

## News Release

4 December 2014

### Consort Medical plc

### Interim results for the six months ended 31 October 2014

#### Earnings growing strongly; Aesica acquisition significantly expands capabilities and opportunities for future growth

Consort Medical plc (LSE: CSRT) (“Consort”, “Consort Medical” or the “Group”), a leading global drug delivery Contract Development and Manufacturing Organisation (“CDMO”), today announces its interim results for the six months ended 31 October 2014.

#### Financial Highlights<sup>1</sup>

| <b>GBPm</b><br><i>6 months ended</i>                        | <b>FY2015</b><br><i>31 October 2014</i> | <b>FY2014</b><br><i>31 October 2013</i> | <b>Growth</b> |
|---|---|---|---------------|
| <b>Revenue</b>  | 53.6                                    | 51.2                                    | 4.7%          |
| <b>Operating profit (before special items)<sup>3</sup></b>  | 10.2                                    | 9.6                                     | 6.7%          |
| <b>EBITDA (before special items)<sup>3</sup></b>            | 13.0                                    | 12.4                                    | 5.1%          |
| <b>Profit before tax and special items<sup>3</sup></b>      | 9.7                                     | 8.9                                     | 8.2%          |
| <b>Profit after tax (before special items)<sup>3</sup></b>  | 8.2                                     | 7.0                                     | 16.4%         |
| <b>Adjusted basic EPS (post rights)<sup>2</sup></b>         | 24.8p                                   | 21.4p                                   | 15.9%         |
| <b>Interim dividend per share (post rights)<sup>2</sup></b> | 6.43p                                   | 6.43p                                   | -             |
| <b>Cash generated from operations<sup>4</sup></b>           | 11.1                                    | 9.7                                     | 14.7%         |
| <b><u>Statutory measures</u></b>                            |   |   |               |
| <b>Profit before tax</b>                                    | 7.3                                     | 8.3                                     | (11.9%)       |
| <b>Basic earnings per share</b>                             | 25.0p                                   | 25.7p                                   | (2.7%)        |

- Revenue grew 4.7%, driven by growth in recently launched Chiesi NEXThaler® and Dr. Reddy’s Sumatriptan autoinjector
- Good operating leverage with operating margin (before special items<sup>3</sup>) expansion to 19.0% driving operating profit growth of 6.7%
- Strong growth in adjusted basic EPS<sup>2</sup> - up 15.9% - from strong EBIT growth and lower tax rate from Patent Box benefits
- Maintained interim dividend
- Strong cash generation, with cash generated from operations<sup>4</sup> up 14.7%

#### Operational Highlights

- Acquisition of Aesica completed post period end; integration going to plan
- Award of 2 new development contracts for injectables products
- Award of MHRA licence for Voke brings launch closer
- Significant progress in commercial / development opportunities for Syrina® and Lila®
- Commercial unveiling of Lapas® new platform bolus injector, powered by VapourSoft®

<sup>1</sup> – financial performance metrics relate to continuing operations unless stated otherwise.

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<sup>3</sup> – special items includes amortisation of acquired intangible assets (£0.4m) and acquisition related costs (£1.9m).

<sup>4</sup> – cash flow performance metrics are before any cash paid relating to special items.

**Jon Glenn, Chief Executive Officer of Consort Medical, commented:**

*“The Group has made a good start to the year, with solid revenue growth and strong earnings growth in the core Bepak business. This has been supplemented by important new development contract wins and meaningful progress with its development and innovation pipelines. Our expectation is that the Bepak business will deliver continued growth for the full year and that it will report further material progress in its pipelines.*

*“The Aesica business, whose acquisition completed post period end, also delivered growth in the first half of its 2014 financial year. The Board continues to expect it to contribute strongly to earnings in the second half of FY2015 and to be materially EPS enhancing in the year to 30 April 2016 and beyond. This could potentially be supplemented over time by cross selling and revenue synergies afforded by dovetailing its capabilities with those of Bepak.*

*“The integration of Aesica will strengthen the Group’s position as the partner of choice for pharmaceutical companies, enabling them to streamline and accelerate the route to market for their drugs. The Board is confident in its expectations for current year trading across the enlarged Group, and remains optimistic about future prospects”.*

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Consort Medical plc is a leading, global, single source drug and delivery device CDMO through its two operating subsidiaries Bepak and Aesica. Consort Medical is at the leading edge of innovation and is committed to investing in patient, clinician and customer driven innovation to create new treatments, new markets and new opportunities.

Bepak is a global market leader in the manufacture of drug delivery devices for pharmaceutical partner companies, including respiratory, nasal, and injectables products, and the manufacture of devices for the point of care diagnostics market.

Aesica is a leading provider of finished dose and active pharmaceutical ingredient (API) development and manufacturing services to pharmaceutical partners.

The Group has facilities in King’s Lynn, Cambridge, Nelson, Milton Keynes, Cramlington, Nottingham, Queenborough and Hemel Hempstead, UK; in Monheim and Zwickau, Germany; and in Pianezza, Italy. Consort Medical is a public company quoted on the premium list of the London Stock Exchange (LSE: CSRT). The Group’s website address is [www.consortmedical.com](http://www.consortmedical.com).

## Consort Medical plc

### Group Interim Results

Consort Medical has performed well in the first half, where solid revenue growth from the Bespak business has translated into strong earnings momentum. Continued progress in product development and innovation provide an exciting diversified portfolio of future growth prospects. Completion of the acquisition of Aesica after the period end is a major step in the execution of the Group's strategy in drug delivery, with significant potential opportunities for cross selling and revenue synergies.

### **Financial Performance<sup>1</sup>**

Revenue increased by £2.4m (4.7%) to £53.6m (FY2014: £51.2m), with a strong contribution from growth in the sales of the Chiesi NEXThaler® and in the Dr. Reddy's Sumatriptan autoinjector launched in February 2014. Operating profit before special items<sup>3</sup> increased by 6.7% to £10.2m (FY2014: £9.6m), with operating margin before special items<sup>3</sup> increasing to 19.0% (FY2014: 18.7%).

Profit before tax and special items increased by £0.8m (8.2%) to £9.7m (FY2014: £8.9m). The effective tax rate (ETR) before special items<sup>3</sup> reduced from 21.3% to 15.2%, reflecting the benefits derived from the implementation of the UK government's Patent Box regime. This contributed to an adjusted basic EPS<sup>2</sup> increase of 15.9% to 24.8p per share (FY2014: 21.4p). Basic EPS decreased by 2.7% to 25.0p per share (FY2014: 25.7p), reflecting the following special items: the previously unrecognised Patent Box benefits from FY2013 and FY2014; accrued acquisition costs.

Cash generated from operations<sup>4</sup> increased by £1.4m to £11.1m (FY2014: £9.7m). EBITDA before special items grew £0.6m (5.1%) to £13.0m (FY2014: £12.4m). Working capital<sup>5</sup> generated an outflow of £1.1m to £17.2m (30 April 2014: £16.1m). Capital expenditure of £7.4m (FY2014: £4.5m) was higher than the previous year, as the business continued with the expected significant investments in facilities and production capacity to fulfil its development pipeline contracts.

The Group ended the period with a net cash position of £30.0m (30 April 2014: net cash £25.8m). At 31 October 2014, headroom was £105m under the Group's previous undrawn banking facility, and there was a further £25.0m available under the then accordion facility. Since 31 October 2014, the Group has acquired Aesica Holdco Ltd, and entered into a new £160m revolving credit facility and optional accordion facility of up to £65m, as previously announced.

The Board is proposing an unchanged Interim dividend of 6.43p (FY2014: 6.43p). This is equivalent to 7.35p dividend per share when adjusting for the impact of the Rights Issue – i.e. the same level as paid in FY2014. This will be paid on 13 February 2015 to shareholders on the register as at 16 January 2015. For this current full financial year, the Board intends applying its previously announced dividend policy of maintaining dividend cover in the range of two to three times underlying earnings, reflecting the Group's performance, prospects and investment opportunities.

### **Operational Performance**

Revenue continued to grow from both product sales and service revenue.

*Chiesi NEXThaler® now available in nine countries; Market debut of Dr. Reddy's Sumatriptan autoinjector ahead of expectations*

The Chiesi NEXThaler® continued its growth reflecting product penetration in the markets into which it has been launched thus far. Since 30 April 2014, there have been further territory launches, including the major markets of France, UK and Brazil. This brings the total number of countries where the product has now been launched to nine. We understand that the product is currently licensed in fourteen European territories, so further launches can be expected to follow. During this period, Bespak successfully commissioned the

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<sup>5</sup> – working capital is defined as the total of inventory, trade and other receivables and trade and other payables.

product's fully automated assembly operations, supporting the growing market demand, and continued the development of expanded manufacturing facilities for the product announced in June 2014.

Following its market launch in February 2014, Dr Reddy's Sumatriptan autoinjector has sold above our expectations in the period. This is Bepak's first autoinjector to be commercially launched in the market and the market reception has been positive.

With the Product Development pipeline continuing to grow – now up to 11 live programmes – the development service revenue has also continued to grow, increasing by 16% in the period.

#### *Continuing revenue diversification*

Revenue diversification is a core element of our ongoing strategy, and we have continued to do so in this period. Of total product revenue, Respiratory Dry Powder Inhaler (DPI) revenue grew from 31.8% to 35.1%, and Other – which includes Injectables – grew from 10.7% to 11.5%, the balance coming from Respiratory Metered Dose Inhaler (MDI).

#### *UK Patent Box boosts earnings*

For earnings, the increased revenue continued to deliver operating leverage, as the operating margin (before special items<sup>3</sup>) grew from 18.7% to 19.0%. This was further helped by a significant reduction in the tax rate. Following a detailed project to review the opportunities presented by UK Government's Patent Box regime, the Group has evaluated the benefits and they are reflected in the reduced ETR of 15.2% (FY2014: 21.3%). Bepak's revenues from its core current IP portfolio provide for a sustainable benefit in the tax rate attributable to those sales. With further IP in development through the development pipeline and in our innovation centre, future revenues which will be IP attributable are expected to grow. Following the recent agreement on nexus of IP between the German and UK governments, the benefits recognised and anticipated as attributable to Bepak will be unaffected.

## **Product Development**

We have a strong and diverse core business of products in volume manufacturing. In line with our strategy we have assembled a full and broad product development pipeline of organic growth opportunities which will add to the strength of this core business going forwards. Successful conversion of these opportunities will provide progressive revenue and profit growth, in both contract manufacturing and products with our own proprietary IP and across a range of therapeutic areas including commercial drug handling.

### ***Development Portfolio***

Our published development portfolio provides an update on the key business development projects in the business. We guide that for inclusion in the published portfolio, projects must have a reasonable expectation of success – though timescales are difficult to predict – and be expected to produce peak annual sales of at least £3m per annum.

In the period, we successfully added two new projects to our development pipeline. Both are Injectables projects:

INJ650 is for our ASI<sup>®</sup> (Auto Safety Injector) autoinjector, technology acquired with the Medical House, and follows the successful launch of this technology into the market of the Dr. Reddy's Sumatriptan autoinjector in February 2014.

INJ700 is a project for our Lila Mix<sup>™</sup>, recently developed by our Innovation Centre in Cambridge. The product enables two drugs to be stored in the same syringe and mixed immediately before injection. It accompanies the Lila Duo<sup>™</sup> and Lila Bio<sup>™</sup> products unveiled last year.

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With the addition of two new programmes, the portfolio has grown to 11 live programmes. The status of the major programmes currently in our development pipeline is listed below:

| Project | Description   | Customer                    | Status  |
|---------|---|-----------------------------|---|
| VAL310  | Easifill primeless valve                                | US Pharma                   | Awaiting regulatory approval. Launch expected H1 2015                         |
| INJ570  | Auto-injector   | Global Pharma               | Awaiting regulatory approval  |
| VAL020  | MDI valve   | Global Pharma               | Final stability trials ongoing. Completion expected H1 2015                   |
| DEV200  | Nicotine delivery                                       | Nicoventures                | MHRA authorisation granted; awaiting regulatory approval of license variation |
| POC010  | POC Test Cartridge                                      | Atlas Genetics              | Manufacturing line complete. CE mark expected H1 2015                         |
| NAS020  | Nasal device  | Global Generic              | Formulation change; brief under review  |
| DEV610  | DPI   | Global Pharma               | Good progress. Launch now expected H1 2016                                    |
| NAS030  | Nasal device  | Pharma Co.                  | Early stage programme   |
| INJ600  | PatchPump <sup>®</sup> infusion system for Treprostinel | SteadyMed Therapeutics Inc. | Good progress made  |
| INJ650  | ASI <sup>®</sup> Auto-injector                          | Global Generic              | Contract awarded in October 2014  |
| INJ700  | Lila Mix <sup>®</sup> Injector                          | Pharma Co.                  | Contract awarded in October 2014  |

*DPI = Dry Powder Inhaler, MDI = Metered Dose Inhaler, POC = Point of Care*

On existing programmes in the pipeline, the following are the most notable updates:

*DEV200 / 'Voke'*: As previously announced, MHRA granted a Marketing Authorisation for Voke in September 2014. Kind Consumer have since submitted a variation of the Marketing Authorisation representing a further evolution of the technology for commercialisation by Nicoventures. It is intended to incorporate these product refinements into a further version of the product, the launch date of which will follow subsequent MHRA authorisation.

Production facilities to support product launch are already in place at the Bespak King's Lynn facility. Construction of the expanded facilities to support the full contracted volumes is well advanced. The refurbishment of Bespak Milton Keynes is now complete, and at King's Lynn the build phase of the new assembly facility is now also complete.

*NAS020*: The customer plans to change the drug formulation for the product and the development brief is currently under review.

*DEV610*: Good progress has been made with the product development and with the building of the new facility. The expected launch date has moved slightly into the first half of 2016.

*INJ600 / Steadymed*: Good progress has been made on this early stage programme.

### ***Innovation Pipeline***

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The Innovation pipeline has progressed broadly during the period across a number of therapeutic areas and technologies.

#### *Syrina<sup>®</sup> and Lila<sup>®</sup> update*

Following the commercial unveiling of Syrina<sup>®</sup> and Lila<sup>®</sup> at the PDA exhibition in November 2013, we continue to generate widespread interest from several Pharma companies with injectable drug portfolios. Within this, we are in discussions on a number of specific opportunities and product evaluations.

The closure of our first development agreement for the Lila Mix<sup>®</sup> is the most advanced of these opportunities, and on Syrina<sup>®</sup> we have received an initial purchase order from a major Pharma company to develop a product demonstrator.

Our presence at the recent PDA exhibition in October 2014 has generated further interest in the opportunities available through these innovations.

#### *Lapas<sup>®</sup> commercial unveiling*

In addition to the commercialisation work on Syrina<sup>®</sup> and Lila<sup>®</sup>, the Innovation team has developed and launched another new significant platform at the PDA exhibition in October 2014. Lapas<sup>®</sup> is a bolus injector platform which enables large volumes (greater than 2.25ml) of injectable drug to be delivered constantly over an extended period of time (up to several hours).

The target drug market includes the biologic segment, where the viscosity and volume of some solutions of such drugs means that there is significant benefit from powered injection. The platform incorporates our proprietary Vapoursoft<sup>®</sup> technology to 'power' the injection for up to several hours. It is noteworthy that a number of chronic conditions include treatment with biologics.

Advantages include the following:

- Self-administration – this reduces the treatment cost to the health system as the patient does not need to attend a clinic;
- Mobility and independence whilst being injected – the patient can continue with relatively normal activities whilst receiving their medication; and
- Simple adaptability of dose size / power source dependent on drug and viscosity providing lower configurability / adaptability risk and a simple delivery mechanism for pharma clients.

With the ongoing expansion of the Innovation Centre, a lease has been signed on a new facility to accommodate the enlarged team within Cambridge. It is expected to be operational in January 2015 and will provide laboratory and pilot scale facilities as well as enlarged accommodation for the current research and design / development operations.

#### **Acquisition of Aesica Holdco Ltd.**

As previously announced, Consort Medical completed the acquisition of Aesica Holdco Ltd. on 12 November 2014.

#### ***Strategic Rationale***

Bringing Aesica together with Bepak in the Consort Medical Group optimises drug and delivery devices in a single group:

- Reduces cost and complexity of drug/device development, manufacturing and supply chain with an integrated pharma services offering;
- Streamlines and accelerates customers' drug route to market;
- Provides larger scale and critical mass, seen as important by our enlarged customer base; and
- Broadens geographic manufacturing footprint – allows geographic second sourcing and opportunities to expand Bepak manufacturing into mainland Europe.

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The enlarged group had FY2014 pro forma revenues of £279m and pro forma EBITDA of £44.4m, since when the enlarged group has continued to grow. There is significant potential over time for achieving revenue synergies and cross selling opportunities between the highly complementary pharmaceutical customer bases.

In summary, the transaction creates a leading, global, single source drug and delivery device CDMO partner providing a broader, deeper and more integrated pharma services offering.

### ***Key Financial Terms***

The consideration was £230m; this represented 11.5x 2013 EBITDA and that multiple reduces when factoring in Aesica's EBITDA growth during 2014. The acquisition was financed through a 5 for 8 Rights Issue of c.18.3m new shares at 540p per share (£98.9m), the issue of new shares to Aesica management (£11.8m) and the balance drawn down under a new Debt Facility.

The Rights Issue was taken up by over 95% of shareholders. All Consort Directors who are shareholders took up their rights in full.

A new / replacement £160m five year multi-currency revolving credit facility was signed with four banks – Barclays, Lloyds, RBS, Santander – of which £120.0m was drawn at completion. The facility also provides for a further £65m accordion facility option. Proforma opening leverage was expected to be 2.3x enlarged group EBITDA, falling to under 2.0x within the first full financial year to April 2016.

The Board continues to expect the transaction to be materially EPS enhancing – pre synergies – in the first full financial year to April 2016 and in subsequent years.

### ***Completion, Integration, Aesica Trading***

As planned, post completion it is business as usual for Aesica which is being managed by existing management as a separate division of Consort and in close cooperation with Bepak.

There have been extensive communications with employees, customers, suppliers, regulatory authorities, and other stakeholders.

Since completion there has been a number of discussions with customers around commercial opportunities for drug / device combinations.

A formal post-merger optimisation process is well underway, with joint Aesica / Bepak teams established to ensure a smooth and well-paced integration of the relevant parts of the business. The teams are working well together and we are delighted with the early engagement by the respective teams.

As indicated on the announcement of the acquisition, Aesica's trading for the first six months of 2014 delivered revenue and EBITDA ahead of the same period in 2013 and the rolling twelve month EBITDA to the period ending June 2014 has also grown. This growth has been driven by improved performance in Aesica's two largest business units – Finished Dose Manufacturing (FDM) and API (Active Pharmaceutical Ingredients): FDM opened a new high capacity manufacturing facility at Queenborough; API has a strong commercial pipeline. In addition, Aesica has a good pipeline of new business development opportunities.

### ***Rights Issue Shares / Adjustment of EPS & DPS Comparatives***

Following the Rights Issue and issuance of new shares to Aesica management, the number of shares in issue has grown from 29.3m to 49.1m. The effect of the new shares and the bonus shares arising from the discount to the TERP (theoretical ex-rights price) result in an adjustment of the comparative (FY2014) EPS (earnings per share) and DPS (dividends per share) to enable meaningful comparison of the pre and post rights issue / acquisition earnings and distributions.

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The effect on the number of shares is most easily presented as follows:

|   | <u>Weighted average shares</u> | <u>EPS</u> | <u>DPS</u> |
|---|--------------------------------|------------|------------|
| <b>Full year 2014</b>                             |                                |            |            |
| Pre-acquisition at 30 April 2014                  | 28,783,998                     | 48.3p      | 20.70p     |
| Rights issue adjustment factor                    | 1.14                           |            |            |
| Post Rights Issue at 30 April 2014 <sup>2</sup>   | 32,908,187                     | 42.3p      | 18.10p     |
| <b>Interim 2015</b>                               |                                |            |            |
| Pre-acquisition at 31 October 2014                | 28,952,356                     | 28.3p      | 7.35p      |
| Rights issue adjustment factor                    | 1.14                           |            |            |
| Post Rights issue at 31 October 2014 <sup>2</sup> | 33,100,668                     | 24.8p      | 6.43p      |

In determining the performance in adjusted basic earnings per share<sup>2</sup> (EPS) and dividends per share (DPS), it is necessary to use a common denominator of shares adjusted to reflect the Rights Issue, as illustrated above for 30 April 2014 and 31 October 2014, in line with accounting standards.

## Board Changes

Andrew Hosty joined the Board of Consort Medical in July 2014. Andrew brings a wide breadth of experience to the Consort Medical including managing international operations and seniority in a non-pharma market listed company. In addition, Andrew joins the remuneration and audit committees of the Board.

The Board is currently engaged in a search to appoint a further non-executive director.

## Outlook

The Group has made a good start to the year, with solid revenue growth and strong earnings growth in the core Bepak business. This has been supplemented by important new development contract wins and meaningful progress with its development and innovation pipelines. Our expectation is that the Bepak business will deliver continued growth for the full year and that it will report further material progress in its pipelines.

The Aesica business, whose acquisition completed post period end, also delivered growth in the first half of its 2014 financial year. The Board continues to expect it to contribute strongly to earnings in the second half of FY2015 and to be materially EPS enhancing in the year to 30 April 2016 and beyond. This could potentially be supplemented over time by cross selling and revenue synergies afforded by dovetailing its capabilities with those of Bepak.

The integration of Aesica will strengthen the Group's position as the partner of choice for pharmaceutical companies, enabling them to streamline and accelerate the route to market for their drugs. The Board is confident in its expectations for current year trading across the enlarged Group, and remains optimistic about future prospects.

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## Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Consort Medical plc are listed in the Consort Medical plc Annual Report for the year ended 30 April 2014. Since the preparation of the Annual Report, on 14 July 2014 Andrew Hosty was appointed as a non-executive director and Dr Lynn Drummond resigned as a non-executive director. A list of current directors is maintained on the Consort Medical plc website: [www.consortmedical.com](http://www.consortmedical.com).

By order of the Board

Richard Cotton  
Group Finance Director  
3 December 2014

## Independent review report to Consort Medical plc

### Report on the condensed consolidated interim financial statements

#### Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the interim financial report of Consort Medical plc for the six months ended 31 October 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

#### What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Consort Medical plc, comprise:

- the Consolidated Balance Sheet as at 31 October 2014;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Shareholders' Equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## **Independent review report to Consort Medical plc (continued)**

### **What a review of condensed consolidated financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

### **Responsibilities for the condensed consolidated interim financial statements and the review**

#### **Our responsibilities and those of the directors**

The interim financial report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Cambridge  
3 December 2014

#### **Notes:**

- (a) The maintenance and integrity of the Consort Medical plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Consolidated Income Statement

For the half year ended 31 October 2014

|  | Note | Unaudited<br>1 May to 31<br>October<br>2014<br>£000 | Unaudited<br>1 May to 31<br>October 2013<br>£000 | Audited<br>1 May to<br>30 April 2014<br>£000 |
|--|------|---|--|--|
| <b>Revenue</b>   | 2    | <b>53,597</b>                                       | 51,183   | 100,010                                      |
| Operating expenses before special items                                      |      | <b>(43,391)</b>                                     | (41,623)   | (81,217)                                     |
| <b>Operating profit before special items</b>                                 |      | <b>10,206</b>                                       | 9,560  | 18,793                                       |
| Special items  | 3    | <b>(2,361)</b>                                      | (646)  | (1,387)                                      |
| <b>Operating profit</b>  |      | <b>7,845</b>  | 8,914  | 17,406                                       |
| Finance income   |      | <b>94</b>   | 121  | 201  |
| Finance costs  | 4    | <b>(625)</b>  | (742)  | (1,467)                                      |
| <b>Profit before tax and special items</b>                                   |      | <b>9,675</b>  | 8,939  | 17,527                                       |
| Special items  | 3    | <b>(2,361)</b>                                      | (646)  | (1,387)                                      |
| <b>Profit before tax</b>   |      | <b>7,314</b>  | 8,293  | 16,140                                       |
| Tax on profit before special items   | 5    | <b>(1,483)</b>                                      | (1,903)  | (3,611)                                      |
| Special items - tax  | 3    | <b>1,406</b>  | 996  | 1,117  |
| Tax  | 5    | <b>(77)</b>   | (907)  | (2,494)                                      |
| <b>Profit for the financial period from continuing operations</b>            |      | <b>7,237</b>  | 7,386  | 13,646                                       |
| <b>Profit / (loss) for the financial period from discontinued operations</b> | 15   | <b>28</b>   | (403)  | (678)  |
| <b>Profit for the financial period</b>                                       |      | <b>7,265</b>  | 6,983  | 12,968                                       |

### Earnings per share, attributable to the ordinary equity holders of the parent

From continuing operations:

|                                     |   |              |       |       |
|-------------------------------------|---|--------------|-------|-------|
| Basic earnings per ordinary share   | 6 | <b>25.0p</b> | 25.7p | 47.4p |
| Diluted earnings per ordinary share | 6 | <b>24.5p</b> | 25.1p | 46.2p |

From continuing and discontinued operations:

|                                     |   |              |       |       |
|-------------------------------------|---|--------------|-------|-------|
| Basic earnings per ordinary share   | 6 | <b>25.1p</b> | 24.3p | 45.1p |
| Diluted earnings per ordinary share | 6 | <b>24.6p</b> | 23.8p | 43.9p |

### Non-GAAP measures

|  |   |              |       |        |
|--|---|--------------|-------|--------|
| From continuing operations:                  |   | <b>£000</b>  | £000  | £000   |
| Profit before tax before special items       |   | <b>9,675</b> | 8,939 | 17,527 |
| Profit after tax before special items        |   | <b>8,192</b> | 7,036 | 13,916 |
| Adjusted basic earnings per ordinary share   | 6 | <b>28.3p</b> | 24.5p | 48.3p  |
| Adjusted diluted earnings per ordinary share | 6 | <b>27.7p</b> | 23.9p | 47.1p  |

## Consolidated Statement of Comprehensive Income

For the half year ended 31 October 2014

|   | Unaudited<br>1 May to 31<br>October<br>2014 | Unaudited<br>1 May to 31<br>October<br>2013 | Audited<br>1 May to 30<br>April 2014 |
|---|---|---|--------------------------------------|
|   | £000  | £000  | £000                                 |
| Profit for the period from continuing operations                            | 7,237                                       | 7,386                                       | 13,646                               |
| Profit / (loss) for the period from discontinued operations                 | 28  | (403)                                       | (678)                                |
| Profit for the financial period   | <b>7,265</b>                                | 6,983                                       | 12,968                               |
| <b>Other comprehensive income</b>   |   |   |                                      |
| <i>Items that may be reclassified subsequently to profit and loss:</i>      |   |   |                                      |
| Exchange movements on translation of foreign subsidiaries                   | -   | (2)   | (6)                                  |
| Current tax on exchange movements   | -   | 2   | (5)                                  |
| <i>Items that will not be reclassified subsequently to profit and loss:</i> |   |   |                                      |
| Actuarial (losses) / gains on defined benefit pension scheme                | <b>(5,465)</b>                              | 3,097                                       | 10,561                               |
| Deferred tax on actuarial losses / (gains)                                  | <b>1,093</b>                                | (712)                                       | (2,429)                              |
| Impact of change in tax rates   | -   | (524)                                       | (334)                                |
| <b>Other comprehensive (loss) / income for the period</b>                   | <b>(4,372)</b>                              | 1,861                                       | 7,787                                |
| <b>Total comprehensive income for the period</b>                            | <b>2,893</b>                                | 8,844                                       | 20,755                               |
| <b>Attributable to equity holders of the parent</b>                         |   |   |                                      |
| From continuing operations  | <b>2,865</b>                                | 9,247                                       | 21,433                               |
| From discontinued operations  | <b>28</b>                                   | (403)                                       | (678)                                |

## Consolidated Balance Sheet

at 31 October 2014

|  | Note | Unaudited<br>31 October<br>2014<br>£000 | Unaudited<br>31 October<br>2013<br>£000 | Audited<br>30 April<br>2014<br>£000 |
|--|------|---|---|-------------------------------------|
| <b>Assets</b>                          |      |   |   |                                     |
| <b>Non-current assets</b>              |      |   |   |                                     |
| Property, plant and equipment          |      | 55,930                                  | 42,034                                  | 49,955                              |
| Goodwill                               |      | 15,800                                  | 15,800                                  | 15,800                              |
| Other intangible assets                |      | 4,616                                   | 5,515                                   | 5,035                               |
| Investments                            | 9    | 4,068                                   | 3,650                                   | 4,068                               |
| Trade and other receivables            | 9    | 3,678                                   | 3,722                                   | 4,841                               |
|  |      | <b>84,092</b>                           | <b>70,721</b>                           | <b>79,699</b>                       |
| <b>Current assets</b>                  |      |   |   |                                     |
| Inventories                            |      | 12,374                                  | 11,111                                  | 10,203                              |
| Trade and other receivables            | 9    | 22,376                                  | 26,436                                  | 27,975                              |
| Derivative financial instruments       | 9    | -                                       | -                                       | 7                                   |
| Cash and cash equivalents              | 10   | 30,001                                  | 33,628                                  | 25,843                              |
|  |      | <b>64,751</b>                           | <b>71,175</b>                           | <b>64,028</b>                       |
| <b>Total assets</b>                    |      | <b>148,843</b>                          | <b>141,896</b>                          | <b>143,727</b>                      |
| <b>Liabilities</b>                     |      |   |   |                                     |
| <b>Current liabilities</b>             |      |   |   |                                     |
| Borrowings                             |      | -                                       | (2)                                     | -                                   |
| Trade and other payables               | 9    | (19,065)                                | (17,807)                                | (15,479)                            |
| Derivative financial instruments       | 9    | (81)                                    | (9)                                     | -                                   |
| Current tax liabilities                |      | (496)                                   | (2,330)                                 | (1,842)                             |
| Provisions for other liabilities       |      | (587)                                   | (816)                                   | (547)                               |
|  |      | <b>(20,229)</b>                         | <b>(20,964)</b>                         | <b>(17,868)</b>                     |
| <b>Net current assets</b>              |      | <b>44,522</b>                           | <b>50,211</b>                           | <b>46,160</b>                       |
| <b>Non-current liabilities</b>         |      |   |   |                                     |
| Deferred tax liabilities               |      | (2,946)                                 | (2,520)                                 | (3,429)                             |
| Defined benefit pension scheme deficit | 12   | (7,680)                                 | (9,101)                                 | (2,076)                             |
| Provisions for other liabilities       |      | (1,641)                                 | (1,864)                                 | (1,830)                             |
|  |      | <b>(12,267)</b>                         | <b>(13,485)</b>                         | <b>(7,335)</b>                      |
| <b>Total liabilities</b>               |      | <b>(32,496)</b>                         | <b>(34,449)</b>                         | <b>(25,203)</b>                     |
| <b>Net assets</b>                      |      | <b>116,347</b>                          | <b>107,447</b>                          | <b>118,524</b>                      |
| <b>Shareholders' equity</b>            |      |   |   |                                     |
| Share capital                          | 16   | 2,930                                   | 2,927                                   | 2,928                               |
| Share premium                          |      | 33,854                                  | 33,665                                  | 33,675                              |
| Retained earnings                      |      | 79,400                                  | 70,681                                  | 81,758                              |
| Other reserves                         |      | 163                                     | 174                                     | 163                                 |
| <b>Total equity</b>                    |      | <b>116,347</b>                          | <b>107,447</b>                          | <b>118,524</b>                      |

## Consolidated Statement of Changes in Shareholders' Equity

For the half year ended 31 October 2014

|   | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Retained<br>earnings<br>£000 | Translation<br>reserve<br>£000 | Total<br>£000  |
|---|--------------------------|--------------------------|------------------------------|--------------------------------|----------------|
| Balance at 1 May 2013 (audited)                               | <b>2,921</b>             | <b>33,406</b>            | <b>67,254</b>                | <b>174</b>                     | <b>103,755</b> |
| Profit for the financial period                               | -                        | -                        | 6,983                        | -                              | <b>6,983</b>   |
| Exchange movements on translation of foreign subsidiaries     | -                        | -                        | -                            | (2)                            | <b>(2)</b>     |
| Actuarial gains on defined benefit scheme                     | -                        | -                        | 3,097                        | -                              | <b>3,097</b>   |
| Tax on amounts taken directly to equity                       | -                        | -                        | (1,236)                      | 2                              | <b>(1,234)</b> |
| Total comprehensive income                                    | -                        | -                        | 8,844                        | -                              | <b>8,844</b>   |
| Recognition of share-based payments                           | -                        | -                        | 1,011                        | -                              | <b>1,011</b>   |
| Movement on tax arising on share-based payments               | -                        | -                        | 79                           | -                              | <b>79</b>      |
| Proceeds from exercise of employee options                    | 6                        | 259                      | -                            | -                              | <b>265</b>     |
| Consideration paid for purchase of own shares (held in trust) | -                        | -                        | (2,848)                      | -                              | <b>(2,848)</b> |
| Equity dividends  | -                        | -                        | (3,659)                      | -                              | <b>(3,659)</b> |
|   | 6                        | 259                      | (5,417)                      | -                              | <b>(5,152)</b> |
| <b>Balance at 31 October 2013 (unaudited)</b>                 | <b>2,927</b>             | <b>33,665</b>            | <b>70,681</b>                | <b>174</b>                     | <b>107,447</b> |
| Balance at 1 May 2013 (audited)                               | <b>2,921</b>             | <b>33,406</b>            | <b>67,254</b>                | <b>174</b>                     | <b>103,755</b> |
| Profit for the financial period                               | -                        | -                        | 12,968                       | -                              | <b>12,968</b>  |
| Exchange movements on translation of foreign subsidiaries     | -                        | -                        | -                            | (6)                            | <b>(6)</b>     |
| Actuarial gains on defined benefit scheme                     | -                        | -                        | 10,561                       | -                              | <b>10,561</b>  |
| Tax on amounts taken directly to equity                       | -                        | -                        | (2,763)                      | (5)                            | <b>(2,768)</b> |
| Total comprehensive income/(loss)                             | -                        | -                        | 20,766                       | (11)                           | <b>20,755</b>  |
| Recognition of share-based payments                           | -                        | -                        | 1,821                        | -                              | <b>1,821</b>   |
| Movement on tax arising on share-based payments               | -                        | -                        | 571                          | -                              | <b>571</b>     |
| Proceeds from exercise of employee options                    | 7                        | 269                      | -                            | -                              | <b>276</b>     |
| Consideration paid for purchase of own shares (held in trust) | -                        | -                        | (2,874)                      | -                              | <b>(2,874)</b> |
| Equity dividends  | -                        | -                        | (5,780)                      | -                              | <b>(5,780)</b> |
|   | 7                        | 269                      | (6,262)                      | -                              | <b>(5,986)</b> |
| <b>Balance at 30 April 2014</b>                               | <b>2,928</b>             | <b>33,675</b>            | <b>81,758</b>                | <b>163</b>                     | <b>118,524</b> |
| Profit for the financial period                               | -                        | -                        | 7,265                        | -                              | <b>7,265</b>   |
| Actuarial losses on defined benefit scheme                    | -                        | -                        | (5,465)                      | -                              | <b>(5,465)</b> |
| Tax on amounts taken directly to equity                       | -                        | -                        | 1,093                        | -                              | <b>1,093</b>   |
| Total comprehensive income                                    | -                        | -                        | 2,893                        | -                              | <b>2,893</b>   |
| Recognition of share-based payments                           | -                        | -                        | 787                          | -                              | <b>787</b>     |
| Movement on tax arising on share-based payments               | -                        | -                        | (291)                        | -                              | <b>(291)</b>   |
| Proceeds from exercise of employee options                    | 2                        | 179                      | -                            | -                              | <b>181</b>     |
| Consideration paid for purchase of own shares (held in trust) | -                        | -                        | (1,866)                      | -                              | <b>(1,866)</b> |
| Equity dividends  | -                        | -                        | (3,881)                      | -                              | <b>(3,881)</b> |
|   | 2                        | 179                      | (5,251)                      | -                              | <b>(5,070)</b> |
| <b>Balance at 31 October 2014</b>                             | <b>2,930</b>             | <b>33,854</b>            | <b>79,400</b>                | <b>163</b>                     | <b>116,347</b> |

## Consolidated Cash Flow Statement

For the half year ended 31 October 2014

|   | Note | Unaudited<br>1 May to 31<br>October<br>2014<br>£000 | Unaudited<br>1 May to 31<br>October<br>2013<br>£000 | Audited<br>1 May to 30<br>April 2014<br>£000 |
|---|------|---|---|--|
| <b>Cash flows from operating activities</b>                     |      |   |   |  |
| Profit before taxation from continuing operations               |      | 7,314   | 8,293   | 16,140                                       |
| Profit / (loss) before taxation from discontinued operations    |      | 28  | (403)   | (678)  |
| Finance income  |      | (94)  | (121)   | (201)  |
| Finance costs   |      | 625   | 742   | 1,467  |
| Operating profit  |      | 7,873   | 8,511   | 16,728                                       |
| Depreciation  |      | 2,742   | 2,711   | 5,501  |
| Amortisation  |      | 468   | 495   | 983  |
| Profit on disposal of property, plant and equipment             |      | (21)  | (10)  | (12)   |
| Share-based payments  |      | 787   | 1,011   | 1,821  |
| Change in fair value of contingent consideration                |      | (28)  | 243   | 518  |
| Pension charge in excess of cash contributions                  |      | 97  | 181   | 386  |
| (Increase) / decrease in inventories                            |      | (2,171)   | 634   | 1,542  |
| Increase in trade and other receivables                         |      | (1,019)   | (2,370)   | (5,744)                                      |
| Increase / (decrease) in trade and other payables               |      | 2,403   | (2,120)   | (3,398)                                      |
| (Decrease) / increase in provisions                             |      | (149)   | 20  | (285)  |
| Decrease / (increase) in financial instruments                  |      | 88  | (34)  | (62)   |
| <b>Cash generated from operations</b>                           |      | <b>11,070</b>                                       | <b>9,272</b>  | <b>17,978</b>                                |
| Interest paid   |      | (329)   | (358)   | (643)  |
| Tax paid  |      | (953)   | (1,654)   | (3,564)                                      |
| <b>Net cash inflow from operating activities</b>                |      | <b>9,788</b>  | <b>7,260</b>  | <b>13,771</b>                                |
| <b>Cash flows from investing activities</b>                     |      |   |   |  |
| Purchases of property, plant and equipment                      |      | (7,327)   | (4,350)   | (16,134)                                     |
| Purchases of intangible assets                                  |      | (49)  | (144)   | (158)  |
| Proceeds from sale of property, plant and equipment             |      | 21  | 10  | 31   |
| Net proceeds on disposal of businesses                          | 9    | 7,321   | -   | -  |
| Interest received   |      | 92  | 128   | 227  |
| Purchase of equity investment                                   |      | -   | -   | (418)  |
| <b>Net cash generated from / (used in) investing activities</b> |      | <b>58</b>   | <b>(4,356)</b>                                      | <b>(16,452)</b>                              |
| <b>Cash flows from financing activities</b>                     |      |   |   |  |
| Proceeds from issues of ordinary share capital                  |      | 181   | 265   | 276  |
| Purchase of own shares  |      | (1,866)   | (2,848)   | (2,874)                                      |
| Equity dividends paid to shareholders                           |      | (3,881)   | (3,659)   | (5,780)                                      |
| Finance lease payments  |      | -   | -   | (2)  |
| <b>Net cash used in financing activities</b>                    |      | <b>(5,566)</b>                                      | <b>(6,242)</b>                                      | <b>(8,380)</b>                               |
| <b>Net increase / (decrease) in cash and cash equivalents</b>   |      | <b>4,280</b>  | <b>(3,338)</b>                                      | <b>(11,061)</b>                              |
| Effects of exchange rate changes                                |      | (122)   | -   | (62)   |
| Cash and cash equivalents at start of period                    | 10   | 25,843  | 36,966  | 36,966                                       |
| <b>Cash and cash equivalents at end of period</b>               | 10   | <b>30,001</b>                                       | <b>33,628</b>                                       | <b>25,843</b>                                |

\*

## **Notes to the accounts**

### **1. Basis of preparation**

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Breakspear Park, Breakspear Way, Hemel Hempstead, Herts HP2 4TZ. The Company is listed on the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 3 December 2014.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2014 were approved by the Board of directors on 16 June 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

This condensed consolidated interim financial information for the six months ended 31 October 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 April 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

### **Accounting policies**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2014, as described in those annual financial statements except where disclosed otherwise in this note. Taxes on income in the interim periods are accrued using the estimated tax rate that would be applicable to expected total annual earnings.

### **Critical accounting estimates and judgments**

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 April 2014, with the exception of changes in estimates required in determining the provision for income taxes.

### **Going concern**

The directors have, at the time of approving the interim financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

### **Non-GAAP performance measures**

The directors believe that the 'adjusted' profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally. The adjusted profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies.



Further details on the special items can be found in note 3.

## **Notes to the accounts**

### **1. Basis of preparation (continued)**

#### **New standards, amendments and interpretations**

The following accounting standards and amendments are effective for the year commencing 1 May 2014 but are not expected to have a material impact on the Group:

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interests in Other Entities
- IAS27 (revised) Separate Financial Statements
- IAS28 (revised) Investments in Associates and Joint Ventures
- IAS32 (amendment) Financial Instruments: Presentation (assets and liability offsetting)
- IAS39 (amendment) Financial Instruments: Recognition and Measurement
- Amendments to IFRS10, IFRS11, IFRS12 (transition guidance)
- Amendments to IFRS10, IFRS12 and IAS27 (consolidation for investment entities)
- IFRIC21 Levies

The following accounting standards relevant to the Group have been issued but are not yet effective and have not been early adopted:

- IFRS9 Financial Instruments
- IFRS15 Revenue from Contracts with Customers

## Notes to the accounts

### 2. Revenue

The Group's operations are based in the UK.

|  | <b>Unaudited<br/>1 May to 31<br/>October<br/>2014</b> | Unaudited<br>1 May to 31<br>October 2013 | Audited<br>1 May to 30<br>April 2014 |
|--|---|--|--------------------------------------|
|  | <b>£000</b>   | £000                                     | £000                                 |
| <b>Revenue by destination from continuing operations</b> |   |  |                                      |
| United Kingdom   | <b>13,626</b>   | 11,717                                   | 25,032                               |
| United States of America                                 | <b>7,885</b>  | 8,451                                    | 15,376                               |
| Europe   | <b>28,264</b>   | 27,416                                   | 53,093                               |
| Rest of the world  | <b>3,822</b>  | 3,599                                    | 6,509                                |
| <b>Revenue from continuing operations</b>                | <b>53,597</b>   | 51,183                                   | 100,010                              |

### 3. Special items

|  | <b>Unaudited<br/>1 May to 31<br/>October<br/>2014</b> | Unaudited<br>1 May to 31<br>October 2013 | Audited<br>1 May to 30<br>April 2014 |
|--|---|--|--------------------------------------|
|  | <b>£000</b>   | £000                                     | £000                                 |
| Acquisition-related expenses   | <b>(1,947)</b>  | (232)                                    | (598)                                |
| Amortisation of acquisition-related intangible assets                              | <b>(414)</b>  | (414)                                    | (828)                                |
| Plant restructuring and recall credit  | -   | -  | 39                                   |
| <b>Special items before taxation from continuing operations</b>                    | <b>(2,361)</b>  | (646)                                    | (1,387)                              |
| Special tax item – prior year Patent Box credit                                    | <b>1,323</b>  | -  | -                                    |
| Special tax item – deferred tax credit as a result of the UK Corporate rate change | -   | 902                                      | 850                                  |
| Tax on special items   | <b>83</b>   | 94                                       | 267                                  |
| <b>Special items after taxation from continuing operations</b>                     | <b>(955)</b>  | 350                                      | (270)                                |

Acquisition-related expenses are diligence costs incurred in investigating potential investment opportunities and include costs arising from the acquisition of Aesica Holdco Limited to the extent they were incurred at 31 October 2014.

Amortisation of acquired intangible assets represents the charge for other intangible assets acquired with The Medical House in 2009.

A special tax item arises in respect of the recognition in the current year of Patent Box benefits relating to the prior year.

In the prior year a special tax item arose in respect of a significant tax credit arising as the Group's deferred tax assets and liabilities were revalued using the lower rate of UK Corporate Tax of 20% (reduced from 23%).

Special items from discontinued operations are described in note 15.

## Notes to the accounts

### 4. Finance costs

|  | <b>Unaudited<br/>1 May to 31<br/>October 2014<br/>£000</b> | Unaudited<br>1 May to 31<br>October 2013<br>£000 | Audited<br>1 May to 30<br>April 2014<br>£000 |
|--|--|--|--|
| Interest on bank overdrafts and loans including amortised fees | <b>(453)</b>   | (469)  | (907)  |
| Interest income on defined benefit scheme assets               | <b>1,916</b>   | 1,708  | 3,412  |
| Interest cost on defined benefit scheme liabilities            | <b>(1,958)</b>   | (1,956)  | (3,897)                                      |
| Net interest cost on defined benefit scheme                    | <b>(42)</b>  | (248)  | (485)  |
| Unwinding of discount on provisions                            | <b>-</b>   | (25)   | (33)   |
| Foreign exchange losses  | <b>(130)</b>   | -  | (42)   |
| Net other finance costs  | <b>(172)</b>   | (273)  | (560)  |
| <b>Total finance costs</b>                                     | <b>(625)</b>   | (742)  | (1,467)                                      |

### 5. Taxation

|  | <b>Unaudited<br/>1 May to 31<br/>October 2014<br/>£000</b> | Unaudited<br>1 May to 31<br>October 2013<br>£000 | Audited<br>1 May to 30<br>April 2014<br>£000 |
|--|--|--|--|
| <b>Current income tax from continuing operations</b>                               |  |  |  |
| UK corporation tax   | <b>(58)</b>  | (2,121)  | (4,058)                                      |
| Deferred taxation  | <b>(19)</b>  | 1,214  | 1,564  |
| <b>Income tax expense reported in the consolidated income statement</b>            | <b>(77)</b>  | (907)  | (2,494)                                      |
| The tax charge from continuing operations is analysed between:                     |  |  |  |
| Tax on profit before special items   | <b>(1,483)</b>   | (1,903)  | (3,611)                                      |
| Special tax item – prior year Patent Box credit                                    | <b>1,323</b>   | -  | -  |
| Special tax item – deferred tax credit as a result of the UK Corporate rate change | <b>-</b>   | 902  | 850  |
| Tax on special items   | <b>83</b>  | 94   | 267  |
| <b>Income tax expense reported in the consolidated income statement</b>            | <b>(77)</b>  | (907)  | (2,494)                                      |

Following the introduction of the UK Government's Patent Box regime from April 2013, the Group completed a detailed evaluation of the scheme's provisions and its own Intellectual Property portfolio, consulting with both HMRC and advisers and, as a result, has recognised the benefits associated with this regime in the current year tax charge.

As a result, the effective tax rate from continuing operations before special items for the period reduced to 15.2% (H1 FY2014: 21.3%). In addition, a special tax item arises in respect of the recognition in the current year of Patent Box benefits from the prior year.

## Notes to the accounts

### 6. Earnings per share

|  | Unaudited<br>1 May to 31<br>October 2014<br>£000 | Unaudited<br>1 May to 31<br>October 2013<br>£000 | Audited<br>1 May to 30<br>April 2014<br>£000 |
|--|--|--|--|
|--|--|--|--|

The calculation of earnings per ordinary share is based on the following:

#### Continuing operations (basic and diluted)

|   |       |       |        |
|---|-------|-------|--------|
| Profit for the period – attributable to ordinary shareholders | 7,237 | 7,386 | 13,646 |
| Add back: Special items after taxation                        | 955   | (350) | 270    |
| Adjusted earnings   | 8,192 | 7,036 | 13,916 |

#### Discontinued operations (basic and diluted)

|  |      |       |       |
|--|------|-------|-------|
| Profit / (loss) for the period – attributable to ordinary shareholders | 28   | (403) | (678) |
| Add back: Special items after taxation                                 | (28) | 403   | 678   |
| Adjusted earnings  | -    | -     | -     |

#### Total (basic and diluted)

|   |       |       |        |
|---|-------|-------|--------|
| Profit for the period – attributable to ordinary shareholders | 7,265 | 6,983 | 12,968 |
| Add back: Special items after taxation                        | 927   | 53    | 948    |
| Adjusted earnings   | 8,192 | 7,036 | 13,916 |

#### Number of shares

|   |            |            |            |
|---|------------|------------|------------|
| Weighted average number of ordinary shares in issue for basic earnings    | 29,289,709 | 29,272,086 | 29,248,817 |
| Weighted average number of shares owned by Employee Share Ownership Trust | (337,353)  | (503,159)  | (464,819)  |
| Average number of ordinary shares for in issue for basic earnings         | 28,952,356 | 28,768,927 | 28,783,998 |
| Dilutive impact of share options outstanding                              | 626,408    | 615,636    | 745,627    |
| Diluted weighted average number of ordinary shares in issue               | 29,578,764 | 29,384,563 | 29,529,625 |

|                                       | Pence | Pence | Pence |
|---------------------------------------|-------|-------|-------|
| <b>Continuing operations</b>          |       |       |       |
| Adjusted basic earnings per share     | 28.3  | 24.5  | 48.3  |
| Unadjusted basic earnings per share   | 25.0  | 25.7  | 47.4  |
| Adjusted diluted earnings per share   | 27.7  | 23.9  | 47.1  |
| Unadjusted diluted earnings per share | 24.5  | 25.1  | 46.2  |

#### Continuing and discontinued operations

|                                       |      |      |      |
|---------------------------------------|------|------|------|
| Unadjusted basic earnings per share   | 25.1 | 24.3 | 45.1 |
| Unadjusted diluted earnings per share | 24.6 | 23.8 | 43.9 |

### 7. Dividends

|   | Unaudited<br>1 May to 31<br>October 2014<br>£000 | Unaudited<br>1 May to 31<br>October 2013<br>£000 | Audited<br>1 May to 30<br>April 2014<br>£000 |
|---|--|--|--|
| Final dividend for the year ended 30 April 2014 of 13.35p per share (2013: final dividend for 2013 of 12.71p per share) | 3,881  | 3,659  | 3,659  |
| Interim dividend paid in 2013: 7.35p per share  | -  | -  | 2,121  |
|   | 3,881  | 3,659  | 5,780  |

The directors are proposing an interim dividend for the year ending 30 April 2015 of 6.43p per share which will absorb an estimated £3.2 million of shareholders' equity. It will be paid on 13 February 2015 to shareholders who are on the register on 16 January 2015.

## Notes to the accounts

### 8. Capital expenditure

In the period there were additions to property, plant and equipment of £8.5 million (H1 FY2014: £4.4 million).

Capital commitments contracted for but not provided for by the Group amounted to £7.8 million (H1 FY2014: £8.5 million).

### 9. Financial assets and liabilities

The following table sets out the classification of the Group's financial assets and liabilities. Receivables and payables have been included to the extent that they are classified as financial assets and liabilities in accordance with IAS 32, Financial Instruments: Presentation. Provisions have been included where there is a contractual obligation to settle in cash.

|  | <b>Unaudited<br/>31 October<br/>2014<br/>£000</b> | Unaudited<br>31 October<br>2013<br>£000 | Audited<br>30 April<br>2014<br>£000 |
|--|---|---|-------------------------------------|
| <b>Financial assets</b>  |   |   |                                     |
| <b>Cash and cash equivalents *</b>                                     | <b>30,001</b>                                     | 33,628                                  | 25,843                              |
| Trade receivables  | <b>15,693</b>                                     | 13,874                                  | 13,579                              |
| Other receivables  | <b>1,166</b>                                      | 458                                     | 3,574                               |
| <b>Total loans and receivables *</b>                                   | <b>16,859</b>                                     | 14,332                                  | 17,153                              |
| <b>Available for sale financial asset – contingent consideration</b>   | <b>3,862</b>                                      | 11,433                                  | 11,157                              |
| <b>Equity investment in Atlas Genetics Limited **</b>                  | <b>4,068</b>                                      | 3,650                                   | 4,068                               |
| <b>Fair value through profit and loss – forward exchange contracts</b> | <b>-</b>  | -                                       | 7                                   |
|  |   |   |                                     |
|  | <b>Unaudited<br/>31 October<br/>2014<br/>£000</b> | Unaudited<br>31 October<br>2013<br>£000 | Audited<br>30 April<br>2014<br>£000 |
| <b>Financial liabilities</b>   |   |   |                                     |
| Trade payables   | <b>(7,624)</b>                                    | (8,079)                                 | (6,133)                             |
| Other creditors and accruals   | <b>(10,741)</b>                                   | (8,322)                                 | (10,221)                            |
| <b>Total amortised cost *</b>  | <b>(18,365)</b>                                   | (16,401)                                | (16,354)                            |
| <b>Fair value through profit and loss – forward exchange contracts</b> | <b>(81)</b>                                       | (9)                                     | -                                   |

\* - The directors consider that the carrying value amounts of these financial assets and liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

\*\* - The equity investment in Atlas Genetics is an unquoted investment and therefore held at cost, less any provision for impairment as its fair value cannot be measured reliably in the absence of an active market.

The methods and assumptions used to estimate the fair values of financial assets and liabilities are as follows:

- Forward exchange contracts – based on market prices and exchange rates at the balance sheet date;
- Contingent consideration – the discounted value of anticipated future receipts.

The following tables categorise the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining fair value. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model are based on observable market data. In other cases the instrument is classified as Level 3.

There were no transfers between levels during the period. There were no changes in valuation techniques during the period.

## Notes to the accounts

### 9. Financial assets and liabilities (continued)

#### Financial assets at fair value

|   | Level 1<br>£000 | Level 2<br>£000 | Level 3<br>£000 | Total<br>£000 |
|---|-----------------|-----------------|-----------------|---------------|
| <b>At 31 October 2014</b>                                     |                 |                 |                 |               |
| Available for sale financial asset – contingent consideration | -               | -               | 3,862           | 3,862         |
| <b>At 31 October 2013</b>                                     |                 |                 |                 |               |
| Available for sale financial asset – contingent consideration | -               | -               | 11,433          | 11,433        |
| <b>At 30 April 2014</b>                                       |                 |                 |                 |               |
| Available for sale financial asset – contingent consideration | -               | -               | 11,157          | 11,157        |
| Currency exchange contracts                                   | -               | 7               | -               | 7             |

#### Financial liabilities at fair value

|                             | Level 1<br>£000 | Level 2<br>£000 | Level 3<br>£000 | Total<br>£000 |
|-----------------------------|-----------------|-----------------|-----------------|---------------|
| <b>At 31 October 2014</b>   |                 |                 |                 |               |
| Currency exchange contracts | -               | (81)            | -               | (81)          |
| <b>At 31 October 2013</b>   |                 |                 |                 |               |
| Currency exchange contracts | -               | (9)             | -               | (9)           |

Under the terms of the disposal of King Systems, completed on 15 February 2013, the purchaser, Ambu A/S, was due to pay amounts of consideration contingent upon the performance of King following disposal. This comprised:

- a milestone payment of US\$10million upon completion of the first commercial sale of a video laryngoscope by King with a reusable display and an adaptor containing reusable optics and a disposable blade; and
- payments dependent on the sales of King Vision products for the three years ending 30 April 2016.

On 9 May 2014, US\$10 million was received from Ambu A/S following the first commercial sale of a video laryngoscope. On 4 June 2014, US\$2.3 million was received from Ambu A/S relating to the sales of the King Vision products for the year ending 30 April 2014. Further cash payments are potentially due dependent on sales of King Vision products in the years ending 30 April 2015 and 30 April 2016 including a true-up mechanism on completion of the three years to 30 April 2016.

The fair value of contingent consideration is valued at £3.9 million (30 April 2014: £11.2 million). The reduction is due to cash received of £7.3 million. The fair value was increased by £0.2 million with foreign exchange and by £0.1 million with the unwinding of discount with the passage of time, offset by an amendment to the sales assumptions of £0.3 million. A reduction in the forecast sales by 10% would reduce the fair value of the receivable by £0.4 million with the opposite assumption generating a matching increase.

## Notes to the accounts

### 10. Analysis of net cash

|   | <b>Unaudited<br/>31 October<br/>2014<br/>£000</b> | Unaudited<br>31 October<br>2013<br>£000 | Audited<br>30 April<br>2014<br>£000 |
|---|---|---|-------------------------------------|
| Cash and cash equivalents   | <b>30,001</b>                                     | 33,628                                  | 25,843                              |
| Obligations under finance leases – amount payable within one year | -   | (2)                                     | -                                   |
|   | <b>30,001</b>                                     | 33,626                                  | 25,843                              |

At 31 October 2014 the Group had committed £75.0 million of unsecured bank facilities which were undrawn. The undrawn portion of these USD- and GBP-denominated facilities attracted a non-utilisation fee of 0.8% which is reflected in finance costs. These facilities had been due to expire in November 2016. They were cancelled on 11 November 2014 and replaced with a new facility described in note 17 below.

### 11. Reconciliation of net cash flow to movement in net cash

|   | <b>Unaudited<br/>1 May to 31<br/>October 2014<br/>£000</b> | Unaudited<br>1 May to 31<br>October 2013<br>£000 | Audited<br>1 May to 30<br>April 2014<br>£000 |
|---|--|--|--|
| Net cash at the beginning of the period                     | <b>25,843</b>  | 36,964   | 36,964                                       |
| Net increase / (decrease) in cash and short-term borrowings | <b>4,280</b>   | (3,338)  | (11,061)                                     |
| Finance lease repayments                                    | -  | -  | 2  |
| Effects of exchange rate changes                            | <b>(122)</b>   | -  | (62)   |
| <b>Net cash at the end of the period</b>                    | <b>30,001</b>  | 33,626   | 25,843                                       |

### 12. Defined benefit pension scheme deficit

|   | <b>Unaudited<br/>1 May to 31<br/>October 2014<br/>£000</b> | Unaudited<br>1 May to 31<br>October 2013<br>£000 | Audited<br>1 May to<br>30 April<br>2014<br>£000 |
|---|--|--|---|
| Pension deficit at start of the period      | <b>2,076</b>   | 11,766   | 11,766  |
| Current service cost                        | <b>578</b>   | 673  | 1,351   |
| Interest income                             | <b>(1,916)</b>   | (1,708)  | (3,412)   |
| Interest cost                               | <b>1,958</b>   | 1,956  | 3,897   |
| Return on scheme assets excluding interest  | <b>(2,147)</b>   | (431)  | (940)   |
| Remeasurement of obligations                | <b>7,612</b>   | (2,666)  | (9,621)   |
| Employer contributions                      | <b>(481)</b>   | (489)  | (965)   |
| <b>Pension deficit at end of the period</b> | <b>7,680</b>   | 9,101  | 2,076   |

### 13. Related party transactions

The Group's significant related parties are its subsidiaries as disclosed in the Consort Medical plc annual report for the year ended 30 April 2014. There were no material related party transactions in the period or prior half-year period.

## Notes to the accounts

### 14. Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 22 and 23 of the Group's 2014 Annual Report & Accounts, a copy of which is available on the Group's website [www.consortmedical.com](http://www.consortmedical.com). The risks are summarised below:

Product quality failure  
Reliance upon key customers / products  
Regulatory risk  
Development risk  
Growth risk  
Cyber risk  
Financial risks, including credit risk, interest rate risk, currency risk, liquidity risk and pension risk.

A planned integration programme has been put in place to manage the risks associated with the acquisition of Aesica Holdco Limited described in note 17 below.

### 15. Discontinued operations

On 15 February 2013, the Group disposed of King Systems. A gain on disposal of £10.9 million was recorded in the year to 30 April 2013. This gain included an estimate of the fair value of contingent consideration.

The results arising from King Systems are classified as discontinued operations and special items, and are included in the consolidated income statement as follows:

|   | <b>Unaudited<br/>1 May to<br/>31<br/>October<br/>2014<br/>£000</b> | Unaudited<br>1 May to<br>31<br>October<br>2013<br>£000 | Audited<br>1 May to<br>30 April<br>2014<br>£000 |
|---|--|--|---|
| Share-based payment charges   | -  | (159)  | (159)   |
| Profit / (loss) on disposal: movement in fair value of contingent consideration                 | <b>28</b>  | (244)  | (519)   |
| <b>Profit / (loss) before tax on discontinued operations</b>                                    | <b>28</b>  | (403)  | (678)   |
| <b>Net profit / (loss) on discontinued operations attributable to the owners of the Company</b> | <b>28</b>  | (403)  | (678)   |

### 16. Share capital

Share capital as at 31 October 2014 amounted to £2.9 million (April 2014: £2.9 million). During the period, the Group issued 35,125 shares as part of exercises under the Consort Savings Related Share Option Scheme and Executive Share Option Scheme for total consideration of £0.2 million (H1 FY2013: £0.3 million, FY2014: £0.3 million).

The Group purchases its own shares using an Employee Share Ownership Trust (ESOT) to satisfy entitlements under the Group's long-term incentive plan. The cost of the shares held by the ESOT is deducted from retained earnings. The Group purchased 252,223 shares for a consideration of £1.9 million during the period (H1 FY2014: £2.9 million, FY2014: £2.9 million). As at 31 October 2014 the ESOT held a total of 288,282 ordinary shares (30 April 2014: 425,843 shares) at a cost of £2.1 million (30 April 2014: £3.5 million) and market value of £2.1 million (30 April 2014: £3.8 million).



## Notes to the accounts

### 17. Acquisition of Aesica Holdco Limited

On 12 November 2014, the Group completed the acquisition of the entire share capital of Aesica Holdco Limited (Aesica). Aesica is a pharmaceutical contract development and manufacturing organisation with facilities in the UK, Germany and Italy, supplying products globally. Its service offerings comprise finished dose manufacturing, contract manufacturing of active pharmaceutical ingredients and finished dose development.

Total consideration for the acquisition of £230 million included the issuance of 1,442,287 ordinary shares of the Company.

The evaluation of fair values of the assets and liabilities acquired, including intangible assets, has not yet been completed.

In November 2014 the Company completed a rights issue of 18,319,245 ordinary shares at 540p per share, being 5 shares for each 8 prior to the issuance. The gross rights issue proceeds before fees amounted to £98.9 million.

In November 2014 the Group completed the conditions precedent to activate a new £160 million multicurrency facility with a syndicate of banks. The facility is unsecured and expires in September 2019. The new facility incorporates an accordion facility that can allow total commitments to be increased by a further £65 million in future.

Total transaction costs for the acquisition, the rights issue and new bank facility are estimated at £10.0 million. Of this total, £1.9 million has been incurred or recorded as a liability at 31 October 2014.

Apart from the items detailed above, there have been no material post-balance sheet events since 31 October 2014.