CONSORT MEDICAL

Consort Medical plc
14 June 2018

Full year results

Consort Medical delivered another year of good 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 2018.

Financial Highlights

£'m 12 months ended	FY2018 30 Apr 18	FY2017 30 Apr 17	Δ % Reported	Δ % CER[2]
Underlying[1]				
Revenue	311.1	294.0	5.8%	4.4%
EBIT[3]	42.7	40.0	6.8%	5.3%
PBT[3]	38.2	35.6	7.3%	
Adjusted Basic EPS[3]	64.5p	65.1p	(0.9%)	
Statutory				
Profit before tax (PBT)	17.3	21.9	(21.0%)	
Basic EPS	32.9p	46.2p	(28.8%)	

[1]Underlying figures are Alternative Performance Measures (APMs) and these are defined in the APM section below. [2] CER – at constant exchange rates; FY2017 actuals retranslated at the FY2018 average rate. [3] Before special items of £20.9m that include amortisation of acquired intangibles, reorganisation and impairment costs (FY2017: £13.7m).

- Consort delivered another year of good growth with revenue up 5.8% and a 6.8% increase in underlying EBIT
- Bespak grew revenue by 4.8% and underlying EBIT by 1.5% with a strong performance in its core respiratory business and further investments in its innovative auto-injector technology
- Aesica grew revenue by 6.5% and underlying EBIT by 16.5% with an 80bps margin improvement during FY2018
- Underlying PBT has increased by 7.3% with a lower adjusted basic EPS reflecting an increase in the tax charge due to the non-recurrence of prior year adjustments
- Net debt at £95.5 million was in line with expectations (30 April 2017: £92.6m) after investments in equipment and streamlining the business. Net debt to EBITDA was 1.7x
- Recommended 3.4% increase in total dividend for the full year at 21.0p

Operational Highlights

- Continued growth across our broad range of leading drug delivery devices
- Ongoing support to Mylan on the potential launch of their generic Advair programme
- Good progress in developing our Syrina® / Vapoursoft® auto-injectors for our leading global biopharmaceutical customer and further interest from other significant potential customers
- Agreement with our major biopharmaceutical customer to commence industrialisation activities for facilities, production processes and tooling for a potential product launch of the Syrina® / Vapoursoft® auto-injector
- Record volumes were manufactured at our German and Italian facilities with investments being made in new production lines to support growth

- Formal award of a significant multi-year active pharmaceutical ingredient (API) supply contract for an innovative new product at our Cramlington facility
- Awards of finished dose and packaging contracts and renewal of long-term contracts with existing customers
- New customers on the semi-continuous processing line and technology installed in our Queenborough site

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

"Consort has delivered another year of good underlying revenue and profit growth in both divisions. Bespak has continued to grow its respiratory business while making significant progress on its innovative Syrina® / VapourSoft® auto-injectors. Aesica is growing sales and margins supported by new API, finished dose and packaging contracts in a streamlined business structure.

We continue to deliver our organic growth strategy while considering potential acquisitions that allow access to new geographic markets and complementary technologies. The Board is confident of Consort's future prospects supported by a robust financial position and a strong development pipeline. The Board's expectations for the current financial year remain unchanged."

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Notes:

1. Foreign Exchange Rates
    a. Year-end exchange rates 30 April 2018: £1=€1.14; £1=$1.38
    b. Average exchange rates 1 May 2017 to 30 April 2018: £1=€1.13; £1=$1.34

    c. Year-end exchange rates 30 April 2017: £1=€1.19; £1=$1.29
    d. Average exchange rates 1 May 2016 to 30 April 2017: £1=€1.18; £1=$1.29

Consort Medical plc is a leading one-stop developer and manufacturer of drugs and premium drug delivery devices. We partner with pharmaceutical businesses in providing innovative life improving treatments to patients across the world through two integrated activities:

> The design, development and manufacture of high performance medical devices for inhaled, injectable, nasal and ocular drug delivery, as well as point of care diagnostics products.
>
> The development, formulation and manufacture of active pharmaceutical ingredients (APIs) and finished dose drugs to the highest quality standards.

We employ over 2,000 people globally and are committed to investing in patient, clinician and customer driven innovation to create new treatments.

Consort Medical is a public company quoted on the premium list of the London Stock Exchange (LSE: CSRT) and is organised in two divisions: Bespak and Aesica. 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 (APMs) are included in this announcement as the directors believe that these provide additional useful information for shareholders on the underlying performance of the business and in the comparison with performance across the industry. These measures are consistent with how business performance is measured internally. The alternative performance measures used include statutory EBIT, EBT and EPS measures, adjusted to eliminate special items, being the amortisation of acquired intangibles and other significant one-off items not linked to the underlying performance of the business (see note 3).

Further, underlying constant exchange rate measures are given which eliminate the impact of currency movements by comparing the current year measure against the comparative restated at the current year's average exchange rate.

Where alternative performance measures are given, these are compared to the equivalent measures in the prior year.

The directors also refer to EBITDA before special items (earnings before interest, tax, depreciation and amortisation) as a performance measure and, in arriving at this, any profit or loss on disposal of property, plant and equipment is also added back.

Chief Executive's Review

Good financial and operational performance across the Group

Consort has again delivered good underlying growth across both businesses. Bespak has delivered revenue and underlying EBIT growth with strong sales of its core respiratory products. Aesica has grown its sales with recent contract wins and has achieved a further improvement in its margins. The Group has made good progress in its development pipeline, including its innovative Syrina® / Vapoursoft® master development agreement, and is working on new opportunities with current and potential new customers.

Summary of Financial Performance

Group revenue increased by 5.8% to £311.1m (FY2017: £294.0m) with underlying growth of 4.4% at constant exchange rates.

EBIT before special items increased by 6.8% to £42.7m (FY2017: £40.0m) and by 5.3% at constant exchange rates.

Special items before tax were £20.9m in the year (FY2017: £13.7m). This comprised of: £12.1m of amortisation of acquired intangibles; £4.6m of reorganisation costs and £4.2m of non-cash impairment charges. These relate to the successful streamlining of the business completed during the year and the one-off impairment of equipment in a non-core activity.

Finance costs at £4.5m were in line with the prior year (FY2017: £4.4m). Group earnings before tax and special items increased by 7.3% to £38.2m (FY2017: £35.6m). Adjusted basic EPS decreased by 0.9% to 64.5p (FY2017: 65.1p) as the previous year included a particularly low tax charge. Basic EPS declined by 28.8% to 32.9p (FY2017: 46.2p) as a result of the restructuring and impairment charges during the year and the low tax charge in the prior year.

Cash generated from operations was £37.1m (FY2017: £48.9m). EBITDA before special items grew £3.7m (7.0%) to £56.4m (FY2017: £52.7m) which was offset by higher capital investments of £22.2m (FY2017: £18.1m) and increased working capital including higher receivables due to the timing of sales. Special items paid in the year were £2.0m (FY2017: £2.7m).

The Group balance sheet remains strong with a net debt position of £95.5m (FY2017: £92.6m), representing gearing of 1.7x Net debt: EBITDA. The Group is appropriately financed with a c.£160m committed multi-currency banking facility.

The Board is proposing an increased final dividend of 13.56p (FY2017: 13.21p), making a total dividend for the year of 21.0p (FY2017: 20.3p).

Delivering the Group's strategy

Consort Medical has a well-established strategy, which has four key elements:

1. Driving sustainable organic revenue growth

Consort is driving sales growth through leveraging its strong relationships with existing customers, developing opportunities with new customers and broadening its product offering.

We have deep, long-term contractual relationships with many leading pharmaceutical companies in both Bespak and Aesica, supplying customers with high quality products from our highly regulated facilities. There is a broad range of existing production programmes where we work closely with customers to support their growth strategies. We supplement this with development opportunities by providing innovative solutions utilising our market-leading expertise.

We made good progress in the period including continuing to grow sales of our core respiratory metered dose inhaler (MDI) valves and dry powder inhaler (DPI) devices. We have a strong pipeline

of device opportunities and we provide a summary of the more significant Bespak opportunities below. In Aesica, there is also a significant amount of activity on API manufacturing and finished dose development where we continue to quote for a number of new opportunities. We are excited by the opportunities but can only provide a broad overview of what is commercially sensitive information.

2. Delivering margin improvement

The Group has continued its track-record of improving underlying EBIT margin. This notably includes an additional 80bps improvement of Aesica's margin during the year. Since the acquisition of Aesica we have made good progress having increased margin from 5.2% at acquisition to 8.8% during this year. Our medium term margin expectations for the business remain unchanged. Our strategy is to deliver further organic growth and a continued process of improving our operational efficiency. During the year we successfully executed restructuring activities in the UK to streamline the business.

Whilst delivering margin improvement we will continue to invest across the Group in our strong product innovation and development capabilities, both important elements of our growth strategy.

3. Innovating and developing new devices and formulation technologies

Utilising our core expertise and strong relationships, we also partner with pharmaceutical businesses in developing and providing innovative life improving treatments and are committed to investing in patient, clinician and customer driven innovation to create new treatments.

Since 2010, Consort has consistently invested in innovation and expanded from a predominantly respiratory products business to growing positions in a number of attractive markets. We have well established development programmes in both divisions, including new devices, APIs and finished dose formulations.

Optimising our world-class drug delivery device development and manufacture, together with drug API and finished dose formulation and manufacture within the Group streamlines and accelerates our pharmaceutical customers' drug route to market. This one-stop capability of being able to develop and manufacture both a drug and its delivery device within a single group is a key differentiator to our competitors.

The Group has continued to broaden its capabilities including growing its medical device business by adding highly innovative proprietary injectable delivery technologies to its well established respiratory franchise.

Our injectables activities include an innovative gas powered auto-injector technology designed to support the safe operation of single-use syringes capable of injecting higher viscosity liquids. There is a growing demand for products serving this technically challenging area particularly with the growth of large molecule biological drugs which are often highly viscous. We are developing specific products using our proprietary technology, including a significant programme with a leading global biopharmaceutical customer.

We offer sterile oral liquid dose manufacturing as part of our broad range of finished dose capabilities within Aesica. This is supported by our finished dose development team. Our strategy is to further differentiate our capabilities by investing in pre-filled syringe capacity. This will enable the Group to provide a complete range of pre-filled syringe solutions to our customers including our unique auto-injector device technology.

Consort believes that the auto-injector business has the potential to be at least the size of the respiratory franchise in the medium to long term.

We have continued to make good progress particularly on our nasal and injectable technologies and we provide further details on these below.

4. Making selective acquisitions and investments

Consort generates strong free cash flow that supports investment in organic growth and has allowed us to grow the dividend in recent years. The strategy is to supplement this with appropriate strategic investments.

Our non-organic growth strategy is to make selective acquisitions or investments in new geographical markets and complementary technologies that have the potential to broaden our geographic footprint and customer base.

We will continue to review appropriate opportunities that present attractive long-term shareholder value.

Bespak Business Review *(Devices)*

Operations

	FY2018[1]	FY2017[1]	Δ% Reported	Δ% CER[2]
Revenue	£126.9m	£121.1m	4.8%	4.8%
EBITDA[3]	£32.7m	£32.1m	1.9%	1.9%
EBITDA margin %	25.8%	26.5%		
EBIT[3]	£26.5m	£26.1m	1.5%	1.5%
EBIT margin %	20.9%	21.6%		

[1]Underlying figures presented above are defined by our Alternative Performance Measures (APM) methodology. [2]CER – at constant exchange rates; FY2017 actuals retranslated at the FY2018 average rate. [3] Before special items of £6.4m that include amortisation of acquired intangibles, reorganisation and impairment costs (FY2017: £0.8m)

Bespak has built a well-established and diverse business of designing, developing and manufacturing high performance medical delivery devices. This business has a strong pipeline of innovative products including: respiratory, injectable, nasal and ocular drug delivery, as well as point of care diagnostics.

Once again, Bespak performed well during the year with increased demand for its broad range of leading advanced medical delivery devices. This growth was with established customers while continuing to invest in and make good progress on development programmes.

Revenue grew 4.8% to £126.9m with good growth of product sales that grew by 12.5% during the period. This includes continued growth in sales of our market leading MDI valves to over ninety commercial products. The broad range of products and programmes has grown over many years and we continue to supplement it with new products including our proprietary Easifill™ MDI primeless valve. We have also continued to see growth in sales of our DPI products. This growth in product sales reflects the successful transition of a number of programmes from development into commercial production.

As anticipated, service revenue decreased during the year to £8.4m (FY2017: £15.8m). This is due to a number of successful development programmes now being reflected as commercial product revenue following approval and launch. In addition, the comparative period included revenue from Nicovations which is no longer in the development pipeline.

Bespak delivered a 1.5% increase in EBIT to £26.5m and maintained a sector leading margin of 20.9%, which was 70bps lower than the particularly high margin in the prior year. This is after our continued investment of our product development resources in our proprietary technology including the development of innovative auto-injectors.

Product Development

Bespak has a wide range of production programmes supported by a broad product development pipeline that present further growth opportunities. This development pipeline is across a range of therapeutic areas, including both contract manufacturing and products with our own proprietary intellectual property (IP).

To provide visibility of the business's strong position, we have set out in the table below a summary of our more significant development opportunities recognising that timescales are difficult to predict. For inclusion in the table, projects must have a reasonable expectation of success and are forecast to produce peak annual sales of at least £3m per annum.

We continue to work closely with Mylan in supporting their generic Advair programme. This is subject to Mylan receiving a positive response from the FDA on their resubmitted Abbreviated New Drug Application (ANDA) filing. There is a target action date from the FDA of 27 June 2018. Mylan have recently publicly confirmed that they have been building inventory ahead of a potential launch. If the programme is approved, Bespak's sales outlook will reflect Mylan's launch strategy taking into account the level of inventory that Mylan are already carrying.

We continue to make good progress with the Syrina® / Vapoursoft® auto-injector development contract with our leading global biopharmaceutical customer. This programme is now progressing towards commercialisation with a recent agreement for Bespak to start planning for investments in production processes to support a future potential product launch. This will provide sufficient lead time to prepare the investment in production processes at our Milton Keynes facility to ensure that manufacturing capacity comes on line to support the customer's product launch. Product launch is subject to our customer making the appropriate filing, conducting a clinical trial and gaining regulatory approval. We are also examining additional auto-injector opportunities with this customer and other potential customers.

Further programmes include additional respiratory product opportunities and continued progress on point-of-care, nasal and ocular programmes. The current status of the major programmes in our development pipeline is listed below:

Project	**Description**	**Customer**	**Status**
VAL020	MDI valve	Global Pharma	Programme under review by customer
POC010	POC Test Cartridge	Atlas Genetics	Combined Chlamydia / Gonorrhoea test cartridge development progressing
NAS020	Nasal device	Global Generic	Programme under review with customer
DEV610	DPI	Mylan	Awaiting FDA approval
NAS030	Nasal device	Pharma Co.	Early stage programme
INJ650	ASI® Auto-injector	Global Generic	Early stage programme
INJ700	Lila® Mix Injector	Pharma Co.	Development programme on track
IDC300	Oral IDC	Pharma Co.	Customer received Complete Response Letter (CRL); Launch still expected in 2018
VAL050	MDI valve / actuator	Aeropharm	Development contract ongoing

OCU050	Ocular device/ formulation / filling	Oxular	Early stage programme
SYR075	Syrina® / Vapoursoft®	Global Biopharma	Progressing well to commercialisation

DPI = Dry Powder Inhaler, MDI = Metered Dose Inhaler, POC = Point of Care, IDC = Integrated Dose Counter

Innovation

The innovation team is based in a dedicated facility in Cambridge and continues to work on multiple opportunities. We continue to fund a significant investment in developing our new technology platforms and growing our proprietary technology for a range of opportunities.

We continue to invest in and grow our innovation team due to the growing interest in the injectables franchise from biotech and pharmaceutical companies that complement our current customer portfolio.

In addition, the Bespak proprietary nasal programmes include unique IP protected technology that accurately delivers a single precise dose of a pharmaceutical product to a patient. This Unidose® Xtra product in conjunction with the proposed Aesica sterile fill capability has the potential to provide significant growth opportunities for the Group.

Aesica Business Review *(Drugs)*

Operations

	FY2018[1]	FY2017[1]	Δ% Reported	Δ% CER[2]
Revenue	£184.2m	£172.9m	6.5%	4.2%
EBITDA[3]	£23.6m	£20.6m	14.6%	11.3%
EBITDA margin %	12.8%	11.9%		
EBIT[3]	£16.2m	£13.9m	16.5%	12.4%
EBIT margin %	8.8%	8.0%		

[1]Underlying figures presented above are defined by our Alternative Performance Measures (APM) methodology. [2] CER – at constant exchange rates; FY2017 actuals retranslated at the FY2018 average rate; [3]Before special items of £14.5m that include amortisation of acquired intangibles, reorganisation and impairment costs (FY2017: £12.2m)

Aesica develops, formulates and manufactures APIs and finished dose drugs to the highest quality standards. It has strong and well-established relationships with many of the world's leading pharmaceutical companies and works closely with them to support their growth strategies. Aesica has regulatory approved facilities in the UK, Germany and Italy.

The business performed well with another successive year of sales growth and margin improvement. This included the benefits of successfully streamlining the business during the year.

Aesica revenue grew 6.5% to £184.2m (FY2017: £172.9m) or by 4.2% at constant exchange rates. This included record sales performances in both our German and Italian businesses with increased demand from the established customer base supplemented by opportunities with new customers.

This sales growth includes new business opportunities with new solid dose contracts awarded to our German business. We have gained contracts with new customers based on a strong track record in this market with potential to supply further products in the future.

We are also supporting a customer on a new innovative API. This multi-year supply agreement is for a complicated multi-stage process where we commenced manufacture in the second half of the year.

In addition, we have secured new customers for our semi-continuous processing line and technology installed at the Queenborough site in the UK. We are continuing to explore opportunities with further customers and support them with their development work.

The growth in sales and continued focus on our operational performance has resulted in a 16.5% improvement in EBIT to £16.2m (FY2017: £13.9m) or 12.4% at constant exchange rates. We continue to focus on improving the operational performance of this business including some restructuring activities that were successfully delivered during the period.

Aesica has achieved another successive increase in margin which increased by 80bps to 8.8%. The business has consistently improved its margins since its acquisition in 2014 when it was making a 5.2% return. We remain on track for delivering a double-digit margin from this business.

Business Development and Innovation

Aesica has deep, long-term relationships with a strong, blue-chip customer base. These relationships are supported by contracts that typically range between three and ten years generating recurring revenues, the majority of which are renewed at their end of term. Our technological and regulatory expertise supports Aesica in providing a broad variety of high quality products to many markets. These long-term relationships from our approved sites enable us to provide additional products and services in partnership with these valued customers.

The Aesica commercial team is focused on a growing number of formulation development and manufacturing opportunities. This includes businesses looking for support on new products and pharmaceutical companies looking to either out-source an activity or change suppliers. Aesica's business development team has a regional structure to ensure that we can effectively support our customers from our manufacturing facilities in the UK, Germany and Italy.

Aesica's track record provides potential customers with an established partner able to provide a high level of service supported by regulatory compliance. We have regular routine compliance audits from many regulatory bodies including the MHRA, FDA, Russian HA and many other regional regulatory authorities. We share our regulatory expertise across the wider Group.

The business has identified a number of attractive business development opportunities with pharmaceutical companies looking to source oral products and has seen further growth in demand for its liquid formulation services at the Pianezza site in Italy. This is supported by an investment underway in an oral production line to increase capacity in this facility which is operating at record levels. We are also planning to invest in pre-filled syringe manufacturing capacity to further expand our capabilities in this growing market.

In addition, we are expanding our packaging capabilities in Germany to support this growing business that has achieved record sales in the year. This is alongside continued strategic investments across the Group in serialisation which facilitates the identification of products at the individual pack level. Aesica is well advanced in developing its service to support and take on customers for the next wave of countries adopting serialisation including many across the EU.

Board Changes

Peter Fellner has notified the Board of his intention to step down after nine years as Chairman of the Group. The Group has commenced a process to appoint a successor led by our Senior Independent Director, William Jenkins. Peter will remain in place until his successor is appointed and we will announce further details as soon as a successor is appointed.

Our General Counsel and Company Secretary, John Ilett left the Group earlier this year and we have appointed Andrew Jackson to the role, who will be joining in early September 2018 from KP Snacks Limited. We thank John for his contribution and look forward to Andrew joining the Group. In the meantime, Paul Hayes, our Chief Financial Officer, has undertaken the role of Company Secretary supported by Iain Lindsay, our Interim General Counsel.

Outlook

Consort has delivered another year of good underlying revenue and profit growth in both divisions. Bespak has continued to grow its respiratory business while making significant progress on its innovative Syrina® / VapourSoft® auto-injectors. Aesica is growing sales and margins supported by new API, finished dose and packaging contracts in a streamlined business structure.

We continue to deliver our organic growth strategy while considering potential acquisitions that allow access to new geographic markets and complementary technologies. The Board is confident of Consort's future prospects supported by a robust financial position and a strong development pipeline. The Board's expectations for the current financial year remain unchanged.

Jonathan Glenn
Chief Executive Officer

Financial Review

Consort has again delivered growth in revenue and underlying EBIT in both divisions. This good performance was achieved whilst continuing to invest in the business to support its broad range of development opportunities. The Group has a strong track record of delivering continued sales and EBIT growth since the Aesica acquisition in 2014.

Trading

Group revenue grew by £17.1m (5.8%) to £311.1m with 4.4% of underlying growth and the benefit from translating our overseas results at more favourable exchange rates. Both the Bespak and Aesica divisions grew during the year and EBIT before special items increased by 6.8% to £42.7m. There was 5.3% of underlying EBIT growth before the impact of favourable exchange rates. This growth in EBIT reflected the benefit of sales growth and improved productivity particularly in Aesica. Group underlying EBIT margin increased marginally to 13.7% (FY2017: 13.6%).

Finance costs and Profit before tax

Finance costs at £4.5m (FY2017: £4.4m) were in line with the prior year.

Increased EBIT before special items and a similar level of finance costs led to an increase in Profit Before Tax before special items of 7.3% to £38.2m (FY2017: £35.6m).

Special items

Special items are those items which the Group considers to be non-recurring or are not part of the underlying performance of the business. In FY2018 special items amounted to £20.9m (FY2017: £13.7m) and comprise £12.1m of amortisation of acquired intangibles (FY2017: £13.0m); £4.6m of reorganisation costs (FY2017: £0.5m) and £4.2m non-cash impairment of fixed assets (FY2017: £nil). The reorganisation costs were incurred in streamlining the business and were successfully delivered on plan during the period. This included improving the operations within Aesica, the closure of some non-core operations in Bespak and the impairment of some specific assets.

Statutory profit before tax was £4.6m lower at £17.3m (FY2017: £21.9m) as a result of these special items.

Taxation

The underlying tax charge amounted to £6.6m (FY2017: £3.8m) delivering an effective tax rate (ETR) of 17.3% (FY2017: 10.7%). The Group's ETR was particularly low last year as it included some prior year adjustments that have not recurred this year. The ETR reflects a combination of factors including the continuing benefits of the Patent Box regime and the increased proportion of profit arising in our European businesses with higher tax rate jurisdictions.

The Group benefits from the Research and Development Expenditure Credit (RDEC) and realised an R&D tax credit of £2.2m in the year (FY2017: £1.8m) that is recognised in operating profit and benefits 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 amounting to a benefit in the year of £1.9m in its cash tax (FY2017: £1.7m).

A tax credit of £5.4m (FY2017: £4.5m) arose in respect of special items. The total tax charge was £1.2m (FY2017: £0.7m credit).

The outlook for the ETR for FY2019 is 18%, 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. The Group continues to be rated low risk by HMRC.

Earnings

Adjusted earnings, being after tax but before special items, decreased by £0.2m to £31.6m (FY2017: £31.8m) with the higher tax rate more than offsetting the increase in Profit before tax. Adjusted basic EPS decreased by 0.9% to 64.5p (FY2017: 65.1p) accordingly.

Statutory Earnings after tax decreased by £6.5m to £16.1m with basic EPS at 32.9p (FY2017: 46.2p) as a result of profitable growth but a higher level of acquisition related costs and other special items.

Dividend

The Board has reviewed the dividend and is proposing an increased final dividend of 13.56p (FY2017: 13.21p) making a total dividend for the year of 21.0p (FY2017: 20.3p).

The dividend will be paid on 26 October 2018 to shareholders on the register at 28 September 2018, if approved by shareholders at the AGM on 5 September 2018. Dividend cover, based on underlying EPS, was 3.1 times (FY2017: 3.2 times).

Cash flow & Net debt

Cash generated from operations was £37.1m (FY2017: £48.9m) with the Group maintaining a continued focus on working capital management.

At the year-end the Group had higher receivables that were up £16.7m year-on-year (FY2017: £0.7m decrease) mainly due to the phasing of sales. The ageing of our receivables remains very good with our blue-chip customer base of global pharmaceutical companies. Inventories increased by £0.3m during the year (FY2017: £2.7m increase) and payables/provisions increased by £1.6m (FY2017: £2.4m decrease).

Capital expenditure of £22.2m was higher than the previous year (FY2017: £18.1m) including investments across the business to enhance facilities and expand manufacturing capacity and serialisation capabilities.

The Group free cash flow after special items was £12.5m (FY2017: £24.9m) that funded £10.1m of dividend payments (FY2017: £9.6m) and £2.1m of contributions into the pension plan (FY2017: £2.0m).

Net debt was £95.5m at the year-end (FY2017: £92.6m) or 1.7x EBITDA (FY2017: 1.7x)

Financing and Liquidity

The Group has a c.£160m multi-currency committed revolving credit facility with Barclays, Lloyds, RBS and Santander which expires in September 2019. At 30 April 2018, the Group had drawn £117.3m of this committed revolving credit facility (FY2017: £113.0m).

Margins are between 1.2% and 2.2% over LIBOR depending upon the ratio of Net debt to EBITDA. 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 3.0x. The Group continues to operate within its covenants at 30 April 2018 with Net debt to EBITDA of 1.7x, and Interest Cover 23.2 times.

The Group has an uncommitted £65m accordion facility by which further funding may be made available by the participating banks under current terms to support significant investment or acquisition opportunities which may arise. The Group also has uncommitted overdraft facilities in the UK of £4.5m and £1.1m which it utilises to manage its requirements for short term operational funding.

The Group anticipates renewing its banking facility during the year ended 30 April 2019 in advance of the September 2019 expiry date and has had encouraging initial discussions with existing and potential new lenders.

Foreign currency exposure

The Group monitors its foreign currency exposures carefully and seeks to mitigate all material transactional exposures. Bespak currently has limited exposure to movements in the Euro and US Dollar and Aesica has wider exposure to the Euro. Where appropriate forward foreign currency is bought and/or sold to protect transactional 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 10¢ strengthening/weakening in the Euro:GBP exchange rate increases/decreases revenue by c.£8.4m and EBIT by c.£1.1m.

Pensions

The IAS 19 pension valuation at 30 April 2018 was a total deficit of £14.7m (30 April 2017: £44.6m). The defined benefit pension obligations of the Group comprise both Bespak and Aesica schemes.

Bespak scheme

In 2002, the Bespak Retirement Benefits Scheme (a defined benefit pension scheme) was closed to new members. Furthermore 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 2018, the Bespak IAS 19 deficit was £10.4m compared with £40.6m as at 30 April 2017. The significant decrease in the deficit was primarily due to changes in the demographic assumptions in line with the recently agreed triennial valuation plus an increase in discount rates year over year.

The latest triennial actuarial valuation of the Bespak Pension Scheme was performed by an independent actuary for the trustees of the scheme and was carried out as at 30 April 2017. In April 2018, the Group and the Trustees agreed this actuarial valuation, which recorded a deficit of £37.3m. As part of the agreement, the Group undertook to make deficit recovery contributions at the following rates:

- November 2017 – October 2019: £2.5m per annum
- November 2019 – October 2021: £3.0m per annum
- November 2021 – November 2029: £3.5m per annum

Pension deficit contributions for FY2018 totalled £2.0m in respect of the Bespak scheme, comprising 6 months at the previous contribution requirement of £1.5m per annum and 6 months at the revised contribution requirement of £2.5m per annum as detailed above. The Group also made contributions of £0.1m in respect of overseas schemes.

Aesica schemes

Aesica operates a number of different pension schemes, including defined benefit schemes in Italy and Germany. These schemes are in a total net IAS 19 deficit position of £4.3m at 30 April 2018 (30 April 2017: £4.0m).

Risk management

The Group is exposed to a number of risks and considers effective risk management to be a high priority and as such operates a detailed framework for assessing risk and also processes and procedures to partly mitigate them which are further described in the Annual Report & Accounts.

Paul Hayes
Chief Financial Officer

Consolidated Income Statement
For the year ended 30 April 2018

	Note	**2018 Total £m**	2017 Total £m
Revenue	2	**311.1**	294.0
Operating expenses before special items		**(268.4)**	(254.0)
Operating profit before special items		**42.7**	40.0
Special items	3	**(20.9)**	(13.7)
Operating profit		**21.8**	26.3
Finance income		**0.2**	0.1
Finance costs	4	**(3.2)**	(3.0)
Other finance costs	4	**(1.5)**	(1.5)
Profit before tax and special items		**38.2**	35.6
Special items	3	**(20.9)**	(13.7)
Profit before tax		**17.3**	21.9
Tax on profit before special items	5	**(6.6)**	(3.8)
Special items – tax	3	**5.4**	4.5
Tax (charge) / credit	5	**(1.2)**	0.7
Profit for the financial year		**16.1**	22.6

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

Basic earnings per ordinary share	6	**32.9p**	46.2p
Diluted earnings per ordinary share	6	**32.7p**	45.7p

Non-statutory measures

	£m	£m
Profit before tax and special items	38.2	35.6
Profit after tax before special items	31.6	31.8
Adjusted basic earnings per ordinary share	64.5p	65.1p
Adjusted diluted earnings per ordinary share	63.9p	64.4p

Consolidated Statement of Comprehensive Income
For the year ended 30 April 2018

	2018 Total £m	2017 Total £m
Profit for the financial year	**16.1**	22.6
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit and loss:		
Net loss on hedge of a net investment	**(1.3)**	(2.5)
Exchange movements on translation of foreign subsidiaries	**5.7**	9.0
Items that will not be reclassified subsequently to profit and loss:		
Actuarial gain / (loss) on defined benefit pension schemes	**29.2**	(18.3)
Deferred tax on actuarial (gain) / loss	**(5.6)**	3.3
Impact of change in tax rates	**0.6**	(0.4)
Other comprehensive income / (loss) for the year	**28.6**	(8.9)
Total comprehensive income for the year	**44.7**	13.7
Attributable to the equity holders of the parent	**44.7**	13.7

Consolidated Balance Sheet
At 30 April 2018

	Notes	**2018 £m**	2017 £m
Assets			
Non-current assets			
Property, plant and equipment		**147.7**	143.6
Goodwill		**129.6**	126.8
Other intangible assets		**47.6**	57.1
Investments		**11.4**	11.4
Trade and other receivables		**3.8**	–
		340.1	338.9
Current assets			
Inventories		**35.2**	34.4
Trade and other receivables		**68.8**	54.9
Current tax asset		**6.6**	10.7
Cash and cash equivalents	9	**21.4**	22.2
		132.0	122.2
Total assets		**472.1**	461.1
Liabilities			
Current liabilities			
Borrowings	9	**(116.9)**	(112.0)
Trade and other payables		**(71.4)**	(67.1)
Derivative financial instruments		**(0.2)**	(0.2)
Provisions and other liabilities		**(3.4)**	(2.5)
		(191.9)	(181.8)
Net current liabilities		**(59.9)**	(59.6)
Non-current liabilities			
Trade and other payables		**(1.7)**	(8.5)
Deferred tax liabilities		**(16.2)**	(13.8)
Defined benefit pension schemes deficit	10	**(14.7)**	(44.6)
Provisions and other liabilities		**(1.3)**	(0.3)
		(33.9)	(67.2)
Total liabilities		**(225.8)**	(249.0)
Net assets		**246.3**	212.1
Shareholders' equity			
Share capital		**4.9**	4.9
Share premium		**138.5**	138.0
Retained earnings		**92.6**	63.3
Other reserves		**10.3**	5.9
Total equity		**246.3**	212.1

Consolidated Cash Flow Statement
For the year ended 30 April 2018

	2018 £m	2017 £m
Cash flows from operating activities		
Operating profit	**21.8**	26.3
Depreciation	**13.1**	12.1
Impairment	**3.8**	–
Amortisation	**12.5**	13.4
Loss on disposal of property, plant and equipment	**0.2**	0.2
Share-based payments	**1.1**	1.3
Pension charge in excess of cash contributions	**0.1**	0.1
Increase in inventories	**(0.3)**	(2.7)
(Increase)/decrease in trade and other receivables	**(16.7)**	0.7
(Decrease)/increase in trade and other payables	**(1.2)**	1.0
Increase/(decrease) in provisions	**2.8**	(3.4)
Decrease in derivative financial instruments	**(0.1)**	(0.1)
Cash generated from operations	**37.1**	48.9
Interest paid	**(2.9)**	(2.9)
Defined benefit scheme contributions	**(2.1)**	(2.0)
Tax received/(paid)	**0.3**	(3.3)
Net cash inflow from operating activities	**32.4**	40.7
Cash flows from investing activities		
Purchases of property, plant and equipment	**(20.9)**	(18.0)
Purchases of intangible assets	**(1.3)**	(0.1)
Interest received	**0.2**	0.1
Purchase of equity investment	**–**	(3.1)
Net cash outflow from investing activities	**(22.0)**	(21.1)
Cash flows from financing activities		
Proceeds from issues of ordinary share capital	**0.5**	0.6
Purchase of own shares	**(2.2)**	(3.0)
Equity dividends paid to shareholders	**(10.1)**	(9.6)
Increase in borrowings	**15.6**	12.3
Borrowings repaid	**(12.7)**	(16.4)
Net cash used in financing activities	**(8.9)**	(16.1)
Net increase in cash and cash equivalents	**1.5**	3.5
Effects of exchange rate changes	**0.5**	(0.3)
Cash and cash equivalents at start of year	**19.4**	16.2
Cash and cash equivalents at end of year	**21.4**	19.4

Consolidated Statement of Changes in Shareholders' Equity

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Total equity £m
Balance at 1 May 2016	**4.9**	**137.4**	**67.4**	**(0.6)**	**209.1**
Profit for the financial year	–	–	22.6	–	22.6
Other comprehensive income/(loss):					
Net exchange movements on translation of foreign subsidiaries	–	–	–	6.5	6.5
Actuarial loss on defined benefit pension 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
Transactions with owners:					
Recognition of share-based payments	–	–	1.3	–	1.3
Movement in 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**
Profit for the financial year	**–**	**–**	**16.1**	**–**	**16.1**
Other comprehensive income/(loss):					
Net exchange movements on translation of foreign subsidiaries	**–**	**–**	**–**	**4.4**	**4.4**
Actuarial gain on defined benefit pension scheme	**–**	**–**	**29.2**	**–**	**29.2**
Tax on amounts taken directly to equity	**–**	**–**	**(5.0)**	**–**	**(5.0)**
Total comprehensive income	**–**	**–**	**40.3**	**4.4**	**44.7**
Transactions with owners:					
Recognition of share-based payments	**–**	**–**	**1.1**	**–**	**1.1**
Movement in tax arising on share-based payments	**–**	**–**	**0.2**	**–**	**0.2**
Proceeds from exercise of employee options	**–**	**0.5**	**–**	**–**	**0.5**
Consideration paid for purchase of own shares (held in trust)	**–**	**–**	**(2.2)**	**–**	**(2.2)**
Equity dividends	**–**	**–**	**(10.1)**	**–**	**(10.1)**
	–	**0.5**	**(11.0)**	**–**	**(10.5)**
Balance at 30 April 2018	**4.9**	**138.5**	**92.6**	**10.3**	**246.3**

Notes to the consolidated financial statements

General Information

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

1. Presentation of the financial statements

The financial information set out in this preliminary announcement does not constitute Consort Medical plc's statutory financial statements for the years ended 30 April 2018 and 30 April 2017, but is derived from those financial statements. Statutory financial statements for the year ended 30 April 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory financial statements for the year ended 30 April 2017 have been delivered to the Registrar of Companies. The Auditor has reported on those financial statements; their reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) and by the EU (Adopted IFRS).

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 except as detailed below, are as described in the statutory financial statements for the year ended 30 April 2017.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future and to meet their obligations as they fall due. As at 30 April 2018 the Group reported net debt of £95.5m (2017: £92.6m) which compared with committed banking facilities of £168.6m leaving £51.3m of headroom undrawn. The Group's primary committed financing facility is available to September 2019. Accordingly these financial statements have been prepared on a going concern basis.

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.

Notes to the consolidated financial statements (continued)

Judgements made by management that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes included in the statutory financial statements. Management discusses with the Audit Committee the development, selection, application and disclosure of the Group's critical accounting policies and estimates.

Alternative Performance Measures and the treatment of special items

In addition to statutory measures, a number of alternative performance measures (APMs) are included in this preliminary announcement to assist investors in gaining a clearer understanding and balanced view of the Group's underlying performance and in the comparison with performance across the industry. These measures are consistent with how business performance is measured internally.

The APMs used include statutory EBIT, EBT and EPS measures, adjusted to eliminate special items being the amortisation of acquired intangibles and other significant one-off items not linked to the underlying performance of the business. Further, underlying constant exchange rate measures are given which eliminate the impact of currency movements by comparing the current year measure against the comparative restated at the current year's average exchange rate. Where APMs are given, these are compared to the equivalent measures in the prior year.

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

Reconciliation of statutory measures to Alternative Performance Measures

	2018 **£m**	2017 £m
Profit before tax	**17.3**	21.9
Add back: net finance costs	**4.5**	4.4
Operating profit	**21.8**	26.3
Add back: Special items	**20.9**	13.7
Operating profit before special items	**42.7**	40.0
Depreciation	**13.1**	12.1
Amortisation	**12.5**	13.4
Less: Amortisation of acquired intangibles	**(12.1)**	(13.0)
Loss on disposal of property, plant and equipment	**0.2**	0.2
EBITDA before special items	**56.4**	52.7
Profit before tax	**17.3**	21.9
Add back: net finance costs	**4.5**	4.4
Operating profit	**21.8**	26.3
Add back: Special items	**20.9**	13.7
Operating profit before special items	**42.7**	40.0
Finance income	**0.2**	0.1
Finance costs	**(3.2)**	(3.0)
Other finance costs	**(1.5)**	(1.5)
Earnings before tax and special items (EBT)	**38.2**	35.6

At constant exchange rates ("CER") – FY2017 restated at the FY2018 average rate:

	Reported 2017 £m	**CER** 2017 £m
Revenue	**294.0**	298.1
Adjusted operating profit	**40.0**	40.6

Notes to the consolidated financial statements (continued)

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 2017 but do not have a material impact on the Group:

IAS 7 - Disclosure Initiative - (Amendments to IAS 7)
IAS 12 - Recognition of deferred tax assets for unrealised losses
Annual Improvements to IFRS standards (2014 - 2016 cycle) - Amendments to IFRS 12

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers was issued in May 2014 and has been adopted by the Group effective 1 May 2018. The standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.

The Group performed a review of all material contracts based on their value and significance, including those currently being negotiated with customers, and used a 5 step model to understand and quantify any differences in its revenue recognition approach arising as a result of the implementation of the new standard.

As a result of the above review, the new standard is not expected to have a material impact on the future amounts or timing of recognition of reported revenue. Based on the analysis of significant contracts, no adjustment will be required to be reflected in equity at 1 May 2018 on adoption of IFRS 15 by the Group, nor, in accordance with the requirements of the standard, will prior year results require to be restated.

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 16 - Leases
IFRS 9 - Financial Instruments (2014)

Notes to the consolidated financial statements (continued)

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.

The segment information provided to the Executive Committee for both of these operating segments is as follows:

For the year ended 30 April 2018	Bespak £m	Aesica £m	Unallocated £m	Total £m
Revenue from products	118.5	171.8	–	290.3
Revenue from services	8.4	12.4	–	20.8
Revenue by business segment	**126.9**	**184.2**	**–**	**311.1**
Segment operating profit before special items	**26.5**	**16.2**	**–**	**42.7**
Special items excluding amortisation of acquired intangibles (note 3)	(5.6)	(3.2)	–	(8.8)
Amortisation of acquired intangibles (note 3)	(0.8)	(11.3)	–	(12.1)
Segment operating profit	**20.1**	**1.7**	**–**	**21.8**
Finance income				0.2
Finance costs				(3.2)
Other finance costs				(1.5)
Profit before tax				**17.3**
Taxation				(1.2)
Profit for the financial year				**16.1**
Segmental balance sheet				
Total assets	147.4	300.6	24.1	472.1
Total liabilities	(39.4)	(64.9)	(121.5)	(225.8)
Net assets	**108.0**	**235.7**	**(97.4)**	**246.3**

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
Revenue by business segment	**121.1**	**172.9**	**–**	**294.0**
Segment operating profit before special items	**26.1**	**13.9**	**–**	**40.0**
Special items excluding amortisation of acquired intangibles (note 3)	–	–	(0.7)	(0.7)
Amortisation of acquired intangibles (note 3)	(0.8)	(12.2)	–	(13.0)
Segment operating profit/(loss)	**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**

Notes to the consolidated financial statements (continued)

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

Revenue by destination	**Total 2018 £m**	Total 2017 £m
Europe	**201.3**	181.3
United States of America	**48.0**	47.9
United Kingdom	**28.7**	24.9
Rest of the World	**33.1**	39.9
Total revenue	**311.1**	294.0

3. Special items

To improve the understanding of the Group's financial performance the following items, which do not reflect underlying performance, are classified as special items:

	Total 2018 £m	Total 2017 £m
Amortisation of acquired intangibles	**(12.1)**	(13.0)
Reorganisation costs	**(4.6)**	(0.5)
Impairment of assets	**(4.2)**	–
Advisory and acquisition costs	**–**	(0.2)
Special items before taxation	**(20.9)**	(13.7)
Tax on special items	**4.6**	3.6
Special tax item — deferred tax credit as a result of reduced overseas tax rates	**0.8**	0.5
Special tax item – other prior year adjustments	**–**	0.4
Special items after taxation	**(15.5)**	(9.2)

- Amortisation of acquired intangibles represents the charge in relation to Aesica (acquired in 2014) of £11.3m (FY2017: £12.2m) and £0.8m (FY2017: £0.8m) in relation to The Medical House (acquired in 2009).

- Reorganisation costs of £4.6m relate to the successful streamlining of elements of the business completed during the year.

- Impairment of assets relates to a write-down of the carrying values of assets due to a lack of future anticipated economic value.

- Advisory and acquisition costs of £0.2m in the prior year include advisory costs in relation to the evaluation of potential transactions.

- A special tax item of £0.8m (FY2017: £0.5m) was recognised relating to the recalculation of the Group's deferred tax assets and liabilities using reduced overseas Corporate tax rates.

4. Finance costs

	2018 £m	2017 £m
Interest on bank overdrafts and loans plus amortised fees	**(3.2)**	(3.0)
	(3.2)	(3.0)

Notes to the consolidated financial statements (continued)

Other finance costs

	2018 £m	2017 £m
Net interest cost on defined benefit schemes	**(1.1)**	(0.8)
Foreign exchange losses	**(0.4)**	(0.7)
Other finance costs	**(1.5)**	(1.5)

5. Taxation

The major components of the income tax charge/ (credit) are:

	2018 £m	2017 £m
UK corporation tax	**0.9**	0.9
Foreign tax	**3.2**	1.5
Deferred tax	**(2.9)**	(3.1)
Income tax charge/(credit) reported in the consolidated income statement	**1.2**	(0.7)
The tax charge/(credit) is analysed between:		
Tax on profit before special items	**6.6**	3.8
Tax on special items	**(4.6)**	(3.6)
Special tax item – other prior year adjustments	**–**	(0.4)
Special tax item – deferred tax credit as a result of reduced overseas tax rates	**(0.8)**	(0.5)
Income tax charge/(credit) reported in the consolidated income statement	**1.2**	(0.7)

Special tax items above are described further in note 3.

6. Earnings per share

	2018 £m	2017 £m
Earnings basic and diluted:		
Profit for the year – attributable to ordinary shareholders	**16.1**	22.6
Add back: Special items after taxation	**15.5**	9.2
Adjusted earnings	**31.6**	31.8

	2018 Number	2017 Number
Number of shares		
Weighted average number of ordinary shares in issue	**49,257,383**	49,181,247
Weighted average number of shares owned by Employee Share Ownership Trust	**(300,069)**	(300,569)
Average number of ordinary shares in issue for basic earnings	**48,957,314**	48,880,678
Dilutive impact of share options outstanding	**390,802**	504,543
Diluted weighted average number of ordinary shares in issue	**49,348,116**	49,385,221

	2018 Pence	2017 Pence
Earnings per share		
Basic:		
Adjusted	**64.5**	65.1
Unadjusted	**32.9**	46.2
Diluted:		
Adjusted	**63.9**	64.4
Unadjusted	**32.7**	45.7

No options over ordinary shares have been exercised since 30 April 2018 to the date of this announcement.

Notes to the consolidated financial statements (continued)

7. Dividends

Dividends declared and paid during the year:

	2018 **£m**	2017 £m
Final dividend for FY2017 of 13.21p per share (FY2017: final dividend for FY2016 of 12.56p per share)	**6.5**	6.1
Interim dividend paid in FY2018 of 7.44p per share (FY2017: 7.09p)	**3.6**	3.5
	10.1	9.6

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2018 of 13.56p per share, at an estimated total cost of £6.6m. If approved by shareholders at the Annual General Meeting to be held on 5 September 2018, the final dividend will be paid on 26 October 2018 to shareholders on the register on 28 September 2018.

8. Capital expenditure

In the year, there were additions to property, plant and equipment of £20.4 million (2017: £17.9 million). Capital commitments contracted for but not provided for by the Group amounted to £11.6 million (2017: £7.6 million).

9. Net debt

	2018 **£m**	2017 £m
Current assets:		
Cash and cash equivalents	**21.4**	22.2
	21.4	22.2
Current liabilities:		
Bank overdrafts	**–**	(2.8)
	–	(2.8)
Borrowings:		
Interest bearing loans and borrowings	**(117.3)**	(113.0)
Unamortised facility fees	**0.4**	1.0
Net borrowings	**(116.9)**	(112.0)
Net debt	**(95.5)**	(92.6)

The Group has a c. £160m multicurrency revolving credit facility (£168.6m at year end exchange rates), plus an uncommitted £65m accordion facility, with Barclays, Lloyds, RBS and Santander. The revolving credit facility expires in September 2019. The Group also has uncommitted overdraft facilities of £4.5m and £1.1m, which are in place until November 2018 and September 2019 respectively.

Whilst the revolving credit facility does not expire for more than one year, the debt within this is disclosed as less than one year as it is drawn only for one-month periods to minimise the debt drawn relative to the Group's needs, and to minimise the interest payable. Interest on the revolving credit facility is charged at LIBOR plus a margin of between 1.2% and 2.2%, depending upon the ratio of net debt to EBITDA and on UK overdrafts at either 1.75% above UK base rate or at the prevailing rate per the revolving credit facility.

The undrawn facilities are unsecured. The bank loans and overdrafts are subject to cross-guarantees between Group undertakings.

The Group anticipates renewing its banking facility during the year ended 30 April 2019 in advance of the above expiry date and has had encouraging initial discussions with existing and potential new lenders.

Notes to the consolidated financial statements (continued)

Reconciliation of net cash flow to movement in net debt

	2018 **£m**	2017 £m
Net debt at the beginning of the year	**(92.6)**	(97.0)
Net increase in cash and short-term borrowings	**(1.3)**	7.8
Effects of exchange rate changes	**(1.1)**	(3.1)
Amortisation of facility fees	**(0.5)**	(0.3)
Net debt at the end of the year	**(95.5)**	(92.6)

10. Defined benefit pension schemes deficit

	2018 **£m**	2017 £m
Pension deficit at start of the year	**44.6**	27.2
Current service cost	**0.1**	0.1
Interest income	**(2.9)**	(3.1)
Interest cost	**4.0**	3.9
Return on scheme assets excluding interest	**1.1**	(14.5)
Effect of demographic adjustments	**(9.2)**	-
(Gain)/Loss from change in financial assumptions	**(12.3)**	32.8
Effect of experience adjustments	**(8.8)**	-
Employer contributions	**(2.1)**	(2.0)
Effects of foreign exchange rates	**0.2**	0.2
Pension deficit at end of the year	**14.7**	44.6