Consort Medical plc
4 December 2018

Interim results

Consort Medical delivers profit growth in the first half

Consort Medical plc (LSE: CSRT) ("Consort", "Consort Medical" or the "Group"), a leading, global, single source drug and delivery device company, today announces its interim results for the six months ended 31 October 2018.

Financial Highlights

Six months ended £m	H1 FY2019 31 Oct 18	H1 FY2018 31 Oct 17	Δ % Reported	Δ % CER[2]
Underlying[1]				
Revenue	152.5	153.7	(0.8%)	(0.7%)
EBIT[3]	20.8	20.3	2.5%	3.0%
PBT[3]	19.0	17.9	6.1%	
Adjusted Basic EPS[3]	31.3p	29.3p	6.8%	
Statutory				
Profit before tax (PBT)	9.6	7.5	28.0%	
Basic EPS	15.6p	14.2p	9.9%	

[1]Underlying amounts are Alternative Performance Measures (APMs) and these are defined in the APM section below. [2] CER – at constant exchange rates; H1 FY2018 actuals retranslated at the H1 FY2019 actual average rates. [3] Before special items of £9.4m (H1 FY2018: £10.4m) that include amortisation of acquired intangibles, impairment of assets and a one-off pension charge.

- Consort delivered underlying EBIT growth of 2.5% with revenue broadly in line with prior year
- Bespak grew revenue by 1.7% and underlying EBIT by 2.4% driven by a 30bps margin improvement
- Aesica revenue declined by 2.4% but underlying EBIT improved by 2.6% with a 40bps margin improvement from this time last year
- Underlying PBT increased by 6.1% leading to a higher adjusted basic EPS reflecting a lower pension finance charge and effective tax rate
- Net debt at £95.3m was in line with expectations (31 October 2017: £97.1m) with net debt to EBITDA at 1.6x
- Interim dividend increased by 2.2% to 7.60p

Operational Highlights

- Continued growth across our broad range of leading drug delivery devices with new customer funded investments being brought on-line
- Further metered-dose inhaler (MDI) valve volume growth with a broad range of customers and products that continues to grow the underlying business
- Delays in the expected approval date of Mylan's Wixela® (generic Advair®) programme combined with their inventory build is anticipated to significantly reduce their near-term demand for our devices

- Cross divisional commercial agreement signed with Opiant Pharmaceuticals, Inc. combining Aesica and Bespak expertise to manufacture and fill the nasal delivery device, Unidose® Xtra
- Syrina® / Vapoursoft® auto-injector continues to generate significant interest although programme SYR075 is currently under review. Our major customer retains confidence in the potential for this technology
- Supplying MDI valves for the first asthma inhaler available without a prescription in the US
- Aesica's overall performance reflected further growth in the German and Italian businesses offsetting lower API sales
- Aesica has secured a further contract and now has three customers using the semi-continuous processing line at the Queenborough facility
- Investments being made in Aesica oral, packaging and serialisation capabilities to support future growth and planned streamlining of the Group's API activities
- The Group has renewed its bank facilities with a £200m, five year revolving credit facility and an uncommitted £80m accordion on improved terms

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

"Consort has delivered profit growth and improved margins in both divisions. Bespak has grown its respiratory business while Aesica margins and profits have improved. We are committed to driving continued growth in the business.

Due to the delay with Mylan in their Wixela® (generic Advair®) programme, the Board expects profit before tax for the current financial year to be adversely impacted by approximately £3m as compared to their previous forecast. Whilst the delay in approval of this programme and near-term anticipated negative impact on our business is disappointing, our view of the peak sales opportunity for the product remains unchanged.

Our growth strategy focussing on organic opportunities continues to deliver, as evidenced by the recently announced joint commercial agreement with Opiant on the Unidose® Xtra nasal device. We remain committed to investing in our research and development capabilities and have a growing and exciting pipeline that we are confident will drive strong long-term growth.

We also continue to assess acquisition opportunities that deliver additional growth and a broader offering through access to new geographic markets and complementary technologies and capabilities. The Board is confident of Consort's future prospects supported by a robust financial position and a broad development pipeline."

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Notes:

1. Foreign Exchange Rates
    a. Period end exchange rates 31 Oct 2018: £1=€1.12; £1=$1.27
    b. Average exchange rates 1 May 2018 to 31 Oct 2018: £1=€1.13; £1=$1.31
    c. Period end exchange rates 31 Oct 2017: £1=€1.14; £1=$1.32
    d. Average exchange rates 1 May 2017 to 31 Oct 2017: £1=€1.13; £1=$1.30

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 Interim Announcement to assist investors in gaining a clearer understanding and balanced view of the Group's underlying performance and in comparison with performance across the industry. These measures are consistent with how business performance is measured internally.

The APMs used include operating profit, profit before tax and earnings per share, 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 measure against the comparative restated at this year's actual average exchange rates. Where APMs are given, these are compared to the equivalent measures in the prior year.

The APM of EBITDA includes the add-back of interest, tax, depreciation, amortisation and any profit or loss on disposal of property, plant and equipment.

Chief Executive's Review

Summary

Consort has reported profit and margin growth across both businesses. Bespak has delivered revenue and underlying EBIT growth with continued growth of its core respiratory products. Aesica revenues are marginally down on the first half of the prior year, by 2.2% at constant exchange rates with growth in its German and Italian businesses offsetting lower API sales at the Queenborough facility. Margins and profit have continued to grow in line with our stated strategy.

The Group has made progress in its development pipeline, including entering into a cross divisional agreement to produce a clinically pre-filled, nasal delivery device, Unidose® Xtra. We continue to work on new opportunities with current and potential new customers.

Summary of Financial Performance

Group revenue declined by 0.8% to £152.5m (H1 FY2018: £153.7m) and by 0.7% at constant exchange rates.

EBIT before special items increased by 2.5% to £20.8m (H1 FY2018: £20.3m) and by 3.0% at constant exchange rates.

Special items before tax were £9.4m in the period (H1 FY2018: £10.4m). This comprised of: £5.4m of amortisation of acquired intangibles; £3.5m impairment of the Aesica API plant assets and a one-off £0.5m pension charge in respect of the equalisation of male and female Guaranteed Minimum Pension (GMP) entitlement. The one-off non-cash impairment of Aesica API plant assets relates to planned restructuring activities which are described in more detail in section 2 of the strategy section below.

Net finance costs at £1.8m were lower than the prior period (H1 FY2018: £2.4m) due to lower pension finance costs. Group profit before tax and special items increased by 6.1% to £19.0m (H1 FY2018: £17.9m). Adjusted basic EPS increased by 6.8% to 31.3p (H1 FY2018: 29.3p) reflecting lower finance charges and tax rate. Basic EPS increased by 9.9% to 15.6p (H1 FY2018: 14.2p) as a result of the restructuring and impairment charges recorded in the prior period.

Cash generated from operations was £17.6m (H1 FY2018: £17.7m). EBITDA before special items increased £0.7m to £27.7m (H1 FY2018: £27.0m) with increased working capital driven by higher inventory levels and a one-off settlement of a long-standing payable. The cash effect of the special items paid in the period was £1.8m (H1 FY2018: £1.4m). Capital investment was £8.3m (H1 FY2018: £10.3m) and the Group benefitted from a £4.5m net corporation tax receipt.

The Group balance sheet remains strong with a net debt position of £95.3m (30 April 2018: £95.5m), representing gearing of 1.6x Net debt: EBITDA. The Group is appropriately financed with a new £200m committed multi-currency banking facility.

The Board has increased the interim dividend by 2.2% to 7.60p (H1 FY2018: 7.44p).

Progress on 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.

In Bespak, we made good progress in the period with our marketed respiratory portfolio, 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 including our innovative proprietary gas-powered auto-injector technology and nasal products described in more detail below. We provide a summary of the more significant drug delivery device opportunities in the table in the Business Review section below.

In Aesica, there is a significant amount of activity on finished dose development where we continue to quote for a number of new opportunities. We remain excited about these opportunities but as this information is commercially sensitive we can only provide a broad overview of these opportunities.

2. Delivering margin improvement including rationalisation of API manufacturing

In addition to delivering further organic growth we continue to focus on improving our operational efficiency and the Group has maintained its track-record of improving underlying EBIT margin. Bespak continues to perform well with a 30bps increase in its sector leading margin to 20.8%. Within Aesica we delivered an additional 40bps margin improvement over the prior period. Since the acquisition of Aesica we have made good progress, having increased margin from 5.2% at acquisition to 8.8% during this period.

The majority of Aesica's activities are finished dose formulation and the production and packaging of tablets, capsules and liquids. Aesica also manufactures active pharmaceutical ingredients (APIs) mainly in its Cramlington plant and also in a smaller unit within the large multi-activity Queenborough site. The Group has successfully improved the performance of its API activities since the acquisition of Aesica, particularly at Cramlington, including the addition of a significant innovative API contract.

The API activities at Queenborough currently incur a small loss on producing mature products and require significant investment to support an aged infrastructure. We have therefore decided to commence a process of withdrawing from these activities in the near future. This will include ceasing to manufacture certain site-specific APIs and decommissioning the part of the site dedicated to API products. As a result, in the medium-term we anticipate that Queenborough will focus on its core competency of finished dose formulation and manufacturing.

The initial assessment of the restructuring and decommissioning process indicates that there will be a one-off cash cost of approximately £9m incurred in total over the next few years. This will include restructuring activities in the near-term before commencing the decommissioning of the plant. We estimate that the restructuring cash costs are likely to be approximately £3m during FY2019. We have incurred a £3.5m non-cash impairment charge in the first half in respect of the API plant and will complete a full review on the carrying value of all other assets as we progress these restructuring activities.

3. Innovating and developing new devices and formulation technologies

We utilise our core expertise and strong relationships to partner with pharmaceutical businesses in developing and providing innovative life improving 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 our one-stop capability of being able to develop and manufacture both a drug and its delivery device, which is a key differentiator to our competitors.

A good example of this is the recently announced development agreement with Opiant Pharmaceuticals, Inc. which will involve both Bespak and Aesica in jointly developing a ready-to-use nasal delivered version of nalmefene to treat opioid overdoses.

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 each of the auto-injector business and the nasal franchise have the potential to be at least the size of the respiratory franchise in the medium to long-term.

4. Making selective acquisitions and investments

Consort generates strong operating cash flow that supports investment in organic growth and has allowed us to grow the dividend in recent years. Our 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/capabilities that have the potential to broaden our geographic footprint and customer offering.

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

Business Review

Bespak *(Drug Delivery Devices)*

Operations

	H1 FY2019[1]	H1 FY2018[1]	Δ% Reported	Δ% CER[2]
Revenue	£61.6m	£60.6m	1.7%	1.7%
EBITDA[3]	£16.0m	£15.6m	2.6%	2.6%
EBITDA margin %	26.0%	25.7%		
EBIT[3]	£12.8m	£12.5m	2.4%	2.4%
EBIT margin %	20.8%	20.5%		

[1]Underlying amounts presented above are defined by our Alternative Performance Measures (APM) methodology. [2]CER – at constant exchange rates; H1 FY2018 actuals retranslated at the H1 FY2019 actual average rates. [3]Before special items of £0.9m (H1 FY2018: £3.3m) comprising the amortisation of acquired intangibles and a one-off pension charge.

Bespak has 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, injector, nasal and ocular drug delivery, as well as point-of-care diagnostics.

Once again, Bespak performed well in the first half 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.

During the period, revenue grew 1.7% to £61.6m with product sales growing by 4.5%, reflecting the successful transition of a number of programmes from development into commercial production. We have continued to grow sales of our market leading metered-dose inhaler (MDI) valves and devices on 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. We have also continued to see growth in sales of our dry powder inhalers (DPI), including our partnership with Mylan on their Wixela® (generic Advair®) device.

As anticipated, service revenue decreased during the period to £3.0m (H1 FY2018: £4.5m). This is due to a number of successful development programmes now being reflected as commercial product revenue following approval and launch and reduced programme activities.

Bespak delivered a 2.4% increase in underlying EBIT to £12.8m and improved its sector leading margin by 30bps to 20.8%. This has been driven by 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 commercial 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 recently received notice that a customer has been granted FDA approval for the only asthma inhaler available without prescription in the United States. The product will be delivered using Bespak's MDI valve and actuator offering. We expect to commence production in FY2020.

We continue to work closely with Mylan in supporting their Wixela® (generic Advair®) programme. Mylan has responded to all outstanding questions from the US Food and Drug Administration (FDA) and disclosed that the product is now in its final stages of label review. On their most recent earnings call, Mylan management expressed their confidence of receiving FDA approval for the programme in the near future. As we have previously highlighted, Mylan has been building inventory ahead of the potential launch and the demand for our devices is now anticipated to reduce in the near-term due to their latest purchase scheduling reflecting their inventory profile and the delay in the programme. We remain excited about the programme but anticipate that the demand for our devices in the remainder of this financial year and next financial year will be significantly lower than previous expectations after taking into account the level of inventory that Mylan are carrying. The net result is that the Board expects profit before tax for the current financial year to be impacted by approximately £3m.

We are in the process of finalising the design of the Syrina® / Vapoursoft® auto-injector device under the development contract with our leading global biopharmaceutical customer. The customer has recently advised that they have challenges on the existing drug reformulation and, accordingly, Bespak has not moved the programme to industrialisation. The customer issue is unrelated to the device and we expect more clarity on this specific programme in the coming months. The customer has confirmed that they continue to be excited by the platform technology and will continue to evaluate it on other programmes. We are also examining additional auto-injector opportunities with 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	Binx Health (previously Atlas Genetics)	Pivotal clinical trial progressing well
NAS020	Nasal device	Global Generic	Project terminated
DEV610	DPI	Mylan	Awaiting FDA approval
NAS030	Nasal device	Pharma Co.	Early stage programme
NAS040	Nasal device	Opiant Pharmaceuticals	New early stage programme
INJ650	ASI® Auto-injector	Global Generic	Early stage programme
INJ700	Lila® Mix Injector	Pharma Co.	Programme under review
IDC300	Oral IDC	Pharma Co.	Awaiting response from FDA
VAL050	MDI valve / actuator	Aeropharm	Development contract ongoing
OCU050	Ocular device/ formulation / filling	Oxular	Early stage programme
SYR075	Syrina® / Vapoursoft®	Global Biopharma	Programme under review

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 particularly 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.

One such opportunity of the Unidose® Xtra product is a significant joint development agreement with Aesica to manufacture and fill the device for a US customer to treat opioid overdose. Opioid overdose is the leading cause of death in the US for adults under the age of 50.

Aesica *(Development and Manufacture API & Finished Dose)*

Operations

	H1 FY2019[1]	H1 FY2018[1]	Δ% Reported	Δ% CER[2]
Revenue	£90.9m	£93.1m	(2.4%)	(2.2%)
EBITDA[3]	£11.7m	£11.5m	1.7%	1.7%
EBITDA margin %	12.9%	12.3%		
EBIT[3]	£8.0m	£7.8m	2.6%	2.6%
EBIT margin %	8.8%	8.4%		

[1]Underlying amounts presented above are defined by our Alternative Performance Measures (APM) methodology. [2]CER – at constant exchange rates; H1 FY2018 actuals retranslated at the H1 FY2019 actual average rates; [3]Before special items of £8.5m (H1 FY2018: £7.1m) comprising amortisation of acquired intangibles and impairment of assets.

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 despite an underlying 2.2% decrease in revenue at constant exchange rates with improvements in both profit and margin. This included the benefits of successfully streamlining the business in the previous year.

Aesica's reported revenue decreased by 2.4% to £90.9m (H1 FY2018: £93.1m). This included continued strong performances in both our German and Italian businesses with increased demand and price increases from the established customer base supplemented by opportunities with new customers. This offset a lower level of API sales in our Queenborough facility.

We commenced manufacture in the second half of the prior year on a new innovative API at our Cramlington facility. Good progress has been made on this complicated multi-stage process in the first half of the current year which we expect to build on going into the second half of the year.

We continue to invest in the business with the expansion of the packaging facility in Germany, a new oral production line in Italy and further API capabilities in Cramlington.

Despite lower sales, our continued focus on operational performance has resulted in a 2.6% improvement in EBIT to £8.0m (H1 FY2018: £7.8m) at both reported and constant exchange rates. We continue to focus on improving the operational performance of this business particularly with regard to the API manufacturing sites in the UK.

Aesica has achieved another successive increase in margin which increased by 40bps to 8.8% (H1 FY2018: 8.4%). The business has consistently improved its margins since its acquisition in 2014 when it was making a 5.2% return.

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 the end of their 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. These include 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.

Of significance is the cross divisional commercial agreement signed with Opiant Pharmaceuticals, Inc. combining Aesica and Bespak expertise to manufacture and fill the Unidose® Xtra medical device. This combined offering is a good example of fulfilling an objective of the Aesica acquisition, with Consort being a truly single source drug and delivery device company.

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, expected to be operational by February 2019, to increase capacity in this facility which continues to operate at record levels. We are also planning to invest in pre-filled syringe manufacturing capacity to further expand our capabilities in this growing market.

The expansion of our packaging capabilities in Germany continues to support the strong growth in this business. 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 and Company Secretary Changes

We were pleased to announce the appointment of Chris Brinsmead CBE as a non-executive director and Chairman designate. Chris will join the Board on 7 February 2019 and will succeed Dr. Peter Fellner as Chairman on 24 April 2019. Peter will step down from the Board on the same date; his intention to step down was announced on 14 June 2018. We would like to thank Peter for his very significant contribution to Consort Medical's success during his tenure.

Andrew Jackson was appointed as our General Counsel and Company Secretary in August 2018, joining us from his previous role as Group Counsel at KP Snacks Limited. Andrew replaces Iain Lindsay, our Interim General Counsel.

Outlook

Consort has delivered profit growth and improved margins in both divisions. Bespak has grown its respiratory business while Aesica margins and profits have improved. We are committed to driving continued growth in the business.

Due to the delay with Mylan in their Wixela® (generic Advair®) programme, the Board expects profit before tax for the current financial year to be adversely impacted by approximately £3m as compared to their previous forecast. Whilst the delay in approval of this programme and near-term anticipated negative impact on our business is disappointing, our view of the peak sales opportunity for the product remains unchanged.

Our growth strategy focussing on organic opportunities continues to deliver, as evidenced by the recently announced joint commercial agreement with Opiant on the Unidose® Xtra nasal device. We remain committed to investing in our research and development capabilities and have a growing and exciting pipeline that we are confident will drive strong long-term growth.

We also continue to assess acquisition opportunities that deliver additional growth and a broader offering through access to new geographic markets and complementary technologies and capabilities. The Board is confident of Consort's future prospects supported by a robust financial position and a broad development pipeline.

Financial Review

Revenue

Group revenue decreased by £1.2m (0.8%) to £152.5m with a 0.7% decrease in underlying revenue when taking into account constant currency. Bespak revenue grew by £1.0m (1.7%) driven by strong respiratory volumes with Aesica revenue less than prior year by £2.2m (2.4% or 2.2% at constant exchange rates) with continued growth of the German and Italian businesses offset by lower API sales.

Operating profit and EBIT

Both the Bespak and Aesica divisions grew their operating profits in the first six months of the year with Group EBIT before special items increasing by 2.5% to £20.8m. There was a 3.0% increase in underlying EBIT at constant currency. This growth in EBIT reflected the benefit of sales growth in Bespak and a reduced cost base in Aesica following the prior year streamlining. Group underlying EBIT margin increased 40bps to 13.6% (H1 FY2018: 13.2%).

Finance costs and profit before tax

Net finance costs at £1.8m (H1 FY2018: £2.4m) benefited from a lower pension finance charge as a result of a reduced pension deficit obligation.

Profit before tax and special items increased by 6.1% to £19.0m (H1 FY2018: £17.9m) as a result of the growth in EBIT before special items and the reduced level of finance costs noted above.

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 H1 FY2019 special items amounted to £9.4m (H1 FY2018: £10.4m) comprising £5.4m of amortisation of acquired intangibles (H1 FY2018: £6.1m); £3.5m impairment of the Aesica API plant assets and £0.5m relating to a one-off charge in respect of the equalisation of male and female Guaranteed Minimum Pension (GMP) entitlement. This is following the UK High Court ruling handed down on 26 October 2018 involving Lloyds Banking Group's defined benefit pension scheme. This ruling will have an industry wide effect with most pension plans expected to incorporate this adjustment. The remainder of the prior period special item charge related to reorganisation costs and non-cash impairments incurred in streamlining the business.

Statutory profit before tax was £2.1m higher at £9.6m as a result of these lower special items incurred.

Taxation

The underlying tax rate on profit before tax and special items is 19.0% (H1 FY 2018 19.9%) giving rise to a charge of £3.6m (H1 FY2018: £3.5m). The effective tax rate (ETR) reflects a combination of factors including the continuing benefits of the Patent Box regime in the Bespak business and the proportion of profits arising in our European Aesica businesses where there are higher jurisdictional tax rates.

The outlook for the ETR for FY2019 is 19.0% which reflects the higher mix of European sales anticipated in the year. This is subject to the mix of Bespak sales that qualify under the Patent Box regime and the proportion of Group profits attributable to the German and Italian businesses.

Earnings per share (EPS)

Adjusted basic EPS increased by 6.8% to 31.3p per share (H1 FY2018: 29.3p). Basic EPS increased by 9.9% to 15.6p per share (H1 FY2018: 14.2p).

Dividend

The Board has increased the interim dividend per share by 2.2% to 7.60p (H1 FY2018: 7.44p). Payment will be on 15 February 2019 to holders on the register on the record date of 18 January 2019.

Cash flow & net debt

Cash generated from operations was £17.6m (H1 FY2018: £17.7m) with the Group maintaining a continued focus on working capital management.

Net debt was £95.3m at the period end (30 April 2018: £95.5m) or 1.6x EBITDA (30 April 2018: 1.7x).

Working capital

The working capital outflow (excluding special items) of £9.8m for the period (H1 FY2018: £8.6m outflow) includes a £5.8m increase in inventory and a £6.1m reduction in trade receivables as a result of the unwinding of strong sales during the final quarter of the previous financial year. There was also a £4.4m reduction in payables following a customer settlement on a long-standing balance. We are working closely with our customers on their Brexit contingency plans which may result in a further increase in our inventory balance by year end.

Financing and liquidity

The Group entered into a new 5 year £200m revolving credit facility on 9 October 2018 with options for two one-year extensions. An additional £80m accordion facility allows further funding to be made available by the participating banks to support significant investment or acquisition opportunities which may arise.

Pensions

The IAS 19 pension valuation at 31 October 2018 showed a total deficit of £16.1m (30 April 2018: £14.7m). The increase in the liability is attributable to net changes in the discount rate and inflation linked assumptions as well as a £0.5m one-off charge for the equalisation of GMP entitlement following recent changes in UK legislation. Current annual pension deficit recovery contributions of £2.5m are expected to increase to £3.0m and £3.5m in the 2 year periods commencing November 2019 and November 2021 respectively.

Risks

The key risks and uncertainties facing the Group in the current financial year have not changed materially from those outlined on pages 27 to 29 of the Annual Report & Accounts for the year ended 30 April 2018. The Board continues to monitor the risks and the potential impact of the UK's decision to leave the European Union and the uncertainty around the nature of the departure. As negotiations continue, the Board will monitor outcomes, assess the impact on the regulatory environment in which the Group operates, its customers, supply chain and employees and will implement an appropriate response.

Jonathan Glenn	**Paul Hayes**
Chief Executive Officer	Chief Financial Officer

Statement of directors' responsibilities

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

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

The directors of Consort Medical plc are listed in the Consort Medical plc Annual Report for the year ended 30 April 2018. A list of current directors is maintained on the Consort Medical plc website: www.consortmedical.com.

By order of the Board

Paul Hayes
Chief Financial Officer
3 December 2018

INDEPENDENT REVIEW REPORT TO CONSORT MEDICAL PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2018 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Shareholders' Equity, Condensed Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Lynton Richmond
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

3 December 2018

Condensed Consolidated Income Statement

For the six months ended 31 October 2018

	Note	**Unaudited 1 May to 31 October 2018 £m**	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Revenue	2	**152.5**	153.7	311.1
Operating expenses before special items		**(131.7)**	(133.4)	(268.4)
Operating profit before special items		**20.8**	20.3	42.7
Special items	3	**(9.4)**	(10.4)	(20.9)
Operating profit		**11.4**	9.9	21.8
Finance income		**0.3**	-	0.2
Finance costs	4	**(1.9)**	(1.4)	(3.2)
Other finance costs	4	**(0.2)**	(1.0)	(1.5)
Profit before tax and special items		**19.0**	17.9	38.2
Special items	3	**(9.4)**	(10.4)	(20.9)
Profit before tax		**9.6**	7.5	17.3
Tax on profit before special items	5	**(3.6)**	(3.5)	(6.6)
Special items – tax	3	**1.7**	3.0	5.4
Tax charge	5	**(1.9)**	(0.5)	(1.2)
Profit for the financial period		**7.7**	7.0	16.1
Earnings per share, attributable to the ordinary equity holders of the parent				
Basic earnings per ordinary share	6	15.6p	14.2p	32.9p
Diluted earnings per ordinary share	6	15.5p	14.1p	32.7p

Non-statutory measures		£m	£m	£m
Profit before tax and special items		19.0	17.9	38.2
Profit after tax before special items		15.4	14.4	31.6
Adjusted basic earnings per ordinary share	6	31.3p	29.3p	64.5p
Adjusted diluted earnings per ordinary share	6	31.1p	29.1p	63.9p

The notes on pages 21 to 31 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 October 2018

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Profit for the financial period	**7.7**	7.0	16.1
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Net loss on hedge of a net investment	**(0.3)**	(1.3)	(1.3)
Exchange movements on translation of foreign subsidiaries	**1.6**	5.7	5.7
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (losses) / gains on defined benefit pension scheme	**(1.9)**	19.4	29.2
Deferred tax on actuarial losses / (gains)	**0.3**	(3.3)	(5.6)
Impact of change in tax rates	**-**	-	0.6
Other comprehensive (loss) / income for the period	**(0.3)**	20.5	28.6
Total comprehensive income for the period	**7.4**	27.5	44.7

The notes on pages 21 to 31 form part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

at 31 October 2018

	Note	**Unaudited 31 October 2018 £m**	Unaudited 31 October 2017 £m	Audited 30 April 2018 £m
Assets				
Non-current assets				
Property, plant and equipment		**147.7**	144.8	147.7
Goodwill		**130.3**	129.6	129.6
Other intangible assets		**43.0**	52.5	47.6
Investments	9	**11.6**	11.4	11.4
Trade and other receivables		**5.0**	3.1	3.8
		337.6	341.4	340.1
Current assets				
Inventories		**41.1**	38.6	35.2
Trade and other receivables		**67.5**	55.4	68.8
Current tax assets		**-**	8.5	6.6
Cash and cash equivalents	10	**24.1**	27.9	21.4
		132.7	130.4	132.0
Total assets		**470.3**	471.8	472.1
Liabilities				
Current liabilities				
Borrowings	10	**-**	(125.0)	(116.9)
Trade and other payables		**(65.9)**	(62.7)	(71.4)
Derivative financial instruments	9	**(0.1)**	(0.1)	(0.2)
Current tax liabilities		**(1.0)**	-	-
Provisions for other liabilities		**(2.3)**	(3.3)	(3.4)
		(69.3)	(191.1)	(191.9)
Net current assets / (liabilities)		**63.4**	(60.7)	(59.9)
Non-current liabilities				
Borrowings	10	**(119.4)**	-	-
Trade and other payables		**(3.8)**	(7.3)	(1.7)
Deferred tax liabilities		**(14.5)**	(15.7)	(16.2)
Defined benefit pension scheme deficit	12	**(16.1)**	(25.1)	(14.7)
Provisions for other liabilities		**(0.3)**	(0.5)	(1.3)
		(154.1)	(48.6)	(33.9)
Total liabilities		**(223.4)**	(239.7)	(225.8)
Net assets		**246.9**	232.1	246.3
Shareholders' equity				
Share capital	14	**4.9**	4.9	4.9
Share premium		**139.2**	138.5	138.5
Retained earnings		**91.2**	78.4	92.6
Other reserves		**11.6**	10.3	10.3
Total equity		**246.9**	232.1	246.3

The notes on pages 21 to 31 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months ended 31 October 2018

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	**Total £m**
Balance at 1 May 2017 (audited)	**4.9**	**138.0**	**63.3**	**5.9**	**212.1**
Profit for the financial period	-	-	7.0	-	**7.0**
Exchange movements on translation of foreign subsidiaries	-	-	-	4.4	**4.4**
Actuarial gains on defined benefit schemes	-	-	19.4	-	**19.4**
Tax on amounts taken directly to equity	-	-	(3.3)	-	**(3.3)**
Total comprehensive income	-	-	23.1	4.4	**27.5**
Recognition of share-based payments	-	-	0.7	-	**0.7**
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 (note 7)	-	-	(6.5)	-	**(6.5)**
	-	0.5	(8.0)	-	**(7.5)**
Balance at 31 October 2017 (unaudited)	**4.9**	**138.5**	**78.4**	**10.3**	**232.1**
Balance at 1 May 2017 (audited)	**4.9**	**138.0**	**63.3**	**5.9**	**212.1**
Profit for the financial period	-	-	16.1	-	**16.1**
Exchange movements on translation of foreign subsidiaries	-	-	-	4.4	**4.4**
Actuarial gains on defined benefit schemes	-	-	29.2	-	**29.2**
Tax on amounts taken directly to equity	-	-	(5.0)	-	**(5.0)**
Total comprehensive income	-	-	40.3	4.4	**44.7**
Recognition of share-based payments	-	-	1.1	-	**1.1**
Movement on 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 (note 7)	-	-	(10.1)	-	**(10.1)**
	-	0.5	(11.0)	-	**(10.5)**
Balance at 1 May 2018 (audited)	**4.9**	**138.5**	**92.6**	**10.3**	**246.3**
Profit for the financial period	-	-	7.7	-	**7.7**
Exchange movements on translation of foreign subsidiaries	-	-	-	1.3	**1.3**
Actuarial losses on defined benefit schemes	-	-	(1.9)	-	**(1.9)**
Tax on amounts taken directly to equity	-	-	0.3	-	**0.3**
Total comprehensive income	-	-	6.1	1.3	**7.4**
Recognition of share-based payments	-	-	1.5	-	**1.5**
Movement on tax arising on share-based payments	-	-	0.3	-	**0.3**
Proceeds from exercise of employee options	-	0.7	-	-	**0.7**
Consideration paid for purchase of own shares (held in trust)	-	-	(2.6)	-	**(2.6)**
Equity dividends (note 7)	-	-	(6.7)	-	**(6.7)**
	-	0.7	(7.5)	-	**(6.8)**
Balance at 31 October 2018 (unaudited)	**4.9**	**139.2**	**91.2**	**11.6**	**246.9**

The notes on pages 21 to 31 form part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement
For the six months ended 31 October 2018

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Cash flows from operating activities			
Profit before taxation	**9.6**	7.5	17.3
Finance income	**(0.3)**	-	(0.2)
Finance costs	**1.9**	1.4	3.2
Other finance costs	**0.2**	1.0	1.5
Operating profit	**11.4**	9.9	21.8
Depreciation	**6.6**	6.6	13.1
Amortisation	**5.7**	6.2	12.5
Loss on disposal of property, plant and equipment	**-**	-	0.2
Impairment of property, plant and equipment	**3.5**	2.9	3.8
Share-based payments	**1.5**	0.7	1.1
Pension charge in excess of cash contributions	**0.5**	-	0.1
(Increase) in inventories	**(5.8)**	(3.8)	(0.3)
Decrease / (increase) in trade and other receivables	**1.8**	(2.9)	(16.7)
(Decrease) in trade and other payables	**(5.5)**	(2.5)	(1.2)
(Decrease) / increase in provisions	**(2.1)**	0.8	2.8
(Increase) in derivative financial instruments	**-**	(0.2)	(0.1)
Cash generated from operations	**17.6**	17.7	37.1
Interest paid	**(1.4)**	(1.5)	(2.9)
Defined benefit scheme contributions	**(1.2)**	(0.8)	(2.1)
Tax received	**4.5**	-	0.3
Net cash inflow from operating activities	**19.5**	15.4	32.4
Cash flows from investing activities			
Purchases of property, plant and equipment	**(8.0)**	(10.2)	(20.9)
Purchases of intangible assets	**(0.3)**	(0.1)	(1.3)
Interest received	**0.2**	-	0.2
Purchase of equity investment	**(0.2)**	-	-
Net cash (used in) investing activities	**(8.3)**	(10.3)	(22.0)
Cash flows from financing activities			
Proceeds from issues of ordinary share capital	**0.7**	0.5	0.5
Purchase of own shares	**(2.6)**	(2.2)	(2.2)
Equity dividends paid to shareholders	**(6.7)**	(6.5)	(10.1)
Drawing on borrowings	**128.1**	12.7	15.6
Borrowings repaid	**(126.4)**	(1.2)	(12.7)
Loan arrangement costs	**(1.7)**	-	-
Net cash (used in) / generated from financing activities	**(8.6)**	3.3	(8.9)
Net increase in cash and cash equivalents	**2.6**	8.4	1.5
Effects of exchange rate changes	**0.1**	0.1	0.5
Cash and cash equivalents at start of period	**21.4**	19.4	19.4
Cash and cash equivalents at end of period	**24.1**	27.9	21.4

The notes on pages 21 to 31 form part of these condensed consolidated financial statements.

Notes to the 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 Suite B, Breakspear Park, Breakspear Way, Hemel Hempstead, Herts, HP2 4TZ. The Company is listed on the London Stock Exchange.

1. Presentation of the financial statements

These condensed consolidated interim financial statements were approved for issue on 3 December 2018.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2018 were approved by the Board of directors on 13 June 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed by the Group's auditor, not audited – see Independent Review Report.

Basis of preparation

These condensed consolidated interim financial statements for the six months ended 31 October 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 - Interim Financial Reporting, as adopted by the European Union. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 30 April 2018, which have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2018, as described in those annual financial statements except where disclosed otherwise in this note. Taxes on income in the interim periods are accrued using the estimated tax rate that would be applicable to expected total annual earnings.

Critical accounting estimates and judgments

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 April 2018.

Going concern

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

1. Presentation of the financial statements (continued)

Alternative Performance Measures and the treatment of special items

In addition to statutory measures, a number of Alternative Performance Measures (APMs) are included in these condensed consolidated interim financial statements to assist investors in gaining a clearer understanding and balanced view of the Group's underlying performance and in comparison with performance across the industry. These measures are consistent with how business performance is measured internally.

The APMs used include statutory operating profit, profit before tax and earnings per share, 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 measure against the comparative restated at this period's actual average exchange rates. Where APMs are given, these are compared to the equivalent measures in the prior year.

Further detail on the special items in the period can be found in note 3. The APM of earnings before interest, tax, depreciation and amortisation (EBITDA) includes the add-back of any profit or loss on disposal of property, plant and equipment.

Reconciliation of statutory measures to Alternative Performance Measures

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Profit before tax	**9.6**	7.5	17.3
Add back: net finance costs	**1.8**	2.4	4.5
Operating profit	**11.4**	9.9	21.8
Add back: Special items (note 3)	**9.4**	10.4	20.9
Operating profit before special items	**20.8**	20.3	42.7
Depreciation	**6.6**	6.6	13.1
Amortisation	**5.7**	6.2	12.5
Less: Amortisation of acquired intangibles (note 3)	**(5.4)**	(6.1)	(12.1)
Loss on disposal of property, plant and equipment	**-**	-	0.2
EBITDA before special items	**27.7**	27.0	56.4
Operating profit before special items	**20.8**	20.3	42.7
Net finance costs	**(1.8)**	(2.4)	(4.5)
Profit before tax and special items (PBT)	**19.0**	17.9	38.2

Revenue and profit before tax and special items for the comparative six month period translated at constant exchange rates (CER) are as follows:

	Reported 2018 £m	**CER** 2018 £m
Revenue	153.7	153.5
Profit before tax and special items	17.9	17.9

1. Presentation of the financial statements (continued)

New standards, amendments and interpretations

The following accounting standards and amendments are effective for the year commencing 1 May 2018 but are not expected to have a material impact on the Group:

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payments
- IFRIC 22 - Foreign Currency Transactions
- Annual Improvements to IFRS standards (2014-2016 Cycle) - Amendments to IFRS 1 and IAS 28

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
- IFRIC 23 - Uncertainty over Income Tax Treatments

The Group is in the process of assessing the impact of IFRS 16 on the Group's balance sheet and analysis of this will be included in the FY2019 Annual Report and Accounts.

IFRS 9 – Financial Instruments was adopted by the Group effective 1 May 2018. The standard replaces IAS 39, setting out revised criteria for financial instruments on recognition, measurement, impairment, de-recognition and general hedge accounting. The Group completed an impact assessment of IFRS 9 and concluded that:

- All derivative financial instruments will continue to be included in the consolidated balance sheet at fair value and gains and losses will continue to be recognised in the consolidated income statement.
- Gains and losses on designated fair value hedging instruments will continue to be recognised in the consolidated statement of comprehensive income.
- The short-term nature and strong collectability of the Group's trade receivables gives rise to a minimal requirement for impairment provisions and the application of the expected credit loss model in IFRS 9 has not had a material impact on the value of trade receivables.

As a result, the adoption of IFRS 9 has not had a material impact on the recognition and measurement of the Group's financial assets and liabilities and no adjustment to opening equity balances was required.

IFRS 15 – Revenue from Contracts with Customers has been adopted by the Group effective 1 May 2018. The Group performed a review of all material contracts based on their value and significance and used a five 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 adoption of the new standard did not have a material impact on the amounts or timing of recognition of reported revenue. Based on the analysis of significant contracts, no adjustment was 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, were prior year results required to be restated.

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 two divisions, Bespak and Aesica. The Executive Committee assesses the performance of the operating segments based on a measure of 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 reportable segments for the six months ended 31 October 2018 is as follows:

For the six months ended 31 October 2018	Bespak £m	Aesica £m	Unallocated £m	Total £m
Revenue from products	58.6	81.6	-	140.2
Revenue from services	3.0	9.3	-	12.3
Revenue by business segment	**61.6**	**90.9**	**-**	**152.5**
Segment operating profit before special items	**12.8**	**8.0**	**-**	**20.8**
Special items excluding amortisation of acquired intangibles (note 3)	(0.5)	(3.5)	-	(4.0)
Amortisation of acquired intangibles	(0.4)	(5.0)	-	(5.4)
Segment operating profit	**11.9**	**(0.5)**	**-**	**11.4**
Finance income				0.3
Finance costs (note 4)				(1.9)
Other finance costs (note 4)				(0.2)
Profit before tax				**9.6**
Taxation (note 5)				(1.9)
Profit for the period				**7.7**
Segmental balance sheet				
Total assets	151.8	298.5	20.0	470.3
Total liabilities	(45.1)	(59.5)	(118.8)	(223.4)
Net assets	**106.7**	**239.0**	**(98.8)**	**246.9**

For the six months ended 31 October 2017	Bespak £m	Aesica £m	Unallocated £m	Total £m
Revenue from products	56.1	85.9	-	142.0
Revenue from services	4.5	7.2	-	11.7
Revenue by business segment	**60.6**	**93.1**	**-**	**153.7**
Segment operating profit before special items	**12.5**	**7.8**	**-**	**20.3**
Special items excluding amortisation of acquired intangibles (note 3)	(2.9)	(1.4)	-	(4.3)
Amortisation of acquired intangibles	(0.4)	(5.7)	-	(6.1)
Segment operating profit	**9.2**	**0.7**	**-**	**9.9**
Finance costs (note 4)				(1.4)
Other finance costs (note 4)				(1.0)
Profit before tax				**7.5**
Taxation (note 5)				(0.5)
Profit for the period				**7.0**
Segmental balance sheet				
Total assets	141.2	302.7	27.9	471.8
Total liabilities	(43.2)	(65.2)	(131.3)	(239.7)
Net assets	**98.0**	**237.5**	**(103.4)**	**232.1**

2. Segmental information (continued)

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	(0.8)	(11.3)	-	(12.1)
Segment operating profit	**20.1**	**1.7**	**-**	**21.8**
Finance income				0.2
Finance costs (note 4)				(3.2)
Other finance costs (note 4)				(1.5)
Profit before tax				**17.3**
Taxation (note 5)				(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**

The Group's operating locations are based in the United Kingdom and Europe, with the Group also making sales in the USA and the rest of the world.

Revenue by destination	**Unaudited 1 May to 31 October 2018 £m**	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Europe (excluding United Kingdom)	**108.5**	100.0	201.3
United States of America	**15.7**	25.0	48.0
United Kingdom	**13.3**	13.3	28.7
Rest of the world	**15.0**	15.4	33.1
Total revenue	**152.5**	153.7	311.1

3. Special items

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Amortisation of acquired intangibles	**5.4**	6.1	12.1
Reorganisation costs	**-**	1.4	4.6
Impairment of assets	**3.5**	2.9	4.2
Pension charges	**0.5**	-	-
Special items before taxation	**9.4**	10.4	20.9
Tax on special items	**(2.1)**	(2.3)	(4.6)
Special tax items	**0.4**	(0.7)	(0.8)
Special items after taxation	**7.7**	7.4	15.5

- Amortisation of acquired intangibles represents the charge in relation to Aesica of £5.0m (H1 FY2018: £5.7m) and £0.4m (H1 FY2018: £0.4m) in relation to Bespak.

- Reorganisation costs in the prior year relate to the successful streamlining of elements of the business completed during the prior year.

- Impairment of assets in the current period relates to a write down of assets used in the manufacture of API at the Aesica Queenborough site which are not supported by the future profitability of that business.

- Pension charges relate to the one-off true-up of the UK's defined benefit pension liabilities as a result of the High Court ruling handed down on 26 October 2018 requiring the equalisation of Guaranteed Minimum Pension obligations.

- Special tax items relate to the derecognition of capital losses previously recognised as a special tax item.

4. Finance costs

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Interest on bank overdrafts and loans including amortised fees	**1.9**	1.4	3.2
Total finance costs	**1.9**	1.4	3.2
Other finance costs			
Net interest cost on defined benefit schemes (note 12)	**0.2**	0.6	1.1
Foreign exchange losses	**-**	0.4	0.4
Total other finance costs	**0.2**	1.0	1.5

5. Taxation

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Current tax			
UK corporation tax	**0.9**	0.5	0.8
Adjustments in respect of prior periods	**-**	0.2	0.1
Foreign tax	**2.4**	1.9	3.2
Deferred tax	**(1.4)**	(2.1)	(2.9)
Income tax charge reported in the consolidated income statement	**1.9**	0.5	1.2
The tax charge is analysed between:			
Tax on profit before special items	**3.6**	3.5	6.6
Tax on special items	**(2.1)**	(2.3)	(4.6)
Special tax items	**0.4**	(0.7)	(0.8)
Income tax charge reported in the consolidated income statement	**1.9**	0.5	1.2

Special tax items above are described further in note 3.

6. Earnings per share

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
The calculation of earnings per ordinary share is based on the following:			
Earnings (basic and diluted)			
Profit for the period – attributable to ordinary shareholders	**7.7**	7.0	16.1
Add back: special items after taxation	**7.7**	7.4	15.5
Adjusted earnings	**15.4**	14.4	31.6
Number of shares			
Weighted average number of ordinary shares in issue	**49,308,142**	49,232,289	49,257,383
Weighted average number of shares owned by Employee Share Ownership Trust	**(291,900)**	(299,568)	(300,069)
Weighted average number of ordinary shares for basic earnings	**49,016,242**	48,932,721	48,957,314
Dilutive impact of share options outstanding	**337,729**	468,652	390,802
Diluted weighted average number of ordinary shares	**49,353,971**	49,401,373	49,348,116
	Pence	Pence	Pence
Earnings per share			
Adjusted basic earnings per share	**31.3**	29.3	64.5
Unadjusted basic earnings per share	**15.6**	14.2	32.9
Adjusted diluted earnings per share	**31.1**	29.1	63.9
Unadjusted diluted earnings per share	**15.5**	14.1	32.7

7. Dividends

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Final dividend for the year ended 30 April 2018 of 13.56p per share (2018: final dividend for 2017 of 13.21p per share)	**6.7**	6.5	6.5
Interim dividend paid in 2018: 7.44p per share	**-**	-	3.6
	6.7	6.5	10.1

The Board has declared an interim dividend for the year ending 30 April 2019 of 7.60p (2018: 7.44p) per share which will absorb an estimated £3.7m of shareholders' equity. It will be paid on 15 February 2019 to shareholders who are on the register on 18 January 2019.

8. Capital expenditure

In the period there were additions to property, plant and equipment of £10.4m (H1 FY2018: £9.7m).

Capital commitments contracted for but not provided for by the Group amounted to £9.1m (H1 FY2018: £12.8m).

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 IFRS 9, Financial Instruments. Provisions have been included where there is a contractual obligation to settle in cash.

Financial assets	**Unaudited 31 October 2018 £m**	Unaudited 31 October 2017 £m	Audited 30 April 2018 £m
Cash and cash equivalents*	**24.1**	27.9	21.4
Trade receivables	**49.3**	43.1	55.5
Other receivables	**14.4**	10.3	12.2
Total loans and receivables *	**63.7**	53.4	67.7
Equity investments	**11.6**	11.4	11.4
Total fair value financial assets	**11.6**	11.4	11.4

Financial liabilities	**Unaudited 31 October 2018 £m**	Unaudited 31 October 2017 £m	Audited 30 April 2018 £m
Trade payables	**(39.3)**	(37.0)	(36.8)
Other creditors and accruals	**(20.7)**	(19.4)	(22.8)
Interest bearing loans and borrowings	**(119.4)**	(125.7)	(117.3)
Total amortised cost *	**(179.4)**	(182.1)	(176.9)
Currency exchange contracts	**(0.1)**	(0.1)	(0.2)
Total fair value financial liabilities	**(0.1)**	(0.1)	(0.2)

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

9. Financial assets and liabilities (continued)

Interest bearing loans and borrowings have a contractual maturity date that is greater than 12 months from the balance sheet date. All other financial liabilities have a contractual maturity date that is less than 12 months from the balance sheet date. The equity investments are in Binx Health Limited and Oxular Limited, which are unquoted investments and therefore held at cost, less any provision for impairment which represents an appropriate fair value.

Interest bearing loans and borrowings includes a borrowing of £26.8m at 31 October 2018 (H1 FY2018: £30.3m) which has been designated as a hedge of the net investments in the subsidiaries in Germany and Italy. This borrowing is being used to hedge the Group's exposure to the Euro exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to Other Comprehensive Income to offset any gains or losses on translation of the net investments in the subsidiaries.

Financial liabilities at fair value

	Unaudited 31 October 2018 £m	Unaudited 31 October 2017 £m	Audited 30 April 2018 £m
Level 2:			
Currency exchange contracts	**(0.1)**	(0.1)	(0.2)

10. Analysis of net debt

	Unaudited 31 October 2018 £m	Unaudited 31 October 2017 £m	Audited 30 April 2018 £m
Current assets:			
Cash and cash equivalents	**24.1**	27.9	21.4
	24.1	27.9	21.4
Group borrowings:			
Interest-bearing loans and borrowings	**(119.4)**	(125.7)	(117.3)
Unamortised facility fees	**-**	0.7	0.4
Net borrowings	**(119.4)**	(125.0)	(116.9)
Net debt	**(95.3)**	(97.1)	(95.5)

On 9 October 2018 the Group entered into a £200m multicurrency revolving credit facility with an £80m accordion feature. The facility is for a 5 year period which matures in October 2023, with options for two one-year extensions by mutual consent and is subject to covenant testing at certain reporting periods. The undrawn facilities are unsecured. The bank loans and overdrafts are subject to cross-guarantees between Group undertakings. Interest is charged at rates linked to LIBOR.

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

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Net debt at the beginning of the period	**(95.5)**	(92.6)	(92.6)
Net increase/(decrease) in cash and borrowings	**0.9**	(3.0)	(1.3)
Effects of exchange rate changes	**(0.3)**	(1.4)	(1.1)
Amortisation of facility fees	**(0.4)**	(0.2)	(0.5)
Other non-cash movements	**-**	0.1	-
Net debt at the end of the period	**(95.3)**	(97.1)	(95.5)

12. Defined benefit pension scheme deficit

	Unaudited 1 May to 31 October 2018 £m	Unaudited 1 May to 31 October 2017 £m	Audited 1 May to 30 April 2018 £m
Pension deficit at start of the period	**14.7**	44.6	44.6
Current service cost	**-**	-	0.1
Interest income	**(1.4)**	(1.4)	(2.9)
Interest cost	**1.6**	2.0	4.0
Return on scheme assets excluding interest	**(1.3)**	(2.3)	1.1
Effect of demographic changes	**2.3**	-	(9.2)
Effect of experience adjustments	**-**	(9.5)	(8.8)
Loss/(gain) from changes in financial assumptions	**0.9**	(7.6)	(12.3)
Employer contributions	**(1.2)**	(0.8)	(2.1)
Effect of GMP Equalisation (note 3)	**0.5**	-	-
Foreign exchange	**-**	0.1	0.2
Pension deficit at end of the period	**16.1**	25.1	14.7

13. Related party transactions

The Group's significant related parties are its subsidiaries as disclosed on page 140 of the Consort Medical plc Annual Report for the year ended 30 April 2018, a copy of which is available on the Group's website www.consortmedical.com. During the period, the Group made sales to Binx Health Limited of £1.2m (H1 FY2018: £0.9m). Amounts due from Binx Health Limited at 31 October 2018 were £0.7m (30 April 2018: £0.1m).

14. Share capital

Share capital as at 31 October 2018 amounted to £4.9m (30 April 2018: £4.9m). During the period, the Group issued 78,380 shares (H1 FY2018: 68,213 shares) as part of exercises under the Consort Savings Related Share Option Scheme and the Long Term Incentive Plan for total consideration of £0.7m.

The Group purchases its own shares using an Employee Share Ownership Trust (ESOT) to satisfy entitlements under the Group's Long Term Incentive Plan. During the period the Group purchased 91,436 shares at market value. The cost of the shares held by the ESOT is deducted from retained earnings. The ESOT is financed by a repayable-on-demand loan from the Company of £17.1m (30 April 2018: £16.0m). As at 31 October 2018, the ESOT held a total of 288,707 ordinary shares of 10p (30 April 2018: 300,579 shares) at a cost of £3.1m (30 April 2018: £3.0m) and market value of £2.2m (30 April 2018: £2.3m).

15. Events after the balance sheet date

On 3 December 2018, the Board of directors approved a plan that will result in the controlled exit from all API manufacturing activities at Aesica Queenborough. The approval of this plan is a non-adjusting post balance sheet event for the purposes of these interim results. The likely future one-off cash costs of exiting API manufacturing at the Queenborough site are estimated at approximately £9m.

16. Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance have not changed materially from those detailed on pages 27 to 29 of the Group's 2018 Annual Report & Accounts, a copy of which is available on the Group's website www.consortmedical.com. The risks are summarised below:

- Regulatory / Legal risk
- Reliance upon key customers / products
- Growth / Acquisition risk
- Major operational incident
- Product quality failure
- Human Resources / People
- Development risk
- Pension schemes
- Political / Socio-economic risk (Impact of Brexit)
- Financial risks including currency, liquidity, funding, interest rates
- IT / Cyber
- Corporate Social Responsibility

The Board continues to monitor the risks and the potential impact of the UK's decision to leave the European Union and the uncertainty around the nature of the departure. As negotiations continue, the Board will monitor outcomes, assess the impact on the regulatory environment in which the Group operates, its customers, supply chain and employees and will implement an appropriate response.