CONSORT MEDICAL

Consort Medical plc
15 June 2017

Full year results

Consort Medical continues to deliver growth in revenue and profit

Consort Medical plc (LSE: CSRT) ("Consort", "Consort Medical" or the "Group"), a leading, global, single source drug and delivery device company, today announces its audited results for the year ended 30 April 2017.

Financial Highlights

GBPm 12 months ended	FY2017 30 Apr 2017	FY2016 30 Apr 2016	Δ Reported	Δ CER[1]
Revenue	294.0	276.9	6.2%	2.0%
EBIT[2]	40.0	37.0	8.3%	4.1%
EBT[2]	35.6	32.3	10.4%	5.6%
Adjusted Basic EPS[2]	65.1p	57.6p	13.1%	7.5%
Statutory Measures				
Profit before tax (PBT)	21.9	11.3		
Basic EPS	46.2p	30.7p		

[1] CER – at constant exchange rates; FY2016 actuals retranslated at average rate in FY2017. [2] Before special items of £13.7m that include amortisation of acquired intangible assets, reorganisation costs, advisory and acquisition costs (2016: £21.0m).

- Consort Medical has continued to deliver profitable growth on a reported basis with operating leverage yielding an 8.3% increase in EBIT on 6.2% higher sales
- Underlying Group EBIT, at constant exchange rates, was 4.1% higher on 2.0% of sales growth.
- Bespak grew revenues by 3.3% and EBIT by 3.9% delivering a further 10bps margin improvement to 21.6%
- Aesica recorded a significant improvement in operational performance with EBIT increasing by 17.7% and a further 60 bps improvement in EBIT margin to 8.0%
- Adjusted basic EPS 13.1% higher than FY2016 at 65.1p
- Final proposed dividend increased 5.2% to 13.21p, reflecting the good financial performance and the Board's confidence in the Group's prospects
- Net debt reduced to £92.6m (FY2016: £97.0m) with good cash generation following further investments in the business. Gearing (Net debt: EBITDA) reduced to 1.7x

Operational Highlights

- Landmark deal for Bespak with the first full development agreement for Syrina® / Vapoursoft® device application with a leading global biopharmaceutical company
- Successfully launched second Bespak injectable device with the UCB Cimzia® AutoClicks® prefilled pen in the UK and other European markets
- Launched AstraZeneca's Bevespi Aerosphere® in the US. Bespak awarded significant new multi-year agreement for the scale-up and supply of its proprietary pMDI valves and actuators
- On course for double-digit operating margins at Aesica including contract extensions with one of Aesica's largest customers and additional new contract wins

- Aesica now routinely supplying commercial product using the first semi-continuous processing line and technology installed at the Queenborough site. Discussions underway with a number of pharma customers to use this technology
- Aesica is an early provider in serialisation services that is a growing requirement for pharma clients
- Successful commercial unveiling of Syrina® AR 2.25 compact auto-injector

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

"Consort has again delivered further growth in revenue and profit in both divisions. Bespak has continued to make good progress with its diverse pipeline of product opportunities in this high margin business. Aesica continues to improve its operating performance and its margins in line with our expectations, assisted by recent contract wins.

Group performance is expected to be broadly in line with our near-term expectations for the current financial year, despite some headwinds from contract phasing. The Board remains confident about the prospects for the Group."

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Notes:
1. Foreign Exchange Rates
   a. Year end exchange rates 30 April 2017: EUR1.19: GBP1.0; USD1.29: GBP1.0.
   b. Average exchange rates 1 May 2016 to 30 April 2017: EUR1.18: GBP1.0; USD1.29: GBP1.0.
   c. Year end exchange rates 30 April 2016: EUR1.28: GBP1.0; USD1.46: GBP1.0.
   d. Average exchange rates 1 May 2015 to 30 April 2016: EUR1.36: GBP1.0; USD1.50: GBP1.0.

Consort Medical plc is a leading, global, single source pharma services drug and delivery device company. We are at the leading edge of innovation and we are committed to investing in patient, clinician and customer driven innovation to create new treatments, new markets and new opportunities.

Our businesses

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

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

We employ c.2000 people globally of which c.1400 are located in the UK. We have UK facilities in King's Lynn, Cambridge, Nelson, Milton Keynes, Cramlington, Queenborough and Hemel Hempstead, German facilities in Monheim and Zwickau and a facility in Pianezza, Italy. Consort Medical is a public company quoted on the premium list of the London Stock Exchange (LSE: CSRT). www.consortmedical.com.

Forward looking statements

This document may contain certain forward-looking statements with respect to Consort Medical's financial condition, performance, position, strategy, results and plans based on management's current expectations or beliefs as well as assumptions about future events. These forward-looking statements are not guarantees of future performance. Undue reliance should not be placed on forward-looking statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Consort Medical's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Consort Medical undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of Consort Medical in this document may not be indicative of, and are not an estimate, forecast or projection of, Consort Medical's future results.

Alternative Performance Measures

In addition to statutory measures, a number of alternative performance measures are included in this announcement to provide a clear understanding of the Group's performance. These measures assist investors in gaining a balanced view of the Company's performance and in the comparison of performance across the industry. The alternative performance measures used include the statutory EBIT, PBT and EPS performance adjusted to eliminate special items that are costs relating to acquisitions or significant one-off items. Constant exchange rate measures eliminate the impact of currency movements by comparing the current measure against the comparative restated at this year's average exchange rate. Where we provide adjusted performance measures, they are compared to the equivalent measures in the prior year.

Consort Medical plc

Chairman and Chief Executive's Review

Good financial and operational performance across the Group
Consort has again delivered underlying growth across both its businesses. Bespak has seen continued revenue and EBIT growth and operational leverage. Aesica has delivered improved operating performance and achieved recent contract wins. The Group has made good progress with its innovation and development pipeline including the landmark master development agreement for Syrina®/Vapoursoft® and the launch of UCB's Cimzia® autoinjector.

Summary of Financial Performance
Group revenue increased by 6.2% to £294.0m (FY2016: £276.9m). Bespak delivered growth of 3.3% to £121.1m (FY2016: £117.2m) while Aesica revenue grew by 8.2% to £172.9m (FY2016: £159.7m). The Group achieved underlying growth of 2% at constant exchange rates.

EBIT before special items increased by 8.3% to £40.0m (FY2016: £37.0m) and by 4.1% at constant exchange rates. This included 3.9% growth from Bespak to £26.1m (FY2016: £25.2m) which continues to deliver strong operating leverage on higher revenues. Bespak EBIT margin increased by 10bps to 21.6%. Aesica EBIT increased 17.7% to £13.9m, with EBIT margin growing 60bps to 8.0% reflecting improved underlying operating performance.

Special items before tax were £13.7m in the year (FY2016: £21.0m), largely comprising charges associated with the acquisition of businesses with: £13.0m of amortisation of acquisition-related intangibles (FY2016: £13.1m); £0.2m of advisory and acquisition costs (FY2016: £1.4m) and £0.5m of reorganisation costs (FY2016: £6.5m).

Finance costs were £4.5m (FY2016: £4.7m) benefiting from a reduction in interest on borrowings. Group Earnings before tax and special items increased by 10.4% to £35.6m (FY2016: £32.3m). Adjusted basic EPS increased by 13.1% to 65.1p (FY2016: 57.6p). Basic EPS increased by 50.5% to 46.2p (FY2016: 30.7p).

Cash generated from operations before special items decreased by £2.6m to £51.5m (FY2016: £54.1m). EBITDA before special items grew £4.4m (9.1%) to £52.7m (FY2016: £48.3m). Bespak EBITDA grew 5.6% to £32.1m, with Aesica growing 15.0% to £20.6m. Working capital decreased by £0.5m to £13.5m (FY2016: £14.0m). Capital expenditure of £18.1m (FY2016: £21.5m) included £6.6m from Bespak (FY2016: £12.7m) and £11.5m from Aesica (FY2016: £8.8m).

The Group balance sheet closed with a net debt position of £92.6m (FY2016: £97.0m), representing gearing of 1.7x Net debt: EBITDA. This reduction in gearing is in line with our strategy and comfortably within the banking facility covenant (maximum 3.0x). The Group has comfortable cash resource availability with total committed facilities of £166.6m.

The Board is proposing an increased final dividend of 13.21p (FY2016: 12.56p), making a total dividend for the year of 20.30p (FY2016: 19.31p).

Further Investment in Atlas Genetics

In January 2017, Consort subscribed for a further £3.1m equity investment in Atlas Genetics Ltd ("Atlas") as part of a £28.4m Series D funding. Atlas is a diagnostic company developing ultra-rapid point-of-care tests for a range of infectious diseases. Consort now holds a 15.2% shareholding in Atlas (13.4% on a fully diluted basis) having invested a total to date of £9.4m in the company.

This investment followed Atlas Genetics' successful CE marking for the Chlamydia trachomatis (CT) io® test cartridge and the funding was raised to finance the continued development of the combined Chlamydia and Gonorrhoea (CT/NG) assay and test cartridge. This is planned for regulatory approvals in the US and Europe around early 2018. The equity raise also provides funding to expand manufacturing capacity at Bespak, which is Atlas' development, and manufacturing partner.

Bespak Business Review

Operations

	FY2017	Underlying[1]	Δ%	Currency[2]	Δ%	FY2016
Revenue	£121.1m	£3.9m	3.3%	-	-	£117.2m
EBITDA	£32.1m	£1.7m	5.6%	-	-	£30.4m
EBITDA margin %	26.5%					26.0%
EBIT	£26.1m	£0.9m	3.9%	-	-	£25.2m
EBIT margin %	21.6%					21.5%

1 Underlying – FY2017 less FY2016 at constant currency.

2 Currency retranslation effects from historically reported to constant (FY2017Average).

Bespak has a well-established and diverse core business of products in volume manufacturing with a strong pipeline of innovative products. These products include: respiratory, nasal, ocular and injectable drug delivery, as well as point of care diagnostics. Once again, the business has grown in the year supported by the commercialisation of two of its development pipeline projects.

Revenue grew 3.3% to £121.1m with Bespak's leading respiratory products continuing to perform well and strong growth of the injectables business. The Group's diversification strategy to reduce its dependence on respiratory products has made good progress with non-respiratory sales now at 21% of revenue (compared to 8% in 2012).

Bespak grew revenue despite the impact of a lower level of activity with Nicovations due to the termination of the supply agreement. This demonstrates the strength of the business through its broad range of programmes. Service revenue also continued its strong contribution given the growing development and innovation pipelines.

The good revenue performance translated to EBIT growth, which increased 3.9% to £26.1m, as EBIT margin increased 10bps to 21.6%.

In October 2016, Bespak exhibited alongside Aesica at the CPHI exhibition in Barcelona. This was the second time both companies have shared a major industry exhibition platform, and the event drew increased interest in the joint service offering of device and drug.

Product Development

In line with our strategy we have assembled a full and broad product development pipeline of underlying growth opportunities, which supplements the strong core business going forward. Successful conversion of these opportunities will provide progressive revenue and profit growth, in both contract manufacturing and products with our own proprietary IP. This is across a range of therapeutic areas, including commercial drug handling.

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 are expected to produce peak annual sales of at least £3m per annum.

In the period, UCB received regulatory approval from the European Medicines Agency for INJ570, an autoinjector for UCB's Cimzia®, which was successfully launched in the UK. The product has also been launched in other European markets.

Bespak also entered into a landmark commercial supply agreement for Bespak's proprietary respiratory devices with AstraZeneca AB (referred to as project VAL100). This is a multi-year agreement for the scale up and supply of Bespak's proprietary pressurised metered dose inhaler (pMDI) valves and actuators. These have been assembled with AstraZeneca's Bevespi Aerosphere® (glycopyrrolate and formoterol fumarate) inhalation aerosol indicated for the long term maintenance treatment of airflow obstruction in patients with chronic obstructive pulmonary disease (COPD), including bronchitis and/or emphysema. AstraZeneca announced that its device was approved by the US Food and Drug Administration (FDA) on 25 April 2016 and the Bevespi Aesosphere® has now been launched in the US.

We have also signed a significant new master agreement for our proprietary Vapoursoft® Syrina® autoinjector technology (project SYR075) with a leading global biopharmaceutical company. Initially there is a single drug/device combination, but the agreement allows for the addition of others, and contains outline terms for commercial supply.

Bespak has made good progress on DEV610 where it is working with Mylan in developing a generic Advair product. Mylan has announced that they are in discussion with the FDA following receipt of a Complete Response Letter as part of the regulatory process.

Inevitably, not all of Consort's development projects reach commercial launch, and on 3 January 2017 we announced that Nicovations Limited ("Nicovations") had terminated its supply agreements with Bespak for Voke®, exercising its contractual right in the event that Voke was not commercially launched before 31 December 2016. Confidential settlement terms have since been agreed with Nicovations.

The current status of the fifteen major programmes in our development pipeline is listed below:

Project	Description	Customer	Status
VAL310	Easifill primeless valve	US Pharma	Awaiting regulatory approval
INJ570*	**Auto-injector**	**UCB**	**Product launched in October**
VAL020	MDI valve	Global Pharma	Stability trials complete; customer progressing towards approval and launch
POC010	POC Test Cartridge	Atlas Genetics	CE marking granted for Chlamydia in February 2016; Combined Chlamydia / Gonorrhoea test cartridge development progressing to plan
NAS020	Nasal device	Global Generic	Formulation change; brief under review
DEV610	DPI	Mylan	Awaiting FDA approval
NAS030	Nasal device	Pharma Co.	Early stage programme
INJ600	PatchPump® infusion system for Treprostinel	SteadyMed Therapeutics Inc.	Good progress made. NDA submission planned H1 FY2018
INJ650	ASI® Auto-injector	Global Generic	Continuing progress; early stage
INJ700	Lila Mix® Injector	Pharma Co.	Development programme on track
IDC300	Oral IDC	Pharma Co.	Good progress; launch expected H2 FY2018
VAL050	MDI valve / actuator	Aeropharm	Development Contract ongoing
OCU050	Ocular device / formulation / filling	Oxular	Early Stage programme
VAL100*	**MDI valve/ actuator**	**Astra Zeneca**	**Product launched**
SYR075	**Syrina®/Vapoursoft®**	**Global Biopharma**	**Master development agreement signed and development proceeding according to plan**

DPI = Dry Powder Inhaler, MDI = Metered Dose Inhaler, POC = Point of Care, IDC = Integrated Dose Counter
* As these products are launched, they will then not be included in the development programme in future periods

Innovation

The Innovation team continues to be highly active and the team has grown to 33 people (22 as at FY2016) at our dedicated facilities in Cambridge.

The commercial and innovation teams continue to generate very strong interest in our new technology platforms on a range of opportunities. The innovation funnel has progressed broadly during the period across a number of therapeutic areas and technologies. These development and feasibility programmes cover a range of therapeutic areas and are all in partnership with biotech and pharmaceutical companies. These complement our current customer portfolio in our core business. This is again indicative of the strength and success of our innovation drive and strategy to broaden and diversify our product and customer base.

Syrina®, Lila® & Lapas® Update

Vapoursoft® powered Syrina® auto-injectors, Vapoursoft® powered Lapas® auto-injectors, and our Lila Mix™ and Duo™ technologies have continued to generate widespread interest as innovative and novel drug delivery devices, with several biotech and pharmaceutical companies initiating feasibility and development programmes for their injectable drugs portfolios.

This rapidly expanding innovation funnel includes an active schedule of early stage development programmes, feasibility programmes, and programmes awaiting initiation.

Launch of Bespak's Syrina® AR 2.25 Auto-injector

In October 2016, Bespak unveiled its Syrina® AR 2.25 auto-injector. This innovative auto-injector is the latest addition to the Vapoursoft®-powered Syrina® range and is suitable for delivering volumes of up to 2.0ml using a standard 2.25ml pre-filled syringe. The Syrina® AR 2.25 provides patients with a fully-automatic two-step, compact device for self-administration of viscous drug formulations.

Bespak's proprietary Vapoursoft® compact energy source is able to deliver 2.0ml of viscous drug solutions smoothly and safely in less than 15 seconds. Designed with a hidden needle, Syrina® AR 2.25 offers automatic needle insertion and retraction, as well as drug delivery with a single push-on-skin operation. Syrina® AR 2.25 has been tailored specifically for higher viscosities while still enabling the safe use of glass syringes.

Using Vapoursoft® at its core allows a compact design and, with quiet operation, provides a discrete solution for patients. Syrina® AR 2.25 is clinical trial ready, enabling a fast track implementation process once paired with a specific drug formulation.

Aesica Business Review

Operations

	FY2017	**Underlying[1]**	**Δ%**	**Currency[2]**	**Δ%**	**FY2016**
Revenue	£172.9m	£1.6m	1.0%	£11.6m	7.2%	£159.7m
EBITDA	£20.6m	£0.9m	4.8%	£1.8m	10.2%	£17.9m
EBITDA margin %	11.9%					11.2%
EBIT	£13.9m	£0.5m	4.5%	£1.6m	13.2%	£11.8m
EBIT margin %	8.0%					7.4%

[1] *Underlying – FY2017 less FY2016 at constant currency.*
[2] *Currency retranslation effects from historically reported to constant (FY2017Average).*

Aesica revenue grew 8.2% to £172.9m, which included underlying growth of £1.6m (1.0%) at constant exchange rates. The division has continued to make solid progress in the year in improving its operating performance and EBIT margin. EBIT in FY2017 grew by 17.7% to £13.9m, with EBIT margin growing by 60bps to 8.0%. Underlying profit growth was £0.5m (4.5%) at constant exchange rates. This includes improvements in operational performance across the network from upgrades to teams and processes as well as an improvement in the product mix.

We are now routinely supplying commercial product using the first semi-continuous processing line and technology installed at the Queenborough site and we anticipate using this line for additional third party development work in the future.

Aesica has moved from validation to routine supply of S+ flurbiprofen to a leading Japanese pharmaceutical company to provide the active ingredient for an anti-inflammatory formulation.

Aesica attaches a very high priority to maintaining a solid track record of compliance in an evolving regulatory environment. During the year two sites were subject to routine FDA audits and the observations raised have been addressed and shared across other sites. Aesica continues to focus on safety in the work environment and there has been a further reduction in its lost time accident rate over the last 12 months.

Business Development and Innovation

We are beginning to see the benefits of restructuring our sales and marketing activities, although the lead times in our industry can be long. We recently signed a contract extension with one of our major customers and have seen some diversification of our customer base in some geographies towards speciality pharma which is providing further opportunities for growth.

We are in receipt of significant orders from a European speciality pharma customer to manufacture proprietary API following a technically challenging validation exercise.

Recent contract wins with regional pharma companies demonstrate that our commitment to operational performance, customer focus and a more targeted business development effort across Europe is beginning to generate returns. The increase in the number of potential opportunities we are seeing provides us with an encouraging backdrop to secure further growth.

A changing regulatory requirement within the pharmaceutical industry is for products to be uniquely identifiable at the individual pack level. This process is known in the industry as serialisation. Aesica has been an early provider of serialisation services to the industry including China and Latin America that have adopted this process. It is also well advanced in developing the service for the next wave of territories adopting serialisation including the EU. We believe Aesica is in a strong position relative to the sector in general and we have been actively promoting this offering with marketing and industry events such as a recent webinar series. Further capital expenditure is being committed to enhance our capabilities in this area.

Pipeline

Aesica is primarily focussed on two pools of business development: development services and manufacturing services, with some overlap between the two.

- Development services applies to know-how in API/formulation development to a wide range of project opportunities for a wide range of customers at differing stages of the clinical trial cycle
- Manufacturing services revenue mainly comes from the application of its process technology and know-how to specific API and drug product manufacturing opportunities. Many of these may be different from those API/formulation development opportunities.

The Aesica commercial team is focussed on a growing pipeline of API/formulation development opportunities supported by our ability to meet customer needs across a number of technology offerings. This includes an opportunity for API and formulation development that could lead to commercial manufacture and packaging of finished products for patients.

Board changes

The Board appointed Paul Hayes as the Group's Chief Financial Officer with effect from 1 May 2017. Paul is an experienced CFO in multi-national high technology manufacturing, consumer goods and retail businesses. Paul was previously the Group Finance Director of Vitec Group plc for the last six years. Paul is a Chartered Accountant and has a first class Master's degree in Mechanical Engineering, Manufacture and Management.

Paul replaced Richard Cotton who left the Board on 13 December 2016. The Board would like to thank Richard for his contribution to the Group and wish him well as he embarks on the next stage of his career. The Board would also like to thank David Tilston for acting as interim CFO to ensure a smooth transition prior to Paul's arrival.

Outlook

Consort has again delivered further growth in revenue and profit ahead of its expectations with both divisions performing well. Bespak has continued to grow and develop its diverse pipeline of product opportunities in this high margin business. Aesica continues to improve its operating performance and its margins in line with our expectations and assisted by recent contract wins.

Group performance is expected to be broadly in line with our near-term expectations for the current financial year, despite some headwinds from contract phasing. The Board remains confident about the prospects for the Group.

Financial Review

Consort has again delivered growth against the prior year with revenue and EBIT up in both divisions and margins benefiting from further operating leverage. The Group reduced Net Debt whilst continuing to invest in the business to support its development opportunities.

Income Statement

Group revenue grew by £17.1m (6.2%) to £294.0m (FY2016: £276.9m), driven by underlying growth in Bespak and Aesica as well as the translation of our overseas revenues results at more favourable exchange rates. EBIT before special items increased by £3.0m (8.3%) to £40.0m (FY2016: £37.0m) due to underlying growth, improved productivity and the benefit from favourable exchange rates. Group EBIT margin increased to 13.6% (FY2016: 13.4%). Further analysis of Bespak and Aesica Revenue, EBIT and margins is provided in the Business Reviews.

Finance costs were lower at £4.54m (FY2016: £4.7m) as a result of lower interest payable on borrowings. Increased EBIT and lower finance costs led to an increase in Earnings before tax and special items of £3.3m (10.4%) to £35.6m (FY2016: £32.3m).

Earnings before tax and after special items increased by £10.6m to £21.9m (FY2016: £11.3m) as a result of profitable growth and a lower level of acquisition related costs. Earnings after tax before special items increased 13.3% to £31.8m (FY2016: £28.1m). Adjusted basic EPS increased by 13.1% to 65.1p (FY2016: 57.6p). Basic unadjusted EPS increased by 50.5% to 46.2p (FY2016: 30.7p).

Taxation

The tax charge before special items was £3.8m (FY2016: £4.2m) resulting in an effective rate of 10.7% (FY2016: 13.0%). This included the benefit of prior year adjustments on final tax computations following the Aesica acquisition. There was a tax credit on special items of £4.5m (FY2016: £8.9m). The total tax credit was £0.7m (FY2016: £4.7m).

Following the introduction in 2013 of the Research and Development Expenditure Credit (RDEC), the Group has realised an R&D tax credit of £1.8m in the year (FY2016: £2.4m) that was recognised through EBIT in the period, benefiting both Bespak and Aesica.

Bespak continues to benefit from the progressive implementation of the UK's Patent Box regime on earnings from its patented products. The benefit in the year was £1.7m in its cash tax (FY2016: £1.2m).

The Group's effective tax rate (ETR) has decreased to 10.7% from 13.0%. This reflects a combination of factors, including the benefits of the Patent Box and some prior year tax adjustments including the utilisation of brought forward tax losses. The outlook for the ETR for FY2018 is expected to increase to c.16%, subject to the mix of Bespak sales (IP and non IP protected), and the mix of Aesica sales between UK, Germany and Italy.

The Group's Tax Strategy continues to follow the commercial development of the business, whilst taking advantage of government tax incentive policies where available in the jurisdictions within which it operates. The Group continues to be rated low risk by HMRC.

Dividend

The Board has reviewed the dividend and is proposing an increased final dividend of 13.21p (FY2016: 12.56p) making a total dividend for the year of 20.3p (FY2016: 19.31p). The dividend will be paid on 27 October 2017 to shareholders on the register at 22 September 2017, following our AGM on 6 September 2017. The shares will go ex-dividend on 21 September 2017. Dividend cover, based on earnings before special items, was 3.2 times (FY2016: 3.0 times).

Special items from Continuing Operations

Special items are those items which the Group considers to be non-repetitive or are not part of the underlying performance of the business. Often a material cost or credit is incurred in one year to deliver a future benefit. In FY2017 special items amounted to £13.7m (FY2016: £21.0m) and mainly comprise of charges associated with the acquisition of businesses with: £13.0m of amortisation of acquisition-related intangibles (FY2016: £13.1m); £0.2m of advisory and acquisition costs (FY2016: £1.4m) and £0.5m of reorganisation costs (FY2016: £6.5m).

Investment in Atlas Genetics Limited

On 23 January 2017, Consort subscribed £3.1m as part of a £28.4m series D equity issue by Atlas Genetics Limited. Atlas is a diagnostic company developing ultra-rapid point-of-care tests for a range of infectious diseases. Consort has now invested a total £9.4m in Atlas Genetics and holds an equity share of 15.2% (13.4% on a fully diluted basis).

Following the successful CE marking for the Chlamydia trachomatis (CT) io® test cartridge, the funding is being used to finance the continued development of the combined Chlamydia and Gonorrhoea (CT/NG) assay and test cartridge. This is planned for regulatory approvals in the US and Europe around early 2018. The equity raise also provides financing to expand manufacturing capacity at Bespak. More information about Atlas Genetics is available via their website www.atlasgenetics.com.

The Group will continue to account for Atlas Genetics as an equity investment in the accounts of Consort.

Balance sheet

The Group had net debt of £92.6m at the year end (FY2016: £97.0m). At 30 April 2017 it had drawn £113.0m of its committed revolving credit facility, leaving undrawn facilities of £53.6m. In addition, it has a further £65m potentially available under its accordion facility as described below. Net assets at the year-end were £212.1m (FY2016: £209.1m) after continuing to invest across then business to drive growth and carefully manage working capital. The pension deficit increased to £44.6m (FY2016: £27.2m) while provisions at 30 April 2017 were £2.8m following settlement of prior year balances (30 April 2016: £6.2m).

Cash Flow, Financing and Liquidity

Cash generated from operations before special items decreased by £2.6m to £51.5m (FY2016: £54.1m). EBITDA before special items increased by £4.4m (9.1%) to £52.7m (FY2016: £48.3m). Working Capital[1] decreased by £0.5m to £13.5m (FY2016: £14.0m).

Capital expenditure of £18.1m was lower than the previous year (FY2016: £21.5m) with Bespak completing planned investments in facilities and production capacity to fulfil its development pipeline contracts and Aesica investing in enhancing its operations including investments in serialisation capabilities.

The Group has a £160m multi-currency revolving committed credit facility with Barclays, Lloyds, RBS and Santander which expires in September 2019. Margins are between 1.2% and 2.2% over LIBOR depending upon the ratio of Net debt to EBITDA prevailing at the time. A non-utilisation fee of the interest margin on the undrawn balance applies.

The facility has two covenants: Net debt to EBITDA less than 3.0x and Interest Cover over EBITDA being greater than three times. The Group continues to operate within its covenants at 30 April 2017: Net debt to EBITDA was 1.7x, and Interest Cover was 17.0 times.

The Group also has a £65m "accordion" facility, by which further funding may be made available by the participating banks under the current terms to support significant investment or acquisition opportunities which may arise.

The Group maintains levels of Sterling cash sufficient to meet imminent obligations and to be a reserve in case of an adverse event. These funds are held with a range of reputable financial institutions approved by the Board.

The Company's articles of association ("Articles") impose a limit on the amount of borrowings that may be undertaken by the Company and its subsidiaries. Shareholders approved certain resolutions at an EGM on 27 April 2017 which amended the Articles by increasing the borrowing limit to three times adjusted capital and reserves (the definition of which was amended so as not to require the deduction of goodwill and intangibles).

Foreign Currency Exposure

The Group monitors its foreign currency exposures carefully and seeks to mitigate all material transactional exposures. Bespak currently has low exposure to movements in the Euro and US dollar. Aesica has wider exposure to the Euro. Where appropriate we buy or sell forward foreign currency to protect transaction margin exposure.

As a result of the Group's German and Italian Euro denominated operations, foreign currency translation sensitivity for the Euro is such that a Eur 1c strengthening in the Euro:GBP exchange rate increases revenue by £0.8m and EBIT by £0.1m.

Pensions

The IAS19 pension valuation at 30 April 2017 was a total deficit of £44.6m (30 April 2016: £27.2m). The defined benefit pension obligations of the Group comprise both Bespak and Aesica schemes.

<u>Bespak Scheme</u>

In 2002, the Bespak Retirement Benefits Scheme (a defined benefit pension scheme) was closed to new members. From 31 March 2016 the Scheme was closed to further accrual via a deed of amendment between the Group and the Trust. Following the Scheme closure, all former active members became deferred members, and the provision of pension benefits was migrated to a defined contribution pension scheme which is also available to new employees.

As at 30 April 2017, the Bespak IAS19 deficit was £40.6m compared with £23.4m as at 30 April 2016. The significant increase in the deficit was primarily due to a marked reduction in the discount rates which has increased the defined benefit obligation. The last triennial actuarial valuation was as at 30 April 2014 and in September 2015 an actuarial valuation of the deficit was agreed at £13.8m. The Company agreed to make deficit recovery contributions at the rate of £1.5m per annum until 2028. An updated actuarial valuation is due to take place as at 30 April 2017 and as discount rates have reduced since the last triennial valuation, it is expected that this in particular may have a material effect on the updated valuation.

<u>Aesica schemes</u>

Aesica operates a number of different pension schemes, including defined benefit schemes in Italy and Germany. These are in a net IAS19 deficit position of £4.0m at 30 April 2017 (30 April 2016: £3.8m).

Risk Management

The Group is exposed to a number of risks and considers effective risk management to be a high priority. We have an established framework for assessing these risks and processes and procedures to partly mitigate them. We are pleased to report that the Group incurred no material financial or business losses in the year.

For and on behalf of the Board

Paul Hayes
Chief Financial Officer

[1] *Working capital is defined as the total inventory, trade and other receivables, trade and other payables and derivatives.*

Consolidated Income Statement
For the year ended 30 April 2017

	Notes	**2017 Before special items £m**	**2017 Special items £m (note 3)**	**2017 Total £m**	2016 Before special Items £m	2016 Special items £m (note 3)	2016 Total £m
Revenue		**294.0**	**–**	**294.0**	276.9	–	276.9
Operating expenses		**(254.0)**	**(13.7)**	**(267.7)**	(239.9)	(21.0)	(260.9)
Operating profit		**40.0**	**(13.7)**	**26.3**	37.0	(21.0)	16.0
Finance income		**0.1**	**–**	**0.1**	-	–	-
Finance costs	4	**(3.0)**	**–**	**(3.0)**	(3.3)	–	(3.3)
Other finance costs	4	**(1.5)**	**–**	**(1.5)**	(1.4)	–	(1.4)
Profit before tax		**35.6**	**(13.7)**	**21.9**	32.3	(21.0)	11.3
Taxation	5	**(3.8)**	**4.5**	**0.7**	(4.2)	8.9	4.7
Profit for the financial year from continuing operations		**31.8**	**(9.2)**	**22.6**	28.1	(12.1)	16.0
Loss for the financial year from discontinued operations	13	**–**	**–**	**–**	–	(1.0)	(1.0)
Profit for the financial year		**31.8**	**(9.2)**	**22.6**	28.1	(13.1)	15.0

	2017	2016
Earnings per share, attributable to the owners of the parent (see note 6)		
From continuing operations:		
Basic earnings per ordinary share	**46.2p**	32.7p
Diluted earnings per ordinary share	**45.7p**	32.3p
From continuing and discontinued operations:		
Basic earnings per ordinary share	**46.2p**	30.7p
Diluted earnings per ordinary share	**45.7p**	30.3p

Non-GAAP measures (see notes 3 & 6)		
From continuing operations:	**£m**	£m
Profit before tax before special items	**35.6**	32.3
Profit after tax before special items	**31.8**	28.1
Adjusted basic earnings per ordinary share	**65.1p**	57.6p
Adjusted diluted earnings per ordinary share	**64.4p**	56.8p

Consolidated Statement of Comprehensive Income
For the year ended 30 April 2017

	2017 **£m**	2016 £m
Profit for the year from continuing operations	**22.6**	16.0
Loss for the year from discontinued operations	**-**	(1.0)
Profit for the financial year	**22.6**	15.0
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit and loss:		
Net loss on hedge of a net investment	**(2.5)**	(2.7)
Exchange movements on translation of foreign subsidiaries	**9.0**	10.3
Items that will not be reclassified subsequently to profit and loss:		
Actuarial loss on defined benefit pension scheme	**(18.3)**	(5.4)
Deferred tax on actuarial loss	**3.3**	1.1
Impact of change in tax rates	**(0.4)**	(0.6)
Other comprehensive (loss) / income for the year	**(8.9)**	2.7
Total comprehensive income for the year	**13.7**	17.7
Attributable to the owners of the parent:		
From continuing operations	**13.7**	18.7
From discontinued operations	**-**	(1.0)

Consolidated Balance Sheet

At 30 April 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Property, plant and equipment		**143.6**	136.7
Goodwill		**126.8**	122.6
Other intangible assets		**57.1**	67.3
Investments	9	**11.4**	8.3
		338.9	334.9
Current assets			
Inventories		**34.4**	30.7
Trade and other receivables		**54.9**	54.6
Current tax asset		**10.7**	9.3
Cash and cash equivalents	9	**22.2**	16.2
		122.2	110.8
Total assets		**461.1**	445.7
Liabilities			
Current liabilities			
Borrowings	10	**(112.0)**	(113.2)
Trade and other payables		**(67.1)**	(61.7)
Derivative financial instruments	9	**(0.2)**	(0.3)
Provisions and other liabilities		**(2.5)**	(3.6)
		(181.8)	(178.8)
Net current liabilities		**(59.6)**	(68.0)
Non-current liabilities			
Trade and other payables		**(8.5)**	(9.4)
Deferred tax liabilities		**(13.8)**	(18.6)
Defined benefit pension scheme deficit	12	**(44.6)**	(27.2)
Provisions and other liabilities		**(0.3)**	(2.6)
		(67.2)	(57.8)
Total liabilities		**(249.0)**	(236.6)
Net assets		**212.1**	209.1
Shareholders' equity			
Share capital		**4.9**	4.9
Share premium		**138.0**	137.4
Retained earnings		**63.3**	67.4
Other reserves		**5.9**	(0.6)
Total equity		**212.1**	209.1

Condensed Consolidated Statement of Changes in Shareholders' Equity
For the year ended 30 April 2017

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	**Total £m**
Balance at 1 May 2015	**4.9**	**137.1**	**66.7**	**(8.2)**	**200.5**
Profit for the financial year	-	-	15.0	-	**15.0**
Exchange movements on translation of foreign subsidiaries	-	-	-	7.6	**7.6**
Actuarial loss on defined benefit scheme	-	-	(5.4)	-	**(5.4)**
Tax on amounts taken directly to equity	-	-	0.5	-	**0.5**
Total comprehensive loss	-	-	10.1	7.6	**17.7**
Recognition of share-based payments	-	-	1.8	-	**1.8**
Proceeds from exercise of employee options	-	0.3	-	-	**0.3**
Consideration paid for purchase of own shares (held in trust)	-	-	(2.2)	-	**(2.2)**
Equity dividends	-	-	(9.0)	-	**(9.0)**
	-	0.3	(9.4)	**-**	**(9.1)**
Balance at 30 April 2016	**4.9**	**137.4**	**67.4**	**(0.6)**	**209.1**
Profit for the financial year	-	-	22.6	-	**22.6**
Net exchange movements on translation of foreign subsidiaries	-	-	-	6.5	**6.5**
Actuarial loss on defined benefit scheme	-	-	(18.3)	-	**(18.3)**
Tax on amounts taken directly to equity	-	-	2.8	-	**2.8**
Total comprehensive income	-	-	7.1	6.5	**13.6**
Recognition of share-based payments	-	-	1.3	-	**1.3**
Movement on tax arising on share-based payments	-	-	0.1	-	**0.1**
Proceeds from exercise of employee options	-	0.6	-	-	**0.6**
Consideration paid for purchase of own shares (held in trust)	-	-	(3.0)	-	**(3.0)**
Equity dividends	-	-	(9.6)	-	**(9.6)**
	-	0.6	(11.2)	**-**	**(10.6)**
Balance at 30 April 2017	**4.9**	**138.0**	**63.3**	**5.9**	**212.1**

Condensed Consolidated Cash Flow Statement

For the year ended 30 April 2017

	Note	**2017** **£m**	2016 £m
Cash flows from operating activities			
Profit before taxation from continuing operations		**21.9**	11.3
Loss before taxation from discontinued operations		**-**	(1.0)
Finance income		**(0.1)**	-
Finance costs	4	**3.0**	3.3
Other finance costs	4	**1.5**	1.4
Operating profit		**26.3**	15.0
Depreciation		**12.1**	10.3
Amortisation		**13.4**	13.4
Profit on disposal of property, plant and equipment		**0.2**	0.7
Share-based payments		**1.3**	1.8
Change in fair value of contingent consideration		**-**	1.0
Pension charge in excess of cash contributions		**0.1**	0.4
(Increase) / decrease in inventories		**(2.7)**	1.5
Decrease in trade and other receivables		**0.7**	5.4
Increase / (decrease) in trade and other payables		**1.0**	(3.0)
(Decrease) / increase in provisions		**(3.4)**	0.1
Decrease in derivative financial instruments		**(0.1)**	0.1
Cash generated from operations		**48.9**	46.7
Interest paid		**(2.9)**	(2.8)
Defined benefit scheme		**(2.0)**	(0.7)
Tax paid		**(3.3)**	(6.5)
Net cash inflow from operating activities		**40.7**	36.7
Cash flows from investing activities			
Purchases of property, plant and equipment		**(18.0)**	(21.1)
Purchases of intangible assets		**(0.1)**	(0.4)
Proceeds from sale of property, plant and equipment		**-**	2.0
Net proceeds on disposal of businesses		**-**	1.5
Interest received		**0.1**	0.1
Purchase of equity investment		**(3.1)**	(2.0)
Net cash outflow from investing activities		**(21.1)**	(19.9)
Cash flows from financing activities			
Proceeds from issues of ordinary share capital		**0.6**	0.3
Purchase of own shares		**(3.0)**	(2.2)
Equity dividends paid to shareholders		**(9.6)**	(9.0)
Proceeds from new bank funding		**12.3**	14.0
Repayment of amounts borrowed		**(16.4)**	(48.3)
Net cash used in financing activities		**(16.1)**	(45.2)
Net increase / (decrease) in cash and cash equivalents		**3.5**	(28.4)
Effects of exchange rate changes		**(0.3)**	(0.6)
Cash and cash equivalents at start of year	10	**16.2**	45.2
Cash and cash equivalents at end of year	10	**19.4**	16.2

Notes to the accounts

1. Presentation of the financial statements and accounting policies

General information

Consort Medical plc is a public limited company listed on the London Stock Exchange and is incorporated and domiciled under the laws of England and Wales, registered number 406711.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 applicable to those companies reporting under IFRS, Article 4 of the IAS Regulation and International Accounting Standards and International Financial Reporting Standards (collectively referred to as IFRS) and related interpretations, as adopted for use in the European Union in all cases.

Accounting convention

The financial statements have been prepared using the historical cost convention, as modified by certain financial assets and financial liabilities (including derivative instruments) at fair value. The specific accounting policies adopted, which have been approved by the Board and which have been applied consistently in all years presented, are described within this note.

Going concern

The directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future as the Group has net debt of £92.6m at 30 April 2017 (2016 £97.0m) and total banking facilities (including available overdrafts and using year end exchange rates) of £166.6m of which £53.6m is undrawn as at 30 April 2017 and available up to September 2019. The Company has therefore adopted the going concern basis in preparing the accounts.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Alternative Performance Measures and the treatment of special items

In addition to statutory measures, a number of alternative performance measures are included in this announcement to provide a clear understanding of the Group's performance. These measures assist investors in gaining a balanced view of the Company's performance and in the comparison of performance across the industry. The alternative performance measures used include the statutory EBIT, EBT and EPS performance adjusted to eliminate special items that are costs relating to acquisitions or significant one-off items. Constant exchange rate measures eliminate the impact of currency movements by comparing the current measure against the comparative restated at this year's average exchange rate. Where we provide adjusted performance measures, they are compared to the equivalent measures in the prior year.

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.

Further detail on the special items in the year can be found in note 3. The directors also refer to EBITDA (earnings before interest, tax, depreciation and amortisation) as a performance indicator. EBITDA also adds back any profit or loss on disposal of property, plant and equipment.

Notes to the accounts

1. Presentation of the financial statements and accounting policies (continued)

Reconciliations of the significant APMs are included below:

	2017 £m	2016 £m
Operating profit (EBIT) before special items	**40.0**	37.0
Depreciation	**12.1**	10.3
Amortisation	**13.4**	13.4
Less: Amortisation of acquired intangibles (note 6)	**(13.0)**	(13.1)
Loss on disposal of property, plant and equipment	**0.2**	0.7
EBITDA before special items	**52.7**	48.3
EBIT before special items	**40.0**	37.0
Finance income	**0.1**	–
Finance costs	**(3.0)**	(3.3)
Other finance costs	**(1.5)**	(1.4)
Earnings before tax before special items (EBT)	**35.6**	32.3

At constant exchange rates (CER) - FY2016 restated at the average rate (see above) in FY2017:

	Reported 2016 £m	CER 2016 £m
Revenue	276.9	288.5
EBIT before special items	37.0	38.6
EBT before special items	32.3	33.8
Adjusted basic EPS (p)	57.6	60.7

Adoption of new and revised standards

The following new standards and amendments have been applied for the first time during the year commencing 1 May 2016 but are not expected to have a material impact on the Group:

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 & IAS 28
IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11
IAS 1 - Disclosure Initiative - Amendments to IAS 1
IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38
IAS 27 - Equity Methods in Separate Financial Statements - Amendments to IAS 27
Annual Improvements (2012 - 2014 cycle) - Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34

Notes to the accounts

1. Presentation of the financial statements and accounting policies (continued)

Adoption of new and revised standards (continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

IAS 7 - Disclosure Initiative - Amendments to IAS 7
IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12
Annual Improvements (2014 - 2016 cycle) - Amendments to IFRS 12, IFRS 1, IAS 28
IFRS 15 - Revenue from Contracts with Customers
IFRS 9 - Financial Instruments
IFRS 2 - Classification and Measurement of Share Based Payment Transactions - Amendments to IFRS 2
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
Transfers of Investment Property (Amendments to IAS 40)
IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration
IFRS 16 - Leases

The following accounting standards relevant to the Group have not been early adopted as the Group carries out an assessment of their potential impact:
- IFRS 9 Financial Instruments (2014)
- IFRS 15 Revenue from Contracts with Customers

In order to assess the impact of the implementation of the new revenue standard on the Group's consolidated financial statements, IFRS 15 learning sessions were organised incorporating representatives from finance, legal and commercial teams. A summary of the Group's key revenue contracts relating to the applicability of specific situations for each of the five steps of the revenue recognition process under IFRS 15 was developed and this is currently being reviewed. Further follow-up, discussion and a quantitative impact analysis to conclude on an assessment of the impact of IFRS 15 will be completed during the first half of FY2018.

2. Segmental information

The Group's operating segments are determined with reference to the information which is supplied to the Executive Committee in order for it to allocate the Group's resources and to monitor the performance of the Group. This information analyses the Group between its two divisions, Bespak and Aesica. The Executive Committee assesses the performance of the operating segments based on a measure of adjusted operating profit which excludes the impact of special items from the operating segments. Special items are analysed in note 3.

Consequently, the segment information provided to the Executive Committee for both of these reportable segments for the year ended 30 April 2017 is as follows:

Notes to the accounts

2. Segmental information (continued)

For the year ended 30 April 2017	Bespak £m	Aesica £m	Unallocated £m	Total £m
Revenue from products	105.3	155.4	-	260.7
Revenue from services	15.8	17.5	-	33.3
Total revenue	**121.1**	**172.9**	**-**	**294.0**
Segment operating profit before special items	**26.1**	**13.9**	**-**	**40.0**
Special items excluding amortisation of acquired intangible assets (note 3)	-	-	(0.7)	(0.7)
Amortisation of acquired intangible assets	(0.8)	(12.2)	-	(13.0)
Segment operating profit	**25.3**	**1.7**	**(0.7)**	**26.3**
Finance income				0.1
Finance costs				(3.0)
Other finance costs				(1.5)
Profit before tax				**21.9**
Taxation				0.7
Profit for the financial year				**22.6**
Segmental balance sheet				
Total assets	139.1	299.7	22.3	461.1
Total liabilities	(63.5)	(69.8)	(115.7)	(249.0)
Net assets	**75.6**	**229.9**	**(93.4)**	**212.1**

For the year ended 30 April 2016	Bespak £m	Aesica £m	Unallocated £m	Total £m
Revenue from products	103.0	143.1	-	246.1
Revenue from services	14.2	16.6	-	30.8
Total revenue	**117.2**	**159.7**	**-**	**276.9**
Segment operating profit before special items	**25.2**	**11.8**	**-**	**37.0**
Special items excluding amortisation of acquired intangible assets (note 3)	(0.3)	(6.5)	(1.1)	(7.9)
Amortisation of acquired intangible assets	(0.8)	(12.3)	-	(13.1)
Segment operating profit	**24.1**	**(7.0)**	**(1.1)**	**16.0**
Finance income				-
Finance costs				(3.3)
Other finance costs				(1.4)
Profit before tax				**11.3**
Taxation				4.7
Profit for the financial year				**16.0**
Segmental balance sheet				
Total assets	133.3	295.0	17.4	445.7
Total liabilities	(45.1)	(77.9)	(113.6)	(236.6)
Net assets	**88.2**	**217.1**	**(96.2)**	**209.1**

Notes to the accounts

2. Segmental information (continued)

The Group's operations are based in the United Kingdom and Europe.

Revenue by destination from continuing operations	**2017** **£m**	2016 £m
United Kingdom	**24.9**	30.4
United States of America	**47.9**	41.1
Europe	**181.3**	171.0
Rest of the world	**39.9**	34.4
Revenue from continuing operations	**294.0**	276.9

3. Special items

	2017 **£m**	2016 £m
Reorganisation costs	**(0.5)**	(6.5)
Advisory and acquisition costs	**(0.2)**	(1.4)
Amortisation of acquisition-related intangibles	**(13.0)**	(13.1)
Special items before taxation from continuing operations	**(13.7)**	(21.0)
Tax on special items	**3.6**	5.2
Special tax item – recognition of capital losses	**-**	1.1
Special tax item – recognition of capital allowances	**-**	1.0
Special tax item – other prior year and lookback period adjustments	**0.4**	0.5
Special tax item – deferred tax credit as a result of the UK Corporate rate change	**0.5**	1.1
Special items after taxation from continuing operations	**(9.2)**	(12.1)

- Reorganisation costs are in relation to employee and property or move-related activities. In the prior year these costs were in relation to the restructuring activities following the completion of the integration programme at Aesica.

- Advisory and acquisition costs include advisory costs in relation to the evaluation of potential transactions and in the prior year also included costs in respect of the closure of the Bespak pension scheme.

- Amortisation of acquisition-related intangible assets represents the charge for other intangible assets within Aesica (acquired in 2014) of £12.2m (2016: £12.3m) and £0.8m (2016: £0.8m) in relation to The Medical House acquired in 2009.

- A special tax item of £1.1m was recognised in the prior year as a result of the recognition of deferred tax on capital losses which are available for offset against deferred tax liabilities arising from the upward revaluation of land.

- A special tax item of £1.0m was recognised in the prior year as a capital allowance review was carried out in the year which resulted in assets being reclassified from non-qualifying to qualifying.

- A special tax item of £0.4m (2016: £0.5m) was recognised as the impact of a number of prior year adjustments made.

- A special tax item of £0.5m (2016: £1.1m) arises in respect of a significant tax credit as the Group's deferred tax assets and liabilities were recalculated using the lower rate of UK Corporation Tax of 17% from 1 April 2020 (reduced from 18%). In the prior year, the calculation was based on the lower rate of UK Corporation Tax of 19% from 1 April 2017 and 18% from 1 April 2020 (reduced from 20%).

Notes to the accounts

4. Finance costs

	2017 £m	2016 £m
Interest on bank overdrafts and loans including amortised fees	**(3.0)**	(3.3)
Total finance costs	**(3.0)**	(3.3)

Other finance costs		
Net interest cost on defined benefit scheme	**(0.8)**	(0.7)
Foreign exchange losses	**(0.7)**	(0.7)
Total other finance costs	**(1.5)**	(1.4)

5. Taxation

	2017 £m	2016 £m
Current income tax from continuing operations		
UK corporation tax	**(0.9)**	1.0
Foreign tax	**(1.5)**	(1.2)
Deferred taxation	**3.1**	4.9
Income tax credit reported in the consolidated income statement	**0.7**	4.7
The tax credit from continuing operations is analysed between:		
Tax on profit before special items	**(3.8)**	(4.2)
Tax on special items	**3.6**	5.2
Special tax item – recognition of capital losses	**-**	1.1
Special tax item – recognition of capital allowances	**-**	1.0
Special tax item – other prior year and lookback adjustments	**0.4**	0.5
Special tax item – deferred tax credit as a result of the UK Corporate rate change	**0.5**	1.1
Income tax credit reported in the consolidated income statement	**0.7**	4.7

Special tax items above are described further in note 3.

Notes to the accounts

6. Earnings per share

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

	2017	2016
	£m	£m
Continuing operations (basic and diluted)		
Profit for the year – attributable to ordinary shareholders	**22.6**	16.0
Add back: Special items after taxation	**9.2**	12.1
Adjusted earnings	**31.8**	28.1
Discontinued operations (basic and diluted)		
Loss for the year – attributable to ordinary shareholders	**-**	(1.0)
Add back: Special items after taxation	**-**	1.0
Adjusted earnings	**-**	-
Total (basic and diluted)		
Profit for the year – attributable to ordinary shareholders	**22.6**	15.0
Add back: Special items after taxation	**9.2**	13.1
Adjusted earnings	**31.8**	28.1

	Number	Number
Number of shares		
Weighted average number of ordinary shares in issue for basic earnings	**49,181,247**	49,110,569
Weighted average number of shares owned by Employee Share Ownership Trust	**(300,569)**	(338,024)
Average number of ordinary shares for in issue for basic earnings	**48,880,678**	48,772,545
Dilutive impact of share options outstanding	**504,543**	631,856
Diluted weighted average number of ordinary shares in issue	**49,385,221**	49,404,401

	Pence	Pence
Continuing operations		
Adjusted basic earnings per share	**65.1**	57.6
Unadjusted basic earnings per share	**46.2**	32.7
Adjusted diluted earnings per share	**64.4**	56.8
Unadjusted diluted earnings per share	**45.7**	32.3
Continuing and discontinued operations		
Unadjusted basic earnings per share	**46.2**	30.7
Unadjusted diluted earnings per share	**45.7**	30.3

No options over ordinary shares have been exercised since 30 April 2017.

Notes to the accounts

7. Dividends

	2017 £m	2016 £m
Final dividend for the year ended 30 April 2016 of 12.56p per share (2016: final dividend for 2015 of 11.68p per share)	6.1	5.7
Interim dividend paid in 2017: 7.09p per share (2016: 6.75p)	3.5	3.3
	9.6	9.0

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2017 of 13.21p per share, which will absorb an estimated £6.5m of shareholders' equity. It will be paid on 27 October 2017 to shareholders who are on the register on 22 September 2017.

8. Capital expenditure

In the year, there were additions to property, plant and equipment of £17.9 million (2016: £20.1 million).

Capital commitments contracted for but not provided for by the Group amounted to £7.6 million (2016: £3.6 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.

Financial assets	**2017** **£m**	2016 £m
Cash and cash equivalents	**22.2**	16.2
Trade receivables	**43.2**	45.2
Other receivables	**8.1**	3.7
Total loans and receivables	**51.3**	48.9
Equity investments	**11.4**	8.3
Total available-for-sale financial assets	**11.4**	8.3

Financial liabilities	**2017** **£m**	2016 £m
Trade payables	**(30.2)**	(27.2)
Bank overdrafts	**(2.8)**	-
Other creditors and accruals	**(24.7)**	(27.0)
Interest bearing loans and borrowings	**(113.0)**	(114.5)
Total amortised cost *	**(170.7)**	(168.7)
Currency exchange contracts	**(0.2)**	(0.3)
Total fair value through profit and loss financial liabilities	**(0.2)**	(0.3)

* All financial liabilities have a contractual maturity date that is less than 12 months from the balance sheet date.

Notes to the accounts

9. Financial assets and liabilities (continued)

Hedge of net investments in foreign operations — Included in loans at 30 April 2017 was a borrowing of £29.6m (FY2016: £32.1m) which has been designated as a hedge of the net investments in the two subsidiaries in Italy and Germany, Aesica Pharmaceuticals GmbH and Aesica Pharmaceuticals SRL. This borrowing is being used to hedge the Group's exposure to the Euro foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the year ended 30 April 2017.

The equity investments in Atlas Genetics Limited and Precision Ocular Limited are unquoted investments and therefore held at cost, less any provision for impairment as their fair value cannot be measured reliably in the absence of an active market.

The following tables categorise the Group's and Company'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. The Company has no financial assets held at fair value through profit or loss.

Financial liabilities at fair value

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 30 April 2017				
Currency exchange contracts	**-**	**(0.2)**	**-**	**(0.2)**
	-	**(0.2)**	**-**	**(0.2)**
At 30 April 2016				
Currency exchange contracts	-	(0.3)	-	(0.3)
	-	(0.3)	-	(0.3)

Notes to the accounts

10. Net debt

	2017	2016
	£m	£m
Current assets:		
Cash and cash equivalents	**22.2**	16.2
	22.2	16.2
Current liabilities:		
Bank overdrafts	**(2.8)**	-
	(2.8)	-
Group borrowings:		
Interest-bearing loans and borrowings	**(113.0)**	(114.5)
Unamortised facility fees	**1.0**	1.3
Net borrowings	**(112.0)**	(113.2)
Net debt	**(92.6)**	(97.0)

The Group has a £160m multicurrency revolving facility and a £65m "accordion" facility by which further facilities may be made available by Barclays, Lloyds, RBS and Santander under the current terms to support significant investment or acquisition opportunities which may arise. The existing revolving credit facilities expire in September 2019. Whilst the multi-year revolving committed credit facility does not expire for more than two years, the debt within this is disclosed as less than one year on the balance sheet, as it is drawn for one-month periods, and then redrawn as appropriate to minimise the amount of debt drawn relative to the Group's needs to minimise the interest payable, as assumed in its Viability statement considerations. The undrawn facilities are unsecured. The bank loans and overdrafts are subject to cross-guarantees between Group undertakings. Interest on the multicurrency revolving credit facility is charged at LIBOR plus a margin of between 1.20% and 2.15%, depending upon the ratio of net debt to EBITDA (earnings before interest, tax, depreciation and amortisation), and on UK overdrafts at 1.75% above UK base rate or at the prevailing rate per the revolving credit facility.

Reconciliation of net cash flow to movement in net debt

	2017	2016
	£m	£m
Net debt at the beginning of the year	**(97.0)**	(99.2)
Net increase in cash and short-term borrowings	**7.8**	5.6
Effects of exchange rate changes	**(3.1)**	(2.8)
Amortisation of facility fees	**(0.3)**	(0.4)
Other non-cash movements	**-**	(0.2)
Net debt at the end of the year	**(92.6)**	(97.0)

Notes to the accounts

12. Defined benefit pension scheme deficit

	2017 £m	2016 £m
Pension deficit at start of the year	**27.2**	21.1
Current service cost	**0.1**	1.5
Interest income	**(3.1)**	(3.3)
Interest cost	**3.9**	4.0
Return on scheme assets excluding interest	**(14.5)**	5.7
Effect of demographic adjustments	**-**	(0.5)
Loss from change in financial assumptions	**32.8**	0.2
Employer contributions	**(2.0)**	(1.8)
Foreign exchange	**0.2**	0.3
Pension deficit at end of the year	**44.6**	27.2

13. Discontinued operations

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

	2017 £m	2016 £m
Loss on disposal: movement in fair value of contingent consideration	**-**	(1.0)
Loss before tax on discontinued operations	**-**	(1.0)
Net loss on discontinued operations attributable to the owners of the Company	**-**	(1.0)

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 April 2017 or 30 April 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.