 December 2019:

Impact on the Group Income Statement

for the year ended 31 December 2019

	Without adoption of IFRS 16 €'000	IFRS 16 impact €'000	As reported €'000
Revenue	1,665,283	–	1,665,283
Cost of sales	(1,485,804)	1,123	(1,484,681)
Gross profit	179,479	1,123	180,602
Selling and distribution costs	(52,214)	–	(52,214)
Administrative expenses	(100,385)	(68)	(100,453)
Other operating income	272	–	272
Operating profit	27,152	1,055	28,207
Finance income/(cost)	888	(2,637)	(1,749)
Profit before tax	28,040	(1,582)	26,458
Income tax expense	(5,537)	–	(5,537)
Profit for the financial year	22,503	(1,582)	20,921
Attributable to owners	22,608	(1,582)	21,026
Attributable to non–controlling interests	(105)	–	(105)
	22,503	(1,582)	20,921
Profit attributable to:			
– Continuing operations	22,503	(1,582)	20,921
Earnings per ordinary share (in cent):			
– Basic and diluted – continuing operations	12.3	(0.8)	11.5
Basic and diluted earnings per share (in cent)	12.3	(0.8)	11.5

Impact on the Group Balance Sheet
as at 31 December 2019

	Without adoption of IFRS 16 €'000	IFRS 16 impact €'000	As reported €'000
ASSETS			
Non–current assets			
Intangible assets	275,959	–	275,959
Property, plant and equipment	27,505	91,978	119,483
Deferred tax asset	4,972	–	4,972
Other receivables	1,132	–	1,132
Financial assets – Investments in equity instruments	25	–	25
	309,593	91,978	401,571
Current assets			
Properties held for sale	7,985	–	7,985
Inventory	98,105	–	98,105
Trade and other receivables	137,356	(576)	136,780
Cash and cash equivalents	114,040	–	114,040
Restricted cash	2,142	–	2,142
	359,628	(576)	359,052
Total assets	669,221	91,402	760,623
EQUITY			
Capital and reserves			
Called up share capital presented as equity	21,841	–	21,841
Share premium	176,501	–	176,501
Other reserves	3,464	–	3,464
Retained earnings	(19,019)	(1,582)	(20,601)
Attributable to owners	182,787	(1,582)	181,205
Attributable to non–controlling interests	(285)	–	(285)
Total equity	182,502	(1,582)	180,920
LIABILITIES			
Non–current liabilities			
Borrowings	66,977	–	66,977
Provisions	81,069	–	81,069
Other non–current payables	545	–	545
Lease obligations	–	82,901	82,901
Employee benefit deficit	45	–	45
	148,636	82,901	231,537
Current liabilities			
Borrowings	22,583	–	22,583
Trade and other payables	310,500	–	310,500
Facility termination fee	5,000	–	5,000
Lease obligations	–	10,083	10,083
	338,083	10,083	348,166
Total liabilities	486,719	92,984	579,703
Total equity and liabilities	669,221	91,402	760,623

Impact on the Group Cash Flow Statement
for the year ended 31 December 2019

	Without adoption of IFRS 16 €'000	IFRS 16 impact €'000	As reported €'000
Operating activities			
Cash inflow from operating activities	39,033	10,533	49,566
Proceeds from non–recourse financing	68,000	–	68,000
Interest paid	(3,831)	–	(3,831)
Interest paid on lease liabilities	–	(2,637)	(2,637)
Corporation tax payments	(4,101)	–	(4,101)
Net cash inflow from operating activities	99,101	7,896	106,997
Investing activities			
Payments to acquire property, plant and equipment	(5,585)	–	(5,585)
Receipts from disposal of property, plant and equipment	9	–	9
Receipts from disposal of assets held for sale	415	–	415
Payments to acquire intangible assets	(861)	–	(861)
Receipts from disposals/repayments of financial assets	5,359	–	5,359
Payments to acquire subsidiary undertakings	(50,533)	–	(50,533)
Cash acquired on acquisition of subsidiary undertakings	6,860	–	6,860
Payment of deferred and deferred contingent consideration	(1,403)	–	(1,403)
Receipt of deferred consideration receivable	95	–	95
Net cash outflow from investing activities	(45,644)	–	(45,644)
Financing activities			
Issue of partly paid share capital	17	–	17
Proceeds from calling of unpaid element of partly paid share capital	1,211	–	1,211
Proceeds from IPO equity issue	139,391	–	139,391
IPO cash exceptional costs	(3,493)	–	(3,493)
IPO cash exceptional costs – recognised directly in equity	(8,581)	–	(8,581)
Repayments of borrowings	(6,869)	–	(6,869)
Net decrease in invoice discounting facilities	(69,342)	–	(69,342)
Net movement in restricted cash	210	–	210
Principal element of lease payments	–	(7,896)	(7,896)
Payment of facility termination fee	(2,500)	–	(2,500)
Net cash inflow from financing activities	50,044	(7,896)	42,148
Increase in cash and cash equivalents in the period	103,501	–	103,501
Opening balance cash and cash equivalents	10,539	–	10,539
Closing balance cash and cash equivalents	114,040	–	114,040

2. Revenue

	2019 €'000	2018 €'000
Revenue	1,665,283	1,417,895

Segmental information

Segmental information is presented in respect of the Group's geographical regions and operating segments. The operating segments are based on the Group's management and internal reporting structures.

Geographical analysis

The Group operates in two principal geographical regions being the Republic of Ireland and the United Kingdom. The Group also operates in other European countries and the United States which are not material for separate identification.

The following is a geographical analysis presented in accordance with IFRS 8 "Operating Segments" which requires disclosure of information about country of domicile (Ireland) and countries with material revenue.

	2019 €'000	2018 €'000
Ireland	1,476,247	1,325,130
UK	152,623	86,411
Rest of the World	36,413	6,354
	1,665,283	1,417,895

Operating segments

IFRS 8 "Operating Segments" requires the reporting information for operating segments to reflect the Group's management structure and the way the financial information is regularly reviewed by the Group's Chief Operating Decision Maker ("CODM"), which the Group has defined as the Board of Directors.

The Group operates with three divisions, being, Commercial & Clinical, Product Access, and Supply Chain & Retail. These divisions provide the operational and financial management structures that will allow the Group to continue to grow and develop successfully over the coming years.

- Commercial & Clinical provide outsourced services, specifically sales, marketing and multichannel account management to pharmaco–medical manufacturers, and distribution and support services to medical device manufacturers. Uniphar offer a fully integrated multi–channel account management solution that is supported through market data, insights and digital programmes. We integrate these programmes with our supply chain and distribution capability to provide a full end to end service to manufacturers.

- Product Access consists of two service offerings, being: On Demand Access and Exclusive Access. On Demand Access provides access to pharmaco–medical products and treatments, by developing valuable relationships and interactions between manufacturers and other healthcare stakeholders. This business operates in both the retail and hospital markets in both the Irish and UK markets. Exclusive Access provides bespoke distribution partnerships to pharmaceutical partners around key brands, with new programmes focused on speciality pharmaceutical products. Delivering a unique patient support programme that allows healthcare professionals to connect with patients, on a global basis.

- Supply Chain & Retail provides both pre–wholesale distribution and wholesale distribution of pharmaceutical, healthcare and animal health products to pharmacies, hospitals and veterinary surgeons in Ireland. The business supports the diverse customer base through the provision of strong service levels coupled with innovative commercial initiatives. Uniphar operate a network of pharmacies under the Life and Allcare brands. Additionally, through the extended Uniphar symbol group, the business provides services and supports that help independent community pharmacies to compete more effectively in an increasingly difficult environment.

Operating segments results

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

	2019 Commercial & Clinical €'000	2019 Product Access €'000	2019 Supply Chain & Retail €'000	2019 Total €'000
Revenue	204,031	132,245	1,329,007	1,665,283
Gross profit	76,754	17,199	86,649	180,602

	2018 Commercial & Clinical €'000	2018 Product Access €'000	2018 Supply Chain & Retail €'000	2018 Total €'000
Revenue	102,558	74,416	1,240,921	1,417,895
Gross profit	35,378	10,338	70,001	115,717

The Commercial & Clinical revenue of €204,031,000 (2018: 102,558,000) consists of revenue derived from medtech of €157,691,000 (2018: 62,007,000) and pharma of €46,340,000 (2018: €40,551,000).

Assets and liabilities are reported to the Board at a Group level and are not reported on a segmental basis.

3. Exceptional charge

	2019 €'000	2018 €'000
Professional fees including acquisition costs	(5,896)	(6,094)
Redundancy costs	(1,494)	(204)
Initial public offering costs	(2,432)	–
Foreign exchange revaluation of deferred contingent consideration	(1,426)	–
Restructuring costs	(795)	(1,534)
Exceptional charge from investment in IPOS network	–	(647)
Warehouse closure costs	–	(386)
Other exceptional charges	–	(842)
Trademark impairments	–	(461)
Profit on disposal of property, plant and equipment	–	138
Profit on disposal of subsidiary undertakings	–	855
Exceptional charge recognised in operating profit	(12,043)	(9,175)
Deferred and deferred contingent consideration	5,251	–
Gain on settlement of derivative financial instrument (note 16)	1,765	–
Refinancing costs	(285)	–
Exceptional credit recognised in finance costs	6,731	–
Total Exceptional charge	(5,312)	(9,175)

Deferred and deferred contingent consideration:

Deferred and deferred contingent consideration relates to €5,290,000 in respect of Clinical Pyramid Limited, and €546,000 in respect of Murrays Medical Limited. These amounts were released in the year following a review of expected performance against earn–out targets. Additionally, a provision of €585,000 has been recognised in respect of deferred consideration receivable on the disposal of a retail pharmacy.

4. Finance (income)/cost

	2019 €'000	2018 €'000
Interest payable on borrowings repayable within five years	3,871	2,794
Fair value adjustment to deferred and deferred contingent consideration on investments	1,725	1,238
Fair value adjustment on facility termination fee	(122)	371
Amortisation of re–financing transaction fees	282	127
Net interest (income)/expense from pension scheme liabilities (note 11)	(15)	23
Interest receivable	(24)	(31)
Other fair value adjustments	126	–
Interest on lease obligations	2,637	–
Finance cost before exceptional credit	8,480	4,522
Decrease in fair value deferred contingent consideration (note 3)	(5,251)	–
Exercise of derivative financial instrument (note 3)	(1,765)	–
Re–financing costs (note 3)	285	–
Exceptional finance (income)/charge	(6,731)	–
Total finance cost	1,749	4,522

5. Dividends

There were no dividends paid in the current year ended 31 December 2019, or the comparative period ended 31 December 2018.

The Directors have proposed a final dividend of 0.73 cent per ordinary share, subject to approval at the Annual General Meeting. This results in a total shareholder dividend of €2.0m in respect of the period from IPO to 31 December 2019. Subject to approval at the Annual General Meeting, it is proposed to pay the dividend to ordinary shareholders on the Company's register on 1 May 2020. This dividend has not been provided for in the Balance Sheet at 31 December 2019, as there was no present obligation to pay the dividend at year end.

6. Earnings per share

	2019 €'000	2018 €'000
Earnings per share and fully diluted earnings per share have been calculated by reference to the following:		
Profit for the financial year attributable to owners	21,026	8,642
Weighted average number of shares ('000)	183,546	119,044

	2019	2018
Earnings per ordinary share (in cent):		
– Basic	11.5	7.3
– Diluted	11.5	7.3

	2019 €'000	2018 €'000
Adjusted earnings per share has been calculated by reference to the following:		
Profit for the financial year attributable to owners	21,026	8,642
Exceptional charge recognised in operating profit (note 3)	12,043	9,175
Exceptional credit recognised in finance costs (note 3)	(6,731)	–
Profit after tax excluding exceptional items	26,338	17,817
Weighted average number of shares in issue in the year (000's)	183,546	119,044
Adjusted basic and diluted earnings per ordinary share (in cent)	14.3	15.0

7. Intangible assets

	Computer software €'000	Trademark €'000	Goodwill €'000	Total €'000
Cost				
At 1 January 2019	32,310	153	218,926	251,389
Foreign exchange movements	4	–	3,440	3,444
Acquisitions (note 17)	–	–	67,070	67,070
Additions	861	–	–	861
Disposals/retirements	(66)	–	–	(66)
At 31 December 2019	33,109	153	289,436	322,698
Amortisation				
At 1 January 2019	25,642	60	18,709	44,411
Amortisation	2,363	31	–	2,394
Disposals/retirements	(66)	–	–	(66)
At 31 December 2019	27,939	91	18,709	46,739
Net book amounts				
At 31 December 2018	6,668	93	200,217	206,978
At 31 December 2019	5,170	62	270,727	275,959

8. Property, plant and equipment, and right–of–use assets

	Freehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computer equipment	Motor vehicles	Instruments	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost								
At 31 December 2018	5,599	8,993	17,536	5,440	4,496	153	2,273	44,490
Adoption of IFRS 16	75,547	–	1,269	–	–	4,047	–	80,863
At 1 January 2019	81,146	8,993	18,805	5,440	4,496	4,200	2,273	125,353
Foreign exchange movement	231	19	129	99	27	78	–	583
Additions	1,156	64	2,000	894	1,013	2,014	1,890	9,031
Acquisitions (note 17)	17,748	136	1,512	2,065	115	318	–	21,894
Disposals/retirements	(162)	(784)	(370)	(367)	(451)	(866)	(673)	(3,673)
At 31 December 2019	100,119	8,428	22,076	8,131	5,200	5,744	3,490	153,188
Accumulated depreciation								
At 1 January 2019	1,330	1,316	11,640	3,293	3,507	127	136	21,349
Foreign exchange movement	35	8	16	13	11	25	–	108
Charge for the year	6,428	719	2,852	913	631	2,698	1,670	15,911
Disposals/retirements	(162)	(784)	(370)	(367)	(445)	(862)	(673)	(3,663)
At 31 December 2019	7,631	1,259	14,138	3,852	3,704	1,988	1,133	33,705
Net book amounts								
At 31 December 2018	4,269	7,677	5,896	2,147	989	26	2,137	23,141
At 31 December 2019	92,488	7,169	7,938	4,279	1,496	3,756	2,357	119,483
Reconciliation to Balance Sheet								
Property, plant & equipment	5,154	7,169	6,884	4,279	1,496	166	2,357	27,505
Right–of–use assets	87,334	–	1,054	–	–	3,590	–	91,978
Net book value at 31 December 2019	92,488	7,169	7,938	4,279	1,496	3,756	2,357	119,483

9. Assets held for sale

	Properties €'000	Other assets €'000	Total €'000
At 1 January 2018	–	–	–
Acquisitions	4,000	–	4,000
At 31 December 2018	4,000	–	4,000
At 1 January 2019	4,000	–	4,000
Acquisitions	–	4,400	4,400
Disposals	(415)	–	(415)
At 31 December 2019	3,585	4,400	7,985

In 2018, a number of properties were acquired on completion of the acquisition of Bradley's Pharmacy Group. These properties are presented in the Balance Sheet at the lower of their carrying amount and fair value less any costs to sell. Uniphar plc acquired Bradley's Pharmacy Group from examinership in November 2018, and in accordance with the application of the examinership scheme arrangement acquired non–recourse borrowings of €4,000,000 which are secured by these properties.

During 2019, the Group disposed of €415,000 of properties which were previously held for sale. The remaining properties held for sale are available for immediate sale in their present condition subject to terms that are usual and customary for properties of this nature. The individual properties are being actively marketed and the Group is committed to its plan to sell these properties in an orderly manner.

The other assets acquired during 2019 relates to certain business assets acquired as part of the acquisition of M3 Medical Limited. These assets have been disposed of post year end in February 2020 for an amount equal to their carrying value, and the deferred contingent consideration attributable to the sale of these assets has now been paid.

10. Called up share capital

	2019 €'000
Authorised:	
300 million (2018: 240 million) ordinary shares of 8c each	24,000
16 million (2018: 16 million) "A" ordinary shares of 8c each	1,280
	25,280
Movement in the year in issued share capital	
Allotted, called up and fully paid presented as equity	
At 1 January – 112,838,580 ordinary shares of 8c each	9,027
Issued during the year – 139,992,116 ordinary shares of 8c each	11,199
Fully called during the year – 20,184,558 ordinary shares of 8c each	1,615
At 31 December – 273,015,254 ordinary shares of 8c each	21,841
Allotted, called up and partly paid presented as equity	
At 1 January – 19,315,951 ordinary shares of 8c each	386
Issued during the year – 868,607 ordinary shares of 8c each	17
Fully called during the year – 20,184,558 ordinary shares of 8c each	(403)
At 31 December – nil ordinary shares of 8c each	–
Total allotted share capital:	
At 31 December – 273,015,254 (2018: 132,154,531) ordinary shares	21,841

There are no “A” ordinary shares in Uniphar plc issued at 31 December 2019, or 31 December 2018.

Allotted, called up and partly paid shares are represented by issues to the Senior Management Team under the Uniphar Executive Share Incentive Scheme.

In June 2019, following the passing of a resolution at the Annual General Meeting, the authorised share capital of the Company was increased from €20,480,000 divided into 240,000,000 ordinary shares of 8c each and 16,000,000 “A” ordinary shares of 8c each, to €25,280,000 divided into 300,000,000 ordinary shares of 8c each and 16,000,000 “A” ordinary shares of 8c each.

During 2019, the following transactions took place:

- The conditions for vesting associated with 7,022,318 shares were met and the Company called €0.06 being the amount unpaid on each share. These shares are now fully paid and the Company received €422,000 in share proceeds (fully paid shares amounting to €562,000 less amount previously partly paid of €140,000).
- In May 2019, 750,000 ordinary shares were issued as partly paid at €0.02 per share under the Uniphar Executive Share Incentive Scheme.
- In June 2019, a further 118,607 ordinary shares were issued as partly paid at €0.02 per share under the Uniphar Executive Share Incentive Scheme. Collectively, the Company received €17,000 in proceeds associated with both share issues.
- In June 2019, the Company made a call in respect of unpaid share capital, being an amount of €0.06 per share, on 300,000 issued but not fully paid ordinary shares. These shares while remaining subject to vesting conditions are now fully paid. The Company received €18,000 as a result of the call, which when aggregated with the €0.02 originally paid up on each of those shares, gives a total paid up amount in respect of those shares of €24,000.
- In July 2019, the Company made a call in respect of unpaid share capital, being an amount of €0.06 per share, on 12,862,240 issued but not fully paid ordinary shares. These shares while remaining subject to vesting conditions are now fully paid. The Company received €772,000 as a result of the call, which when aggregated with the €0.02 originally paid up on each of those shares, gives a total paid up amount in respect of those shares of €1,029,000.
- In July 2019 as part of its admission to trading on the AIM and Euronext Growth markets, the Company issued 117,391,304 ordinary shares of €0.08 each as fully paid at €1.15 per share including share premium. In addition, following the receipt of a notice of exercise, the Company issued 18,782,808 ordinary shares of €0.08 each at €1.37 per share including share premium in full exercise and conversion of its 2018 issued share warrant.
- In August 2019 as part of the exercising of the over–allotment option attributable to the initial public offering, the Company issued 3,818,004 ordinary shares of €0.08 each as fully paid at €1.15 per share including share premium.

11. Employee benefit obligations

The pension entitlements of employees, including Executive Directors, arise under two defined benefit schemes and three defined contribution schemes and are secured by contributions by the Group to separate trustee administered pension funds in the Republic of Ireland. The trustees are responsible for the management and governance of the plans including compliance with all relevant laws and regulations. The benefits provided by the defined benefit plans are no longer linked to future salary inflation due to the accrual of pension benefit ceasing on these schemes in prior years. The Uniphar Superannuation Scheme wound up with an effective date of 1 October 2018. The assets of the scheme were distributed in line with members chosen options and no assets or liabilities remain. Any former members of these schemes still employed by the Group were offered membership of the Uniphar Group Retirement Benefits Scheme for future service benefits.

The defined benefit schemes are:

- The Cahill May Roberts Limited Contributory Pension Plan
- The Whelehan Group Pension Scheme
- The Uniphar Superannuation Scheme (wound up on 1 October 2018)

The pension charge for the year is €2,922,000 (2018: €1,558,000) comprising current service cost of €44,000 (2018: €185,000) and defined contribution scheme costs of €2,878,000 (2018: €1,373,000). The net finance income resulting from the scheme deficit/surplus is €15,000 (2018: net finance cost of €23,000).

Financial instruments held by the defined benefit schemes
At 31 December 2019 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. Scheme assets do not include any of Uniphar plc's own financial instruments, nor any property occupied by Uniphar plc. The fair value of the schemes' assets at the Balance Sheet date are shown as follows:

	Fair value	
	2019	2018
	€'000	€'000
Equities – Investments in quoted active markets	4,954	6,702
Bonds – Investments in quoted active markets	15,127	12,101
Cash	301	125
Other	2,128	2,223
	22,510	21,151

Principal actuarial assumptions at the Balance Sheet date
The main financial assumptions used were:

	2019	2018
	%	%
Rate of increase in pensionable salaries	0.00% – 2.50%	0.00% – 2.50%
Rate of increase in pensions in payment	0.0%	0.0%
Discount rate	0.9%	1.95%
Inflation rate	1.4%	1.5%

Investigations have been carried out within the past three years into the mortality experience of the Group's major schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are 21.7 (2018: 21.5) years for males and 24.1 (2018: 24.0) years for females.

The following amounts at the Balance Sheet dates were measured in accordance with the requirements of IAS 19:

	2019	2018
	€'000	€'000
Present value of scheme liabilities	(22,555)	(20,712)
Fair value of scheme assets	22,510	21,151
Pension (liability)/asset resulting from employee benefit obligation	(45)	439

	Pension assets	Pension liabilities	Pension surplus/ (deficit)
	€'000	€'000	€'000
Movement in scheme assets and liabilities			
At 1 January 2019	21,151	(20,712)	439
Current service cost	–	(44)	(44)
Employer contributions paid	752	–	752
Interest on scheme liabilities	–	(380)	(380)
Interest on scheme assets	395	–	395
Actuarial gain/(loss) in current year	2,790	(3,997)	(1,207)
Benefits (paid)/settled	(2,578)	2,578	–
At 31 December 2019	22,510	(22,555)	(45)

12. Provisions

	Deferred contingent consideration	Lease dilapidation	Warranty provision	Total
	€'000	€'000	€'000	€'000
At 1 January 2019	51,811	269	62	52,142
Unwinding of discount	1,939	–	–	1,939
Arising on acquisition	33,966	–	–	33,966
Reclassified	(1,752)	–	–	(1,752)
Utilised during the year	(1,237)	(56)	(21)	(1,314)
Released during the year	(5,836)	–	–	(5,836)
Foreign currency movement	1,920	–	4	1,924
At 31 December 2019	80,811	213	45	81,069

Deferred contingent consideration

Deferred contingent consideration represents the present value of deferred contingent acquisition consideration which would become payable based on pre–defined profit thresholds being met. During the year payments of €1,237,000 were made in respect of prior year acquisitions. Deferred contingent consideration relating to the acquisition of Outico Limited is no longer contingent on the pre–defined performance thresholds being satisfied and consequently has been reclassified to deferred consideration. Deferred contingent consideration of €5,836,000 in respect of prior year acquisitions was released in the year following a review of expected performance against earn–out targets (Note 3).

The balance at 31 December 2019 relates to acquisitions completed from 2015 to 2019.

Lease dilapidation

The lease dilapidation provision covers the cost of reinstating certain Group properties at the end of the lease term. This is based on the terms of the individual leases which set out the conditions relating to the return of property. The timing of the outflows will match the ending of the relevant leases with various dates up to 2042.

Warranty provision

The warranty provision relates to a product warranty provided to customers on certain medical devices. The estimated cost of the warranty is provided for upon recognition of the sale of the product. The costs are estimated based on actual historical experience of expenses incurred and on estimated future expenses related to current sales and are updated periodically. Actual warranty costs are charged against the warranty provision.

13. Analysis of net debt

	2019 €'000	2018 €'000
Cash and cash equivalents	114,040	10,539
Restricted cash	2,142	2,352
	116,182	12,891
Bank loans repayable within one year	(22,583)	(81,753)
Bank loans payable after one year	(66,977)	(84,018)
Bank loans	(89,560)	(165,771)
Net bank cash/(debt)	**26,622**	**(152,880)**
Current lease obligations	(10,083)	–
Non–current lease obligations	(82,901)	–
Lease obligations	(92,984)	–
Net debt	**(66,362)**	**(152,880)**

14. Reconciliation of operating profit to cash flow from operating activities

	2019 €'000	2018 €'000
Operating profit before exceptional items	40,250	25,001
Cash related exceptional items	(7,075)	(8,290)
	33,175	16,711
Depreciation	15,911	4,610
Amortisation of intangible assets	2,394	2,626
Increase in inventory	(14,889)	(1,109)
Increase in receivables	(17,656)	(19,730)
Increase/(decrease) in payables	30,424	(7,944)
Foreign currency translation adjustments	207	(61)
Cash inflow/(outflow) from operating activities	49,566	(4,897)

15. Leases

(i) Amounts recognised in the Balance Sheet

As at 31 December, the Balance Sheet shows the following amounts relating to leases:

	2019 €'000	2018 €'000
Right–of–use assets:		
Buildings	87,334	–
Plant and equipment	1,054	–
Motor vehicles	3,590	–
	91,978	–
Lease liabilities:		
Current	10,083	–
Non–current	82,901	–
	92,984	–

Right–of–use assets are included in the line ‘Property, plant and equipment’ on the Balance Sheet, and are presented in note 8.

Additions to the right–of–use assets during the year ended 31 December 2019 were €3,464,000.

Lease liabilities are presented separately on the face of the Balance Sheet. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 1.

(ii) Amounts recognised in the Income Statement:

The Income Statement shows the following amounts relating to leases:

	2019 €'000	2018 €'000
Depreciation charge of right–of–use assets:		
Buildings	6,291	–
Plant and equipment	516	–
Motor vehicles	2,671	–
	9,478	–
Interest on lease obligations (note 4)	2,637	–

16. Financial instruments

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets at FVOCI* €'000	Financial assets at amortised cost €'000	Total €'000	Fair value €'000
Financial assets				
31 December 2019:				
Investments in equity instruments	25	–	25	25
Trade and other receivables **	–	127,729	127,729	127,729
Deferred consideration receivable	–	895	895	895
Cash and cash equivalents	–	114,040	114,040	114,040
Restricted cash	–	2,142	2,142	2,142
	25	244,806	244,831	244,831

* Fair value through Other Comprehensive Income.

** Excluding prepayments and accrued income.

	Financial liabilities at FVTPL***	Financial liabilities at amortised cost	Total	Fair value
	€'000	€'000	€'000	€'000
Financial liabilities				
31 December 2019:				
Borrowings	–	89,560	89,560	89,560
Deferred acquisition consideration	–	7,394	7,394	7,394
Trade and other payables ****	–	185,901	185,901	185,901
Facility termination fee	5,000	–	5,000	5,000
Deferred contingent consideration	80,811	–	80,811	80,811
Derivative financial instruments	–	92,984	92,984	92,984
	85,811	375,839	461,650	461,650

*** Fair value through profit and loss.
**** Excluding non–financial liabilities.

Measurement of fair values

In the preparation of the financial statements, the Group finance department, which reports directly to the Chief Financial Officer (CFO), reviews and determines the major methods and assumptions used in estimating the fair values of the financial assets and liabilities which are set out below:

Investments in equity instruments

Investments in equity instruments are measured at fair value through other comprehensive income (FVOCI).

Long term receivables

The fair value of long–term receivables is determined by discounting future cash flows at market rates of interest at the period end.

Trade and other receivables/trade and other payables

For receivables and payables with a remaining life of less than 12 months or demand balances, the carrying value less impairment provision where appropriate, is deemed to reflect fair value.

Cash and cash equivalents, including short–term bank deposits

For short term bank deposits and cash and cash equivalents, all of which have a remaining maturity of less than three months, the carrying amount is deemed to reflect fair value.

Interest–bearing loans and borrowings

For floating rate interest–bearing loans and borrowings with a contractual repricing date of less than 6 months, the nominal amount is deemed to reflect fair value. For loans with repricing dates of greater than 6 months, the fair value is calculated based on the present value of the expected future principal and interest cash flows discounted at appropriate market interest rates (level 2) effective at the Balance Sheet date and adjusted for movements in credit spreads.

Deferred acquisition consideration

Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the deferred acquisition consideration.

Deferred contingent consideration

The fair value of the deferred contingent consideration is calculated by discounting the expected future payment to the present value. The expected future payment represents the deferred contingent acquisition consideration which would become payable based on pre–defined profit thresholds being met and is calculated based on management's best estimates of the expected future cash outflows using current budget forecasts. The provision for deferred contingent consideration is principally in respect of acquisitions completed from 2015 to 2019.

The significant unobservable inputs are:

- Pre–defined profit thresholds which have not been disclosed due to their commercial sensitivities
- Risk adjusted discount rate of 3% (2018: 3%)

For the fair value of deferred contingent consideration, a 1% increase in the risk adjusted discount rate at 31 December 2019, holding the other inputs constant would reduce the fair value of the deferred contingent consideration by €1.3m. A 1% decrease in the risk adjusted discount rate would result in an increase of €1.3m in the fair value of the deferred contingent consideration.

Derivative financial instruments

The derivative financial instruments represent share warrants that were issued to the previous shareholders of Sisk Healthcare Group on the completion of the acquisition of Sisk Healthcare Group. This share warrant granted the right to subscribe for 18,782,808 ordinary shares in Uniphar plc with a nominal value of €0.08 each. The share warrant was exercised in July 2019 in advance of the initial public offering. The share warrant was previously exercisable within a five–year period from the date of completion of the acquisition, or alternatively the share warrant would be settled through a cash termination payment. At the acquisition date, the fair value attributable to the share warrant was calculated based on management's best estimate of the weighted probability of each of the possible outcomes. In July 2019, a gain of €1,765,000 was recognised on the settlement of the share warrant, being the amount attributable to the cash settlement option under the weighted probability method.

Facility termination fee

The facility termination fee has a carrying value and respective fair value of €5,000,000 (2018: €7,622,000).

As part of the funding of the acquisition of Cahill May Roberts in 2013, a share warrant was issued to participating banks, granting the right to subscribe for 10% of the entire fully diluted issued share capital of the Company at the time of subscription, at any time up until 30 June 2017. During 2017, the share warrant holders surrendered all of their equity rights in return for an agreed facility termination fee payable by the company of €10,000,000.

Fair value hierarchy

The following table sets out the fair value hierarchy for financial instruments which are measured at fair value.

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Recurring fair value measurements				
At 31 December 2019				
Investments in equity instruments	–	–	25	25
Facility termination fee	–	–	(5,000)	(5,000)
Deferred contingent consideration	–	–	(80,811)	(80,811)
	–	–	(85,786)	(85,786)

There were no transfers between the fair value levels for recurring fair value measurements during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity–specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value measurements using significant unobservable inputs (level 3)
The following table presents the changes in level 3 items for the year ended 31 December 2019:

	Shares in unlisted companies €'000	Facility termination fee €'000	Deferred contingent consideration €'000	Derivative financial instrument €'000	Total €'000
At 1 January 2019	25	(7,622)	(51,811)	(27,586)	(86,994)
Payments	–	2,500	1,237	–	3,737
Exercise of share warrant	–	–	–	25,821	25,821
Unwinding of discount*	–	122	(1,939)	–	(1,817)
Arising on acquisition	–	–	(33,966)	–	(33,966)
Reclassification	–	–	1,752	–	1,752
Release*	–	–	5,836	1,765	7,601
Foreign currency	–	–	(1,920)	–	(1,920)
At 31 December 2019	25	(5,000)	(80,811)	–	(85,786)

* These amounts have been credited/(charged) to the Income Statement in finance income/costs.

Financial risk management
The Group's operations expose it to various financial risks. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group and it is the Group's policy to manage these risks in a non–speculative manner. The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, currency risk, interest risk and price risk. The consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's Annual Report for the year ended 31 December 2018.

In December 2019, the Group entered into a receivables purchase arrangement with two of its banking partners. Under the terms of this non-recourse agreement, the Group has transferred substantially all credit risk and control of certain trade receivables, amounting to €80,000,000 (2018: €nil). The Group has recognised an asset within trade and other receivables of €12,000,000 (2018: €nil), being the fair value of the amount receivable from the financial institutions, representing 15% of the trade receivables transferred to the financial institutions in accordance with the terms of the receivables purchase arrangement. The execution of this agreement resulted in an operating cash inflow of €68,000,000 for the Group during the year ended 31 December 2019. Total interest expense associated with this receivables purchase agreement during the year ended 31 December 2019 was €31,000 (2018: €nil).

There have been no other changes to the risk management processes or in any risk management policies since the year end.

17. Acquisitions of subsidiary undertakings and business assets

A key strategy of the Group is to expand into higher growth, higher margin businesses and to reduce exposure to the pharmaceutical wholesaling market. In line with this strategy, the Group completed the following acquisitions during the financial year:

- **Durbin plc and Durbin inc (Durbin)**
  The Group acquired 100% of the issued share capital of Durbin plc and Durbin inc (Durbin) in July 2019 for consideration of €41,843,000, of which €18,847,000 is deferred and contingent on agreed targets being met. Durbin is a specialist provider of pharmaceuticals based in the United Kingdom and the United States.

- **15 Inischem retail pharmacies**
  The Group acquired 100% of the issued share capital of 15 Inischem retail pharmacies in August 2019, with each company incorporated in Ireland for consideration of €5,490,000. The 15 Inischem retail pharmacies operate throughout the Republic of Ireland.

- **EPS Vascular AB, EP Endovascular AB and EPS Vascular OY ("EPS Group")**
  The Group acquired 100% of the issued share capital of EPS Vascular AB, EP Endovascular AB and EPS Vascular OY, together "EPS Group" in October 2019 for consideration of €13,887,000, of which €3,649,000 is deferred and contingent on agreed targets being met. EPS Vascular AB and EP Endovascular AB are Swedish incorporated companies, and EPS Vascular OY is a Finnish incorporated company. EPS Group operates in the medical devices sector in the Nordics.

- **Regional Pharmacy Limited**
  The Group acquired 100% of the issued share capital of Regional Pharmacy Limited, in October 2019 for consideration of €1,646,000. Regional Pharmacy Limited currently operates an independent retail pharmacy in the Republic of Ireland.

- **M3 Medical Limited**
  The Group acquired 100% of the issued share capital of M3 Medical Limited in November 2019 for consideration of €18,961,000, of which €11,623,000 is deferred and contingent on agreed targets being met. M3 Medical Limited is an Irish incorporated company, operating in the medical devices sector in the Republic of Ireland.

- **Gort Road Pharmacy Limited**
  The Group acquired 100% of the issued share capital of Gort Road Pharmacy Limited, in November 2019 for consideration of €2,080,000. Gort Road Pharmacy Limited currently operates an independent retail pharmacy in the Republic of Ireland.

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. The significant factors giving rise to the goodwill include the value of the workforce and management teams within the businesses acquired, the enhancement of the competitive position of the Group in the marketplace and the strategic premium paid by Uniphar Group to create the combined Group.

The fair value of the deferred and contingent consideration recognised at the date of acquisition is calculated by discounting the expected future payment to present value at the acquisition date. In general, for deferred contingent consideration to become payable, pre–defined profit thresholds must be exceeded. On an undiscounted basis, the future payments for which the Group may be liable in respect of acquisitions completed in the current year range from nil to €63.4m at 31 December 2019.

The initial assignment of fair values to net assets acquired has been performed on a provisional basis in respect of the acquisitions completed during 2019, due to their recent acquisition dates. There were no separately identifiable intangible assets identified as part of our initial assessment of the fair value of the net assets acquired. The Group has 12 months from the date of acquisition to finalise the fair value of the assets/liabilities acquired, and any amendments to these fair values within the twelve–month period from the date of acquisition will be disclosable in the 2020 Annual Report as stipulated by IFRS 3, Business Combinations. The fair values of the assets and liabilities of the acquisitions completed in 2018 have now been finalised with no further adjustments required to the provisional fair values of the assets and liabilities which were disclosed in the 2018 Annual Report.

The acquisition of Durbin has been determined to be a substantial transaction and separate disclosure of the fair values of the identifiable assets and liabilities has therefore been made. None of the remaining business combinations completed during the period were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

The provisional fair value of the assets and liabilities acquired as part of the acquisitions completed during the financial year are set out below:

	Durbin €'000	Others €'000	Total €'000
ASSETS			
Non–current assets			
Property, plant and equipment	7,022	14,872	21,894
Deferred tax asset	34	–	34
	7,056	14,872	21,928
Current assets			
Assets held for sale	–	4,400	4,400
Inventory	2,916	4,230	7,146
Trade and other receivables	7,278	5,666	12,944
Cash and cash equivalents	2,485	4,375	6,860
	12,679	18,671	31,350
Total assets	19,735	33,543	53,278
LIABILITIES			
Non–current liabilities			
Lease liabilities	571	1,289	1,860
Deferred tax liabilities	9	1,452	1,461
	580	2,741	3,321
Current liabilities			
Lease liabilities	2,894	12,123	15,017
Trade and other payables	8,768	9,335	18,103
	11,662	21,458	33,120
Total liabilities	12,242	24,199	36,441
Identifiable net assets acquired	7,493	9,344	16,837
Goodwill arising on acquisition	34,350	32,720	67,070
Consideration	41,843	42,064	83,907

The gross contractual value of the trade and other receivables as at the respective dates of acquisition amounted to €13.2m. The fair value of these receivables is estimated at €12.9m (all of which is expected to be recoverable).

The acquisitions completed in 2019 have contributed €40.6m to revenue and €11.6m of gross margin for the period since the date of acquisition. The proforma revenue and operating profit for the Group for the period ended 31 December 2019 would have been €1,739.0m and €28.5m respectively had the acquisitions been completed at the start of the current reporting period.

In 2019, the Group incurred acquisition costs of €5.0m (2018: €4.9m). These have been included in administrative expenses in the Group Income Statement.

18. Post balance sheet events

Non adjusting events

Wind up of Whelehan Group Pension Scheme

Contributions to the Whelehan Group Pension Scheme were terminated in October 2019, and the scheme was formally wound up effective in January 2020. The assets and liabilities of this scheme were reflected in the Group's defined benefit pension obligation at 31 December 2019. The assets of the scheme were distributed in January 2020 in line with members chosen options and no assets or liabilities remain. Any former members of this scheme still employed by the Group were offered membership of the Uniphar Group Retirement Benefits Scheme for future service benefits. A settlement loss of €0.5m will be recognised in the 2020 financial statements.

Acquisition of Innerstrength Limited

In March 2020, Uniphar completed the acquisition of Innerstrength Limited. Innerstrength Limited currently operates in Ireland, in the technology market, enabling healthcare professionals to deliver personalised education to patients who are currently living with chronic conditions. The total consideration including deferred contingent consideration, is up to a maximum of €8m.

Due to the short time frame between the completion date of the acquisition of Innerstrength Limited, and the date of issuance of this report, it was not possible to reliably estimate the fair value of assets and liabilities or the goodwill amount associated with the completed acquisition. This acquisition will be accounted for as an acquisition in the 2020 financial statements.

Impact of Covid-19

The Group continue to monitor ongoing Covid-19 developments, and the potential impact to the business. Uniphar plays a significant role in the national healthcare infrastructure, ensuring the continuity in the supply and distribution of much needed medicines, medical devices and related services. As we prepare for the full impact of the Covid-19 crisis, we expect to continue to see increased volumes in Supply Chain & Retail, with likely increases in costs due to investment in additional resources to manage significantly higher volumes.

Business continuity and contingency plans are in place in anticipation of wider outbreaks of the virus. With potential sick leave, self-isolation or quarantine situations arising, the Group expect to have to deal with reduced availability of the workforce. Due to reprioritisation of resources within hospitals and other healthcare facilities the Group is preparing for a possible delay in Commercial & Clinical revenue if certain 'non-urgent' elective surgeries have to be postponed.

19. Approval by the Board of Directors

The preliminary results announcement was approved by the Board of Directors on 26 March 2020.

Additional Information

ALTERNATIVE PERFORMANCE MEASURES

The Group reports certain financial measurements that are not required under IFRS. These key alternative performance measures (APMs) represent additional measures in assessing performance and for reporting both internally, and to shareholders and other external users. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides stakeholders with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions. These measurements are also used internally to evaluate the historical and planned future performance of the Group's operations.

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

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

EBITDA

Earnings before exceptional items, net finance expense, income tax expense, depreciation and intangible assets amortisation.

For comparative purposes, EBITDA excluding the impact of IFRS 16 is presented, which is calculated in 2019 by adding back the operating lease charges which are removed from the Income Statement under IFRS 16.

		2019 €'000	2018 €'000
Operating profit	*Income Statement*	28,207	15,826
Exceptional charge recognised in operating profit	*Note 3*	12,043	9,175
Depreciation	*Note 8*	15,911	4,610
Amortisation of computer software	*Note 7*	2,363	2,597
Amortisation of trademark	*Note 7*	31	29
EBITDA		58,555	32,237
Operating lease charges		(10,533)	–
EBITDA excluding impact of IFRS 16		48,022	32,237

Net bank cash/(debt)

Net bank cash/(debt) represents the net total of current and non–current borrowings, cash and cash equivalents, and restricted cash as presented in the Group Balance Sheet.

		2019 €'000	2018 €'000
Cash and cash equivalents	*Balance Sheet*	114,040	10,539
Restricted cash	*Balance Sheet*	2,142	2,352
Bank loans repayable within one year	*Balance Sheet*	(22,583)	(81,753)
Bank loans payable after one year	*Balance Sheet*	(66,977)	(84,018)
Net bank cash/(debt)		26,622	(152,880)

Net debt

Net debt represents the total of net bank debt, plus current and non–current lease obligations as presented in the Group Balance Sheet.

		2019 €'000	2018 €'000
Net bank cash/(debt)	*Alternative performance measures*	26,622	(152,880)
Current lease obligations	*Balance Sheet*	(10,083)	–
Non–current lease obligations	*Balance Sheet*	(82,901)	–
Net debt		(66,362)	(152,880)

Leverage

Net bank debt divided by EBITDA for the period.

		2019 €'000	2018 €'000
Net bank cash/(debt)	*Alternative performance measures*	26,622	(152,880)
EBITDA*	*Balance Sheet*	48,022	46,294
Leverage (times)		0.6	(3.3)

*Note – In 2018, the EBITDA relates to the annualised EBITDA, including the acquisition of Sisk Healthcare as if the acquisition was completed on 1 January 2018, as defined in our Admission document. 2019 EBITDA represents actual EBITDA excluding the impact of IFRS 16 for the year ended 31 December 2019.

Adjusted earnings per share

This comprises of profit for the financial year attributable to owners of the parent as reported in the Group Income Statement before exceptional items (if any), divided by the weighted average number of shares in issue in the year.

	2019 €'000	2018 €'000
Adjusted earnings per share has been calculated by reference to the following:		
Profit for the financial year attributable to owners	21,026	8,642
Exceptional charge recognised in operating profit (note 3)	12,043	9,175
Exceptional credit recognised in finance costs (note 3)	(6,731)	–
Profit after tax excluding exceptional items	26,338	17,817
Weighted average number of shares in issue in the year (000's)	183,546	119,044
Adjusted basic and diluted earnings per ordinary share (in cent)	14.3	15.0

Free cash flow conversion

Free cash flow conversion calculated as EBITDA, less investment in working capital, less capital expenditure, divided by EBITDA.

		2019 Inc. IFRS 16 €'000	2019 Exc. IFRS 16 €'000	2018 €'000
EBITDA		58,555	48,022	32,237
Increase in inventory	*Note 14*	(14,889)	(14,889)	(1,109)
Increase in receivables	*Note 14*	(17,656)	(17,656)	(19,730)
Increase/(decrease) in payables	*Note 14*	30,424	30,424	(7,944)
Foreign currency translation adjustments	*Note 14*	207	207	(61)
Payments to acquire property, plant and equipment	*Cash Flow Statement*	(5,585)	(5,585)	(2,880)
Payments to acquire intangible assets	*Cash Flow Statement*	(861)	(861)	(2,015)
Free cash flow		50,195	39,662	(1,502)
EBITDA		58,555	48,022	32,237
Free cash flow conversion		85.7%	82.6%	(4.7%)

Return on capital employed

In 2019, ROCE is calculated as the adjusted 12 months rolling operating profit excluding the impact of the adoption of IFRS 16, expressed as a percentage of the adjusted average capital employed for the same period. The average capital employed is adjusted to ensure the capital employed of acquisitions completed during the period are appropriately time apportioned in the calculation of the average capital employed. For comparative purposed we have presented the comparative ROCE including the impact of the adoption of IFRS 16 "Leases".

	Excluding IFRS 16 Impact		**Including IFRS 16 Impact**	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Rolling 12 months operating profit	27,152		28,207	
Adjustment for exceptional costs	12,043		12,043	
Adjusted 12 months rolling operating profit	39,195		40,250	
Total equity	182,502	(619)	180,920	(619)
Non–recourse financing arrangement	68,000	–	68,000	–
Net bank debt	(26,622)	152,880	(26,622)	152,880
Derivative financial instruments	–	27,586	–	27,586
Facility termination fee	5,000	7,622	5,000	7,622
Deferred contingent consideration	80,811	51,811	80,811	51,811
Deferred consideration payable	7,394	5,566	7,394	5,566
Total capital employed	317,085	244,846	315,503	244,846
Average capital employed	280,966		280,175	
Adjustment for acquisitions (note A below)	(14,842)		(14,842)	
Adjusted average capital employed	266,124		265,333	
Return on capital employed	14.7%		15.2%	

Note A: Adjustment for acquisitions	Consideration	Completion Date	Adjustment
	€'000		€'000
Durbin	41,843	July 2019	(3,487)
Other acquisitions completed during 2019	42,064	Various	(11,355)
Adjustment for acquisitions			(14,842)