CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017 Before special items £m	2017 Special items (note 6) £m	2017 Total £m	2016 Before special items £m	2016 Special items (note 6) £m	2016 Total £m
Revenue	2	**294.0**	**–**	**294.0**	276.9	–	276.9
Operating expenses	3	**(254.0)**	**(13.7)**	**(267.7)**	(239.9)	(21.0)	(260.9)
Operating profit		**40.0**	**(13.7)**	**26.3**	37.0	(21.0)	16.0
Finance income	7	**0.1**	**–**	**0.1**	–	–	–
Finance costs	8	**(3.0)**	**–**	**(3.0)**	(3.3)	–	(3.3)
Other finance costs	9	**(1.5)**	**–**	**(1.5)**	(1.4)	–	(1.4)
Profit before tax		**35.6**	**(13.7)**	**21.9**	32.3	(21.0)	11.3
Taxation	10	**(3.8)**	**4.5**	**0.7**	(4.2)	8.9	4.7
Profit for the financial year from continuing operations		**31.8**	**(9.2)**	**22.6**	28.1	(12.1)	16.0
Loss for the financial year from discontinued operations	28	**–**	**–**	**–**	–	(1.0)	(1.0)
Profit for the financial year		**31.8**	**(9.2)**	**22.6**	28.1	(13.1)	15.0
Earnings per share, attributable to the owners of the parent							
From continuing operations:							
Basic earnings per ordinary share	11			**46.2p**			32.7p
Diluted earnings per ordinary share	11			**45.7p**			32.3p
From continuing and discontinued operations:							
Basic earnings per ordinary share	11			**46.2p**			30.7p
Diluted earnings per ordinary share	11			**45.7p**			30.3p
Non-GAAP measures:							
From continuing operations:		**£m**			£m		
Profit before tax before special items		**35.6**			32.3		
Profit after tax before special items	11	**31.8**			28.1		
Adjusted basic earnings per ordinary share	11	**65.1p**			57.6p		
Adjusted diluted earnings per ordinary share	11	**64.4p**			56.8p		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
Profit for the year from continuing operations		**22.6**	16.0
Loss for the year from discontinued operations		**–**	(1.0)
Profit for the financial year		**22.6**	15.0
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit and loss:			
Net loss on hedge of a net investment		**(2.5)**	(2.7)
Exchange movements on translation of foreign subsidiaries		**9.0**	10.3
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on defined benefit pension scheme	21	**(18.3)**	(5.4)
Deferred tax on actuarial loss	10	**3.3**	1.1
Impact of change in tax rates	10	**(0.4)**	(0.6)
Other comprehensive (loss)/income for the year		**(8.9)**	2.7
Total comprehensive income for the year		**13.7**	17.7
Attributable to equity holders of the parent			
From continuing operations		**13.7**	18.7
From discontinued operations		**–**	(1.0)

CONSOLIDATED BALANCE SHEET

AT 30 APRIL 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**143.6**	136.7
Goodwill	14	**126.8**	122.6
Other intangible assets	15	**57.1**	67.3
Investments	16	**11.4**	8.3
		338.9	334.9
Current assets			
Inventories	17	**34.4**	30.7
Trade and other receivables	18	**54.9**	54.6
Current tax asset	10	**10.7**	9.3
Cash and cash equivalents	19	**22.2**	16.2
		122.2	110.8
Total assets		**461.1**	445.7
Liabilities			
Current liabilities			
Borrowings	23	**(112.0)**	(113.2)
Trade and other payables	20	**(67.1)**	(61.7)
Derivative financial instruments	26	**(0.2)**	(0.3)
Provisions and other liabilities	22	**(2.5)**	(3.6)
		(181.8)	(178.8)
Net current liabilities		**(59.6)**	(68.0)
Non-current liabilities			
Trade and other payables	20	**(8.5)**	(9.4)
Deferred tax liabilities	10	**(13.8)**	(18.6)
Defined benefit pension scheme deficit	21	**(44.6)**	(27.2)
Provisions and other liabilities	22	**(0.3)**	(2.6)
		(67.2)	(57.8)
Total liabilities		**(249.0)**	(236.6)
Net assets		**212.1**	209.1
Shareholders' equity			
Share capital	24	**4.9**	4.9
Share premium	24	**138.0**	137.4
Retained earnings		**63.3**	67.4
Other reserves		**5.9**	(0.6)
Total equity		**212.1**	209.1

The financial statements on pages 79 to 133 were approved and authorised for issue by the Board on 14 June 2017 and signed on its behalf by:

Directors:
JONATHAN GLENN
PAUL HAYES

Consort Medical plc
Registered number: 406711

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit before taxation from continuing operations		**21.9**	11.3
Loss before taxation from discontinued operations		**–**	(1.0)
Finance income	7	**(0.1)**	–
Finance costs	8	**3.0**	3.3
Other finance costs	9	**1.5**	1.4
		26.3	15.0
Depreciation	13	**12.1**	10.3
Amortisation	15	**13.4**	13.4
Loss on disposal of property, plant and equipment		**0.2**	0.7
Share-based payments		**1.3**	1.8
Change in value of contingent consideration since disposal		**–**	1.0
Pension charge in excess of cash contributions		**0.1**	0.4
(Increase)/decrease in inventories		**(2.7)**	1.5
Decrease in trade and other receivables		**0.7**	5.4
Increase/(decrease) in trade and other payables		**1.0**	(3.0)
(Decrease)/increase in provisions		**(3.4)**	0.1
(Decrease)/increase in derivative financial instruments		**(0.1)**	0.1
Cash generated from operations		**48.9**	46.7
Interest paid		**(2.9)**	(2.8)
Defined benefit scheme		**(2.0)**	(0.7)
Tax paid		**(3.3)**	(6.5)
Net cash inflow from operating activities		**40.7**	36.7
Cash flows from investing activities			
Purchases of property, plant and equipment		**(18.0)**	(21.1)
Purchases of intangible assets		**(0.1)**	(0.4)
Proceeds from sale of property, plant and equipment		**–**	2.0
Net proceeds on disposal of businesses		**–**	1.5
Interest received		**0.1**	0.1
Purchase of equity investment	16	**(3.1)**	(2.0)
Net cash outflow from investing activities		**(21.1)**	(19.9)
Cash flows from financing activities			
Proceeds from issues of ordinary share capital	24	**0.6**	0.3
Purchase of own shares		**(3.0)**	(2.2)
Equity dividends paid to shareholders	12	**(9.6)**	(9.0)
Proceeds from new bank funding		**12.3**	14.0
Repayment of amounts borrowed		**(16.4)**	(48.3)
Net cash used in financing activities		**(16.1)**	(45.2)
Net increase/(decrease) in cash and cash equivalents		**3.5**	(28.4)
Effects of exchange rate changes		**(0.3)**	(0.6)
Cash and cash equivalents at start of year		**16.2**	45.2
Cash and cash equivalents at end of year	19	**19.4**	16.2

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to owners of the parent				
	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Total equity £m
Balance at 1 May 2015	**4.9**	**137.1**	**66.7**	**(8.2)**	**200.5**
Profit for the financial year	–	–	15.0	–	15.0
Other comprehensive (loss)/income:					
Net exchange movements on translation of foreign subsidiaries	–	–	–	7.6	7.6
Actuarial loss on defined benefit pension scheme	–	–	(5.4)	–	(5.4)
Tax on amounts taken directly to equity	–	–	0.5	–	0.5
Total comprehensive income	–	–	10.1	7.6	17.7
Transactions with owners:					
Recognition of share-based payments (note 4)	–	–	1.8	–	1.8
Proceeds from exercise of employee options	–	0.3	–	–	0.3
Consideration paid for purchase of own shares (held in trust)	–	–	(2.2)	–	(2.2)
Equity dividends (note 12)	–	–	(9.0)	–	(9.0)
	–	0.3	(9.4)	–	(9.1)
Balance at 30 April 2016	**4.9**	**137.4**	**67.4**	**(0.6)**	**209.1**
Profit for the financial year	–	–	22.6	–	22.6
Other comprehensive (loss)/income:					
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 (note 4)	–	–	1.3	–	1.3
Movement on tax arising on share-based payments	–	–	0.1	–	0.1
Proceeds from exercise of employee options	–	0.6	–	–	0.6
Consideration paid for purchase of own shares (held in trust)	–	–	(3.0)	–	(3.0)
Equity dividends (note 12)	–	–	(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**

COMPANY BALANCE SHEET

AT 30 APRIL 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**0.3**	0.1
Investments	16	**314.9**	311.8
Amounts receivable from Group undertakings	16	**215.2**	199.2
Deferred tax assets	10	**0.5**	0.7
		530.9	511.8
Current assets			
Trade and other receivables	18	**10.6**	8.6
Current tax assets		**8.2**	8.5
Derivative financial instruments	26	**0.2**	–
Cash and cash equivalents	19	**3.8**	2.4
		22.8	19.5
Total assets		**553.7**	531.3
Liabilities			
Current liabilities			
Borrowings	23	**(112.0)**	(113.2)
Trade and other payables	20	**(260.0)**	(258.1)
Provisions and other liabilities	22	**(0.1)**	(0.3)
		(372.1)	(371.6)
Net current liabilities		**(349.3)**	(352.1)
Non-current liabilities			
Trade and other payables	20	**(15.9)**	(15.9)
Provisions and other liabilities	22	**(0.2)**	(0.2)
		(16.1)	(16.1)
Total liabilities		**(388.2)**	(387.7)
Net assets		**165.5**	143.6
Shareholders' equity			
Share capital	24	**4.9**	4.9
Share premium	24	**138.0**	137.4
Retained earnings		**22.6**	1.3
Total equity		**165.5**	143.6

The financial statements on pages 79 to 133 were approved and authorised for issue by the Board on 14 June 2017 and signed on its behalf by:

Directors:
JONATHAN GLENN
PAUL HAYES

Consort Medical Plc
Registered number: 406711

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit/(loss) on ordinary activities before taxation		**29.6**	(12.6)
Finance income		**(6.1)**	(5.6)
Finance costs		**11.2**	13.2
Operating loss from continuing operations		**34.7**	(5.0)
Share-based payments		**1.6**	1.8
(Increase)/decrease in derivative financial instruments		**(0.3)**	–
(Increase)/decrease in trade and other receivables		**(0.1)**	1.0
Increase/(decrease) in trade and other payables		**0.7**	(1.6)
Decrease in provisions		**(0.2)**	(0.4)
Cash generated from/(used in) continuing operations		**36.4**	(4.2)
Interest paid		**(5.2)**	(7.0)
Tax received		**3.6**	–
Net cash generated from/(used in) operating activities		**34.8**	(11.2)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(0.2)**	–
Increase in equity investments		**(3.1)**	(2.0)
Net cash used in investing activities		**(3.3)**	(2.0)
Cash flows from financing activities			
Proceeds from issues of ordinary share capital		**0.6**	0.3
Purchase of own shares		**(3.0)**	(2.2)
Equity dividends paid to shareholders	12	**(9.6)**	(9.0)
Proceeds from new bank funding		**12.4**	14.0
Loans from subsidiaries		**(17.0)**	57.9
Repayment of amounts borrowed		**(13.9)**	(45.6)
Net cash (used in)/generated from financing activities		**(30.5)**	15.4
Net increase in cash and cash equivalents		**1.0**	2.2
Effects of exchange rate changes		**0.4**	(0.3)
Cash and cash equivalents at start of year		**2.4**	0.5
Cash and cash equivalents at end of year	19	**3.8**	2.4

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to owners of the Company			
	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 May 2015	**4.9**	**137.1**	**20.6**	**162.6**
Loss for the financial year and total comprehensive loss	–	–	(9.7)	(9.7)
Transactions with owners:				
Recognition of share-based payments	–	–	1.8	1.8
Movement on tax arising on share-based payments	–	–	(0.2)	(0.2)
Proceeds from exercise of employee options	–	0.3	–	0.3
Consideration paid for purchase of own shares (held in trust)	–	–	(2.2)	(2.2)
Equity dividends (note 12)	–	–	(9.0)	(9.0)
	–	0.3	(9.6)	(9.3)
Balance at 30 April 2016	**4.9**	**137.4**	**1.3**	**143.6**
Profit for the financial year and total comprehensive income	–	–	32.5	32.5
Transactions with owners:				
Recognition of share-based payments	–	–	1.3	1.3
Movement on tax arising on share-based payments	–	–	0.1	0.1
Proceeds from exercise of employee options	–	0.6	–	0.6
Consideration paid for purchase of own shares (held in trust)	–	–	(3.0)	(3.0)
Equity dividends (note 12)	–	–	(9.6)	(9.6)
	–	0.6	(11.2)	(10.6)
Balance at 30 April 2017	**4.9**	**138.0**	**22.6**	**165.5**

NOTES TO THE ACCOUNTS

GENERAL INFORMATION

Consort Medical plc is a public limited company listed on the London Stock Exchange and is incorporated and domiciled under the laws of England and Wales, registered number 406711. The address of the registered office is given on page 139. The nature of the Group's operations and its principal activities are set out in the operating review on pages 16 to 21.

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

Basis of preparation

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

Accounting convention

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

Going concern

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

Consolidation

The financial statements include the financial statements of the Company and all the subsidiaries during the years reported for the periods during which they were members of the Consort Medical plc group ("the Group").

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification of a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is presented as if the operation had discontinued from the start of the prior year.

Segmental reporting

The Group's chief operating decision maker is considered to be the Executive Committee. This committee is responsible for the executive management of the Group and comprises the Chief Executive Officer, the Chief Financial Officer, the Company Secretary/Group General Counsel, the General Managers of the Group's Bespak and Aesica businesses and the Director of Group Human Resources. The Executive Committee meets regularly to make decisions on operational and strategic matters, other than those reserved for the Board, including allocation of resources and assessment of the performance of the Group. The Group's operating segments are determined with reference to the information that is supplied to the Executive Committee in order for it to allocate the Group's resources and to monitor the performance of the Group. Following the acquisition of Aesica Holdco Limited ("Aesica") on 12 November 2014, the Executive Committee focuses on the operations of the Group by the Bespak and Aesica divisions as individual operating segments and, as a result, the Group has two reportable segments at the end of the current financial year.

Subsidiaries

The consolidated financial statements combine the financial statements of the parent company and all its subsidiaries made up to 30 April 2017. Subsidiaries are entities which are directly or indirectly controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of completion. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs of acquisition are charged to the income statement in the period in which they are incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39, either in profit or loss or as a change in other comprehensive income. Inter-company transactions, balances and unrealised gains or losses on transactions between Group undertakings are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Uniform accounting policies have been adopted across the Group.

NOTES TO THE ACCOUNTS
CONTINUED

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES CONTINUED

In the parent company financial statements, investments in subsidiaries are accounted for at cost less any provision for impairment.

Investments

Equity investments in entities that are neither associates nor subsidiaries are held at cost, less any provision for impairment. As there is no quoted price in an active market, fair value cannot be reliably measured.

Foreign currencies

Items included in the financial statements of each of Consort Medical plc's entities are measured using that entity's functional currency, which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Sterling, which is the parent Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The results and financial position of all Group undertakings that have a functional currency different from the presentation currency are translated into the presentation currency with: (i) assets and liabilities for each balance sheet translated at the closing rate at the date of that balance sheet; (ii) income and expenses for each income statement translated at average exchange rates for the period; and (iii) all resulting exchange differences recognised as a component of other comprehensive income. In the case of subsidiaries acquired during the prior year, the average exchange rate takes into account the period of ownership only.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in the translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The principal exchange rates applied in the preparation of the financial statements were as follows:

	2017	2016
GBP : EUR at the end of year	1.19	1.28
GBP : USD at the end of year	1.29	1.46
GBP : EUR average for the year	1.18	1.36
GBP : USD average for the year	1.29	1.50

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. Revenue from sales of products is recognised when the risks and rewards of ownership pass to the customer, and is stated net of value added tax and other sales taxes. The point at which risk and reward is transferred is usually determined from shipping terms, which vary from customer to customer. Revenue from sales of services is recognised in the period in which the related chargeable costs are incurred or when revenue is earned under contractual obligations. Revenue from sales of tooling is recognised on a net basis, having regard to the transfer of risks and rewards. Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group.

Advance payments received from customers are credited to deferred income and the related revenue is released to the income statement in accordance with the recognition criteria described above.

Where a manufacturing contract includes variable consideration (such as a minimum order guarantee), the transaction price includes management's best estimate of the variable consideration receivable at the balance sheet date.

On occasions, the Group receives cash in advance of delivering goods and services to customers to compensate for costs incurred in design and development activities including the acquisition of development assets. Where such amounts are received and the risk and rewards of ownership over the development assets remain with the customer, the amounts received are deferred on the balance sheet and taken to revenue as the Group delivers products or services to the customer in accordance with its contractual obligations.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants received are revenue related and are credited to the income statement, within operating profit, so as to match them with the expenditure to which they relate to the extent that it is probable that all conditions have been complied with.

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES CONTINUED

Post-employment benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions once the contributions have been paid. The Group pays contributions to publicly and privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE ACCOUNTS
CONTINUED

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES CONTINUED

Property, plant and equipment

Property, plant and equipment is stated at cost including any incidental costs of acquisition less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Assets acquired through business combinations are initially recognised at their fair value. Depreciation is recognised so as to write off the cost of property, plant and equipment (less the current expected residual value) on a straight-line basis over their expected useful lives as follows:

- Freehold buildings and leasehold buildings with original lease terms over 50 years – 50 years
- Leasehold buildings with original lease terms less than 50 years – Remaining period of lease
- Cleanrooms – 20 years
- Building services – 10 to 20 years
- Mould and assembly machines – Utilisation basis
- Plant, equipment and vehicles – 3 to 10 years

Cleanrooms and building services are categorised within plant and equipment. Land is not depreciated.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. The method of depreciation for mould and assembly machines is a utilisation basis reflecting the amount a machine is used during an accounting period. This method is considered to better reflect the economic consumption of the value attributable to these machines.

Assets which have been transferred from or funded by a customer are not capitalised if the Group does not obtain control of these assets. If the Group has obtained control of an asset that has been contributed or funded by a customer, then the asset is recognised and the contribution released to income over an appropriate term in accordance with the Group's policy on revenue recognition.

Assets under construction

The costs of property, plant and equipment are capitalised as incurred and are not depreciated until such time as the assets are commissioned, when the total costs are transferred to the appropriate asset category.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of:

- the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity; over
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually and more frequently if events or circumstances give indicators of an impairment. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits;
- It is technically feasible that the intangible asset can be completed so that it will be available for use or sale and there are sufficient available resources to complete it; and
- The development cost of the asset can be measured reliably.

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES CONTINUED

Where a product requires regulatory approval prior to launch, it is presumed that there is insufficient certainty over the product's technical feasibility to recognise an intangible asset prior to that approval being obtained.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. The estimated useful economic life of capitalised development costs is five to ten years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets

Other intangible assets, including purchased patents, know-how, trademarks, software licences, customer contracts and relationships and distribution rights are capitalised at cost and amortised on a straight-line basis or sum of digits basis over their estimated useful economic lives through operating expenses. The estimated useful lives of other intangible assets are as follows:

- Computer software: 4 to 5 years
- Patented and unpatented technology and know-how: 10 years
- Trademarks and trade names: 10 years
- Customer contracts and relationships:
  - 11 to 13 years on a sum of digits method (Aesica related)
  - 5 to 10 years on a straight line basis (other)
- Licences and distribution agreements: 2 to 11 years

The amortisation method applied to the Aesica intangible assets on acquisition is deemed to better reflect the pattern in which the future economic benefits are expected to be consumed.

Impairment of property, plant and equipment and intangible assets excluding goodwill

The carrying values of property, plant and equipment and intangible assets excluding goodwill are reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Where it is not possible to identify separate cash flows relating to individual assets, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Where tangible and intangible assets excluding goodwill have suffered an impairment, they are reviewed for possible reversal of the impairment at each reporting date.

Leasing commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases. Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

When acting as lessor, under a finance leasing arrangement, the Company recognises assets held under a finance lease in the balance sheet as a receivable equal to the net investment in the lease. The recognition of finance income is based on a constant periodic rate of return on the net investment in the finance lease.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost comprises the direct cost of production and the attributable portion of overheads based on normal operating capacity appropriate to location and condition. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made if necessary for any slow-moving, obsolete or defective inventory.

Cash and cash equivalents

In the consolidated and Company statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and Company balance sheets, bank overdrafts are shown within trade and other payables in current liabilities.

Finance income and costs

Interest receivable and payable on bank deposits and borrowings is credited or charged to finance income and expenses as it falls due.

NOTES TO THE ACCOUNTS
CONTINUED

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES CONTINUED

Provisions, contingent liabilities and contingent assets

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expenses.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently held at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

Trade payables are recognised initially at fair value and subsequently held at amortised cost.

Borrowings and borrowing costs

Interest-bearing bank loans and overdrafts are recorded at fair value, net of direct issue costs and subsequently stated at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Taxation

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using rates that have been enacted, or substantially enacted, by the balance sheet date. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities.

Tax that relates to items recognised in other comprehensive income or in equity is recognised in other comprehensive income or equity respectively.

Deferred taxation is accounted for in full using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of investments in subsidiaries where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Their carrying amount is reviewed at each balance sheet date on the same basis.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the asset or liability is settled. It is recognised in the consolidated income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Research and Development Expenditure Credit ("RDEC") has been available to UK companies on qualifying expenditure incurred since 1 April 2013 and is of the nature of a government grant. Where UK companies expect to elect for RDEC the amount receivable is recorded as income and is included in profit before tax, netted against research and development expenses.

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES CONTINUED

Share capital, share premium and share issue costs

Share issue costs are incremental costs directly attributable to the issue of new shares or options and are shown as a deduction, net of tax, from the proceeds. Any excess of the net proceeds over the nominal value of any shares issued is credited to the share premium account.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. Any gain or loss on re-measurement is recognised in the income statement.

Net investment hedges

Where the Group has entered into borrowings which form part of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, these are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in the income statement through profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to note 26 for more details.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in this note, 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.

Judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

A Carrying value of goodwill

The Group tests, at least annually, whether goodwill has suffered any impairment in accordance with the accounting policy above. Goodwill recognised as part of the Aesica and The Medical House acquisitions have been subject to an impairment test in the current year. The recoverable amounts are determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

B Equity investments

The Group makes investments in certain early stage, start up entities and has taken an equity stake in those entities (see note 16). In assessing these investments, the directors are required to assess whether they are able to exert significant influence as well as the carrying value of these investments with reference to their stage of development and progress against key milestones.

C Revenue recognition

The Group's revenue recognition policies require management to make key judgements in respect of revenue recognition and in the accounting for major manufacturing contracts or material amendments to contracts.

NOTES TO THE ACCOUNTS
CONTINUED

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES CONTINUED

Estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

A Post-employment benefits

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods (see note 21).

B Carrying value of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

C Provisions and related assets

In determining the amount to recognise for any provision or related asset, management consults with suitably qualified and experienced Group personnel, considers the Group's experience of similar matters and communications with potential counterparties and the Group's legal advisers.

Alternative Performance Measures and the treatment of special items

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

The directors believe that the "adjusted" profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how business performance is measured internally.

Further detail on the special items in the year can be found in note 6. The directors also refer to EBITDA (earnings before interest, tax, depreciation and amortisation) as a performance indicator. EBITDA also adds back any profit or loss on disposal of property, plant and equipment.

Reconciliations of the significant APMs are included below:

	2017 £m	2016 £m
Operating profit (EBIT) before special items	**40.0**	37.0
Depreciation (note 13)	**12.1**	10.3
Amortisation (note 15)	**13.4**	13.4
Less: Amortisation of acquired intangibles (note 6)	**(13.0)**	(13.1)
Loss on disposal of property, plant and equipment	**0.2**	0.7
EBITDA before special items	**52.7**	48.3
EBIT before special items	**40.0**	37.0
Finance income	**0.1**	–
Finance costs	**(3.0)**	(3.3)
Other finance costs	**(1.5)**	(1.4)
Earnings before tax before special items (EBT)	**35.6**	32.3

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

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

1. PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES 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 2016 but are not expected to have a material impact on the Group:

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 & IAS 28

IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11

IAS 1 – Disclosure Initiative – Amendments to IAS 1

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38

IAS 27 – Equity Methods in Separate Financial Statements – Amendments to IAS 27

Annual Improvements (2012 – 2014 cycle) – Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34

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

IAS 7 – Disclosure Initiative – Amendments to IAS 7

IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

Annual Improvements (2014 – 2016 cycle) – Amendments to IFRS 12, IFRS 1, IAS 28

IFRS 15 – Revenue from Contracts with Customers

IFRS 9 – Financial Instruments

IFRS 2 – Classification and Measurement of Share-Based Payment Transactions – Amendments to IFRS 2

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4

Transfers of Investment Property (Amendments to IAS 40)

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

IFRS 16 – Leases

The following accounting standards relevant to the Group have not been early adopted as the Group carries out an assessment of their potential impact:

- IFRS 9 – Financial Instruments (2014)
- IFRS 15 – Revenue from Contracts with Customers

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

Parent company financial statements

The financial statements of the parent company, Consort Medical plc, have been prepared in accordance with IFRS as adopted for use in the European Union in all cases. On publishing the parent Company financial statements together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement or statement of comprehensive income and related notes that form a part of these approved financial statements.

NOTES TO THE ACCOUNTS
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 6.

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

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 intangible assets (note 6)	–	–	(0.7)	(0.7)
Amortisation of acquired intangible assets (note 6)	(0.8)	(12.2)	–	(13.0)
Segment operating profit/(loss)	**25.3**	**1.7**	**(0.7)**	**26.3**
Finance income (note 7)	–	–	–	0.1
Finance costs (note 8)	–	–	–	(3.0)
Other finance costs (note 9)	–	–	–	(1.5)
Profit before tax	**–**	**–**	**–**	**21.9**
Taxation (note 10)	–	–	–	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**
Other segment information				
Capital expenditure:				
Property, plant and equipment (note 13)	6.3	11.3	0.3	17.9
Intangible asset additions (note 15)	–	0.1	–	0.1
Investment (note 16)	–	–	3.1	3.1
Total capital expenditure	**6.3**	**11.4**	**3.4**	**21.1**
Amortisation of intangible assets (note 15)	(1.0)	(12.4)	–	(13.4)
Depreciation (note 13)	(5.8)	(6.3)	–	(12.1)
Goodwill (note 14)	15.8	111.0	–	126.8
Loss on disposal of fixed assets (note 3)	–	(0.2)	–	(0.2)
Trade receivables impairment (note 18)	–	(0.1)	–	(0.1)

Bespak's core business is the manufacture of inhaled drug delivery devices for Life Sciences partners and its operations are based in the United Kingdom. The Aesica business manufactures and sells active pharmaceutical ingredients, formulated pharmaceutical products and packaging services to the pharmaceutical industry and its operations are based in the United Kingdom and Europe.

2. SEGMENTAL INFORMATION CONTINUED

For the year ended 30 April 2016	Bespak £m	Aesica £m	Unallocated £m	Total £m
Revenue from products	103.0	143.1	–	246.1
Revenue from services	14.2	16.6	–	30.8
Revenue by business segment	**117.2**	**159.7**	**–**	**276.9**
Segment operating profit before special items	**25.2**	**11.8**	**–**	**37.0**
Special items excluding amortisation of acquired intangible assets (note 6)	(0.3)	(6.5)	(1.1)	(7.9)
Amortisation of acquired intangible assets (note 6)	(0.8)	(12.3)	–	(13.1)
Segment operating profit/(loss)	**24.1**	**(7.0)**	**(1.1)**	**16.0**
Finance income (note 7)	–	–	–	–
Finance costs (note 8)	–	–	–	(3.3)
Other finance costs (note 9)	–	–	–	(1.4)
Profit before tax	**–**	**–**	**–**	**11.3**
Taxation (note 10)	–	–	–	4.7
Profit for the financial year	**–**	**–**	**–**	**16.0**
Segmental balance sheet				
Total assets	133.3	295.0	17.4	445.7
Total liabilities	(45.1)	(77.9)	(113.6)	(236.6)
Net assets	**88.2**	**217.1**	**(96.2)**	**209.1**
Other segment information				
Capital expenditure:				
Property, plant and equipment (note 13)	11.7	8.4	–	20.1
Intangible asset additions (note 15)	0.2	0.2	–	0.4
Investment (note 16)	–	–	2.0	2.0
Total capital expenditure	**11.9**	**8.6**	**2.0**	**22.5**
Amortisation of intangible assets (note 15)	(1.0)	(12.4)	–	(13.4)
Depreciation (note 13)	(5.1)	(5.2)	–	(10.3)
Goodwill (note 14)	15.8	106.8	–	122.6
Loss on disposal of fixed assets (note 3)	–	(0.7)	–	(0.7)
Trade receivables impairment (note 18)	–	(0.8)	–	(0.8)

Geographical analysis

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

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

£91.6m (FY2016: £77.8m) of the Group's revenues originated in Europe and the remainder originated from the United Kingdom. The Group's total non-current assets in the current year attributable to the United Kingdom are £318.9m (FY2016: £320.2m) and Europe are £19.9m (FY2016: £16.5m).

Major customers

The Group has total revenues from one major customer of £62.1m (2016: £57.1m). In both cases, these revenues are from the Bespak and Aesica segments combined.

NOTES TO THE ACCOUNTS
CONTINUED

3. OPERATING EXPENSES/(INCOME)

	Continuing		Discontinued		Total	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Raw materials and consumables	**74.1**	69.5	**–**	–	**74.1**	69.5
Other external charges	**83.8**	78.7	**–**	–	**83.8**	78.7
Fair value movement in contingent consideration (note 28)	**–**	–	**–**	1.0	**–**	1.0
Staff costs (note 4)	**85.0**	85.8	**–**	–	**85.0**	85.8
Depreciation (note 13)	**12.1**	10.3	**–**	–	**12.1**	10.3
Amortisation of acquisition-related intangible assets (note 15)	**13.0**	13.1	**–**	–	**13.0**	13.1
Amortisation of other intangible assets (note 15)	**0.4**	0.3	**–**	–	**0.4**	0.3
Loss on disposal of property, plant and equipment	**0.2**	0.7	**–**	–	**0.2**	0.7
Exchange losses	**(0.1)**	0.4	**–**	–	**(0.1)**	0.4
	268.5	258.8	**–**	1.0	**268.5**	259.8
(Decrease)/Increase in inventory of finished goods and work in progress	**(0.8)**	2.1	**–**	–	**(0.8)**	2.1
	267.7	260.9	**–**	1.0	**267.7**	261.9

	2017	2016
Operating expenses include the following:		
Operating lease rentals (as lessee)	**1.7**	1.6
Research and development	**6.5**	4.5
Trade receivables impairment (note 18)	**0.1**	0.8
Property, plant and equipment repairs and maintenance	**21.5**	10.3
Cost of inventories recognised as an expense	**74.1**	69.5
Change in the fair value of derivative instruments outstanding at year end and classified as fair value through profit and loss	**0.3**	0.4

Services provided by the Company’s auditors	**£000**	£000
Fees payable to the Company’s auditors for the audit of the parent company and consolidated accounts	**135.1**	147.2
Fees payable to the Company’s auditors and its associates for other services:		
– The audit of accounts of the Company’s subsidiaries pursuant to legislation	**307.4**	241.0
– Tax advisory services	**–**	30.0
– Other assurance services	**7.5**	12.0

Tax advisory and other assurance services in the prior year relate to services provided by PricewaterhouseCoopers.

No government grants were received in the year (FY2016: £nil). The Group realised an R&D tax credit of £1.8m (FY2016: £2.4m) which was recognised through operating profit. Research and development costs disclosed above are net of R&D tax credit.

4. EMPLOYEES

Staff costs and the average monthly number of employees analysed by activity, including executive directors, are shown below:

Group	Total 2017 £m	Total 2016 £m
Employee benefit costs:		
Wages and salaries	**70.2**	70.7
Social security costs	**9.2**	8.5
Other pension costs (note 21)	**4.3**	4.8
Share-based payments (note 27)	**1.3**	1.8
	85.0	85.8

Group	2017 Number	2016 Number
Production	**1,234**	1,094
Sales and marketing	**27**	21
Administration and support services	**658**	741
Engineering and product development	**179**	128
	2,098	1,984

5. DIRECTORS' EMOLUMENTS

	2017 £m	2016 £m
Directors		
Aggregate emoluments	**1.6**	1.8
Aggregate amounts receivable under LTIPs	**1.5**	1.5
Company contributions to money purchase schemes	**–**	0.1
	3.1	3.4

Further information is disclosed in the Remuneration Report.

NOTES TO THE ACCOUNTS
CONTINUED

6. SPECIAL ITEMS

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

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

- Reorganisation costs are in relation to employee and property or move-related activities. In the prior year these costs were in relation to the restructuring activities following the completion of the integration programme at Aesica.
- Advisory and acquisition costs include advisory costs in relation to the evaluation of potential transactions and in the prior year also included costs in respect of the closure of the Bespak pension scheme.
- Amortisation of acquisition-related intangible assets represents the charge for other intangible assets within Aesica (acquired in 2014) of £12.2m (2016: £12.3m) and £0.8m (2016: £0.8m) in relation to The Medical House acquired in 2009.
- A special tax item of £1.1m was recognised in the prior year as a result of the recognition of deferred tax on capital losses which are available for offset against deferred tax liabilities arising from the upward revaluation of land.
- A special tax item of £1.0m was recognised in the prior year as a capital allowance review was carried out in that year which resulted in assets being reclassified from non-qualifying to qualifying.
- A special tax item of £0.4m (2016: £0.5m) was recognised as the impact of a number of prior year adjustments made.
- A special tax item of £0.5m (2016: £1.1m) arises in respect of a significant tax credit as the Group's deferred tax assets and liabilities were recalculated using the lower rate of UK Corporation Tax of 17% from 1 April 2020 (reduced from 18%). In the prior year, the calculation was based on the lower rate of UK Corporation Tax of 19% from 1 April 2017 and 18% from 1 April 2020 (reduced from 20%).

Special items from discontinued operations are described in note 28.

7. FINANCE INCOME

	2017 £m	2016 £m
Interest on deposits	**0.1**	–
Finance income from continuing operations	**0.1**	–

8. FINANCE COSTS

	2017 £m	2016 £m
Interest on bank overdrafts and loans including amortised fees	**(3.0)**	(3.3)
Finance costs from continuing operations	**(3.0)**	(3.3)

9. OTHER FINANCE COSTS

	2017 £m	2016 £m
Net interest cost on defined benefit scheme (note 21)	**(0.8)**	(0.7)
Foreign exchange gains and losses	**(0.7)**	(0.7)
Other finance costs from continuing operations	**(1.5)**	(1.4)

10. TAXATION

Taxation charge based on profits for the year

The major components of income tax charge are:

	2017 £m	2016 £m
Current tax		
UK corporation tax at 19.92% (2016: 20.0%)	**2.0**	1.0
Adjustments in respect of prior periods	**(1.1)**	(2.0)
Foreign tax		
Current period	**1.4**	1.3
Adjustments in respect of prior periods	**0.1**	(0.1)
	2.4	0.2
Deferred income tax from continuing operations		
UK origination and reversal of timing differences	**(1.9)**	(2.7)
Adjustments in respect of prior periods	**(0.7)**	(1.1)
Impact of change in tax rates	**(0.5)**	(1.1)
	(3.1)	(4.9)
Income tax credit from continuing operations reported in the consolidated income statement	**(0.7)**	(4.7)
The tax credit is analysed between:		
Tax on profit from continuing operations before special items	**3.8**	4.2
Tax on special items relating to continuing operations	**(3.6)**	(5.2)
Special tax item – recognition of capital losses	**–**	(1.1)
Special tax item – recognition of capital allowances	**–**	(1.0)
Special tax item – other prior year adjustments	**(0.4)**	(0.5)
Special tax item – deferred tax credit as a result of the UK corporate rate change	**(0.5)**	(1.1)
	(0.7)	(4.7)
Tax on items taken to equity from continuing and discontinued operations		
Current tax:		
Share-based payments	**0.2**	0.3
	0.2	0.3
Deferred tax:		
Actuarial losses on pension scheme	**3.3**	1.1
Share-based payments	**(0.2)**	(0.3)
Impact of change in tax rates	**(0.4)**	(0.6)
	2.7	0.2
Total tax credited to equity	**2.9**	0.5

NOTES TO THE ACCOUNTS
CONTINUED

10. TAXATION CONTINUED

Reconciliation between tax expense and the Group's profit on ordinary activities before taxation

The reconciliation of the UK statutory tax charge to the Group's profit on ordinary activities before taxation is as follows:

	2017 £m	2016 £m
Profit before tax from continuing operations	**21.9**	11.2
Taxation charge at UK corporation tax rate of 19.92% (2016: 20.0%)	**4.3**	2.2
Adjustments in respect of prior periods	**(1.8)**	(3.1)
Tax effect of non-deductible or non-taxable items	**(1.9)**	(1.4)
Effect of higher foreign tax rates	**(0.3)**	(0.5)
Deferred tax on share-based payments	**–**	(0.2)
Movement in unprovided deferred tax	**(0.5)**	(0.6)
Special tax item – rate change adjustment	**(0.5)**	(1.1)
	(0.7)	(4.7)

The adjustments in respect of prior periods above are mainly as a result of a review of the utilisation of Group losses, particularly those arising in FY2015 following the acquisition of Aesica.

Factors affecting future tax charge

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the UK profits for this accounting period are taxed at an effective rate of 19.92%. Further reductions in the standard rate to 17% with effect from 1 April 2020 were enacted during the year and any deferred tax balances have been stated at the rate at which they are expected to reverse.

Unrecognised tax losses

The Group has capital losses which arose in the UK of £22.8m (2016: £21.9m) that are available for offset against future chargeable gains in the UK group. Deferred tax assets have not been recognised in respect of these losses as it is not reasonably foreseeable that these will be utilised.

Deferred tax assets of £2.0m (2016: £3.4m) in respect of tax losses carried forward have not been recognised due to insufficient certainty over their recoverability. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

10. TAXATION CONTINUED

Deferred tax

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Deferred tax liabilities				
Accelerated tax depreciation	**(10.5)**	(10.4)	**–**	–
Intangibles	**(14.4)**	(17.0)	**–**	–
	(24.9)	(27.4)	**–**	–
Deferred tax assets				
Tax losses	**7.3**	8.4	**4.5**	4.9
Less not recognised	**(6.1)**	(7.4)	**(4.5)**	(4.9)
Tax losses recognised	**1.2**	1.0	**–**	–
Share-based payments	**1.0**	1.3	**0.4**	0.7
Provisions and deferred income	**1.3**	1.8	**0.1**	–
Intangibles	**0.1**	–	**–**	–
Other timing differences	**–**	(0.1)	**–**	–
Retirement benefit obligations	**7.5**	4.8	**–**	–
	11.1	8.8	**0.5**	0.7
Net deferred tax (liability)/asset	**(13.8)**	(18.6)	**0.5**	0.7
Assets	**11.1**	8.8	**0.5**	0.7
Liabilities	**(24.9)**	(27.4)	**–**	–
Net deferred tax (liability)/asset	**(13.8)**	(18.6)	**0.5**	0.7
Provision for deferred tax				
At 1 May	**(18.6)**	(22.4)	**0.7**	1.2
Adjustments in respect of prior periods	**0.7**	1.0	**(0.1)**	–
Charged to the income statement:				
– Retirement benefit obligations	**(0.3)**	(0.1)	**–**	–
– Provisions	**(0.6)**	(0.2)	**0.1**	–
– Share-based payments	**–**	0.1	**(0.1)**	–
– Accelerated capital allowances	**(0.7)**	(0.5)	**–**	–
– Intangible assets	**3.5**	3.4	**–**	–
Impact of change in tax rates in income statement	**0.5**	1.1	**–**	–
Impact of change in tax rates in equity	**(0.4)**	(0.6)	**–**	–
(Credit)/Charge to equity	**3.1**	0.8	**(0.1)**	(0.5)
Exchange differences	**(1.0)**	(1.2)	**–**	–
At 30 April	**(13.8)**	(18.6)	**0.5**	0.7

Deferred tax assets in the Company are recognised on the basis that their reversal in the future will generate current year losses which will be surrendered to subsidiary undertakings in exchange for payment at the prevailing tax rate.

NOTES TO THE ACCOUNTS
CONTINUED

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share ownership trust, which are treated as cancelled.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and contingently issuable shares under the Long-Term Incentive Plan.

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

	2017 Number	2016 Number
Number of shares		
Weighted average number of ordinary shares in issue	49,181,247	49,110,569
Weighted average number of shares owned by Employee Share Ownership Trust	(300,569)	(338,024)
Average number of ordinary shares in issue for basic earnings	48,880,678	48,772,545
Dilutive impact of share options outstanding	504,543	631,856
Diluted weighted average number of ordinary shares in issue	49,385,221	49,404,401

11. EARNINGS PER SHARE CONTINUED

	2017 Pence	2016 Pence
Earnings per share		
Continuing operations		
Basic:		
Adjusted	**65.1**	57.6
Unadjusted	**46.2**	32.7
Diluted:		
Adjusted	**64.4**	56.8
Unadjusted	**45.7**	32.3
Discontinued operations		
Basic:		
Adjusted	**–**	–
Unadjusted	**–**	(2.0)
Diluted:		
Adjusted	**–**	–
Unadjusted	**–**	(2.0)
Total		
Basic:		
Adjusted	**65.1**	57.6
Unadjusted	**46.2**	30.7
Diluted:		
Adjusted	**64.4**	56.8
Unadjusted	**45.7**	30.3

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

12. DIVIDENDS

Dividends declared and paid during the year:

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

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

NOTES TO THE ACCOUNTS
CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £m	Plant, equipment and vehicles £m	Assets under construction £m	Total £m
Cost				
At 1 May 2016	81.3	136.9	16.9	235.1
Effects of exchange rate changes	0.6	1.6	(0.2)	2.0
Additions	0.1	3.9	13.9	17.9
Reclassifications	0.4	8.8	(9.2)	–
Disposals	–	(1.7)	(0.2)	(1.9)
At 30 April 2017	82.4	149.5	21.2	253.1
Accumulated depreciation and impairment				
At 1 May 2016	17.2	81.2	–	98.4
Effects of exchange rate changes	0.1	0.6	–	0.7
Charge for the year	2.2	9.9	–	12.1
Disposals	–	(1.7)	–	(1.7)
At 30 April 2017	19.5	90.0	–	109.5
Net book amount at 30 April 2017	**62.9**	**59.5**	**21.2**	**143.6**

Company	Short-term leasehold improvements £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost				
At 1 May 2016	0.1	0.3	–	0.4
Additions	–	–	0.2	0.2
At 30 April 2017	0.1	0.3	0.2	0.6
Accumulated depreciation				
At 1 May 2016	0.1	0.2	–	0.3
At 30 April 2017	0.1	0.2	–	0.3
Net book amount at 30 April 2017	**–**	**0.1**	**0.2**	**0.3**

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Group	Land and buildings £m	Plant, equipment and vehicles £m	Assets under construction £m	Total £m
Cost				
At 1 May 2015	66.5	120.0	30.8	217.3
Effects of exchange rate changes	1.0	0.4	0.1	1.5
Additions	0.3	5.0	14.8	20.1
Reclassifications	15.6	12.9	(28.7)	(0.2)
Disposals	(2.1)	(1.4)	(0.1)	(3.6)
At 30 April 2016	81.3	136.9	16.9	235.1
Accumulated depreciation and impairment				
At 1 May 2015	15.2	74.1	–	89.3
Effects of exchange rate changes	–	(0.2)	–	(0.2)
Charge for the year	2.0	8.3	–	10.3
Disposals	–	(1.0)	–	(1.0)
At 30 April 2016	17.2	81.2	–	98.4
Net book amount at 30 April 2016	64.1	55.7	16.9	136.7

Reclassifications in the prior year relate to intangible assets transferred from assets under construction (PPE) to computer software during the prior year.

Company	Short-term leasehold improvements £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost				
At 1 May 2015	0.1	0.2	–	0.3
Additions	–	0.1	–	0.1
At 30 April 2016	0.1	0.3	–	0.4
Accumulated depreciation				
At 1 May 2015	0.1	0.2	–	0.3
At 30 April 2016	0.1	0.2	–	0.3
Net book amount at 30 April 2016	–	0.1	–	0.1

NOTES TO THE ACCOUNTS
CONTINUED

14. GOODWILL

	£m
Cost	
At 1 May 2015	117.7
Effects of exchange rate changes	4.9
At 30 April 2016	122.6
Effects of exchange rate changes	4.2
At 30 April 2017	**126.8**

The carrying value of goodwill is made up of balances arising on acquisition of The Medical House and Aesica.

Goodwill acquired through business combinations is allocated to Bespak and Aesica CGUs (cash-generating units) for impairment testing. Goodwill is not amortised but is tested for impairment annually. Value in use calculations are utilised to calculate the recoverable amounts. Value in use is calculated as the net present value of the projected, risk-adjusted, pre-tax cash flows of the cash-generating unit in which the goodwill is contained.

The discount rate applied comprises the Group's post-tax weighted average cost of capital which is adjusted to reflect the impact of the time value of money, tax effects and risks associated with the CGUs. This was calculated at 8.0% (2016: 7.5%) in respect of The Medical House and Aesica. This approximates to applying a pre-tax discount to pre-tax cash flows. The movement in the discount rate in comparison to the prior year is due to macroeconomic factors. The value in use calculations for each CGU are based on the Group's strategic plan incorporating three years from FY2018 to FY2020 which was approved by the Board and takes into account both past performance and expectations for future market development. Cash flows beyond this period were extrapolated using an annual growth rate of approximately 2% (2016: 2%), which was selected as prudently below the Group's estimate of the long-term average growth rate in the UK and does not exceed the long-term average growth rate for the sectors in which the CGUs operate.

In respect of The Medical House goodwill, the injectables business is now a key part of the Bespak division. The goodwill contributes to the cash flows of the Bespak operating segment as a whole. As a result, the key assumptions include product sales from existing customers in FY2018, product launches and revenues from as yet unidentified customers from 2019 for the Bespak division as a whole. In respect of the Aesica goodwill review, the key assumptions include product sales from existing customers and contingencies to reflect risks in the cash flows.

The directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill and are confident that the amount of goodwill carried for The Medical House and Aesica as well as the assumptions used in estimating their fair values are appropriate.

Critical judgements around goodwill impairment are disclosed in note 1.

15. OTHER INTANGIBLE ASSETS

	Computer software £m	Patented and unpatented technology and know-how £m	Customer contracts and relationships £m	Total £m
Cost				
At 1 May 2016	2.4	3.0	89.4	94.8
Effects of exchange rate changes	–	–	3.9	3.9
Additions	0.1	–	–	0.1
At 30 April 2017	2.5	3.0	93.3	98.8
Accumulated amortisation				
At 1 May 2016	1.7	2.1	23.7	27.5
Effects of exchange rate changes	–	–	0.8	0.8
Charge for the year	0.3	0.1	13.0	13.4
At 30 April 2017	2.0	2.2	37.5	41.7
Net book amount at 30 April 2017	**0.5**	**0.8**	**55.8**	**57.1**
Cost				
At 1 May 2015	1.9	2.9	85.6	90.4
Effects of exchange rate changes	–	–	3.8	3.8
Additions	0.3	0.1	–	0.4
Reclassifications	0.2	–	–	0.2
At 30 April 2016	2.4	3.0	89.4	94.8
Accumulated amortisation				
At 1 May 2015	1.5	2.0	10.3	13.8
Effects of exchange rate changes	–	–	0.3	0.3
Charge for the year	0.2	0.1	13.1	13.4
At 30 April 2016	1.7	2.1	23.7	27.5
Net book amount at 30 April 2016	**0.7**	**0.9**	**65.7**	**67.3**

Reclassifications relate to intangible assets transferred from assets under construction (PPE) to computer software during the prior year.

Customer contracts and relationships include intangible assets acquired through business combinations.

NOTES TO THE ACCOUNTS
CONTINUED

16. INVESTMENTS

Group – equity investments	2017 £m	2016 £m
Cost and net book value at 1 May	**8.3**	6.3
Additions	**3.1**	2.0
Net book value at 30 April	**11.4**	8.3

Investments relate to a 12.2% investment in Oxular Limited (formerly "Precision Ocular Limited"), a retinal therapeutics company and Atlas Genetics Limited, a UK-based privately owned healthcare technology company with an ultra-rapid point of care ("POC") diagnostics platform. Bespak undertakes design for manufacture work to prepare disposable test cards that are a core component of the Atlas system and has also been awarded long-term manufacturing rights for the card.

In January 2017, the Group invested a further £3.1m in Atlas Genetics Limited, giving the Group a 15.2% shareholding as at 30 April 2017 (2016: 15.2%).

The Group has accounted for Oxular Limited and Atlas Limited as equity investments.

Company	2017 £m	2016 £m
Subsidiary undertakings		
Net book value at 1 May and 30 April	**303.5**	303.5
Other equity investments		
Investment in Atlas Genetics Limited	**9.4**	6.3
Investment in Oxular Limited	**2.0**	2.0
Net book value at 30 April	**314.9**	311.8

	2017 £m	2016 £m
Long-term loans to Group undertakings		
At 1 May	**199.2**	162.3
Net movement in the year	**16.0**	36.9
Net book value at 30 April	**215.2**	199.2

Interest is charged on long-term loans to subsidiaries at rates linked to LIBOR, EURIBOR and USD LIBOR.

A list of all of the Company's subsidiaries is included in note 30 on page 132.

17. INVENTORIES

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Raw materials and consumables	**17.4**	14.5	**–**	–
Work in progress	**9.4**	8.0	**–**	–
Finished goods	**7.6**	8.2	**–**	–
	34.4	30.7	**–**	–

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Trade receivables	**44.5**	46.8	**–**	–
Less: provision for impairment of trade receivables	**(1.3)**	(1.6)	**–**	–
Trade receivables – net	**43.2**	45.2	**–**	–
Amounts receivable from Group undertakings	**–**	–	**10.4**	8.4
Other receivables	**5.7**	3.7	**–**	–
Other taxation	**2.0**	1.9	**0.1**	0.1
Prepayments and accrued income	**4.0**	3.8	**0.1**	0.1
	54.9	54.6	**10.6**	8.6
Due after more than one year	**–**	–	**–**	–
Due within one year	**54.9**	54.6	**10.6**	8.6

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Amounts receivable from Group undertakings include amounts denominated in GBP and EUR and include short-term loans on which interest is charged at rates linked to LIBOR and EURIBOR.

As at 30 April 2017, trade receivables of £3.5m (2016: £5.2m) were past due.

The ageing of overdue receivables is as follows:

	Group	
	2017 £m	2016 £m
Up to 3 months	**2.3**	4.3
3 to 6 months	**0.7**	0.2
Over 6 months	**0.5**	0.7
	3.5	5.2

The ageing of impaired receivables is as follows:

	Group	
	2017 £m	2016 £m
Up to 3 months	**–**	0.5
3 to 6 months	**–**	0.1
Over 6 months	**1.3**	1.0
	1.3	1.6

The credit quality of receivables that are neither past due nor impaired is considered to be good.

There are no receivables that would otherwise have been past due or impaired had their terms not been renegotiated (2016: £nil).

NOTES TO THE ACCOUNTS
CONTINUED

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

	Group	
	2017 £m	2016 £m
Sterling	30.3	27.1
US Dollars	1.2	2.1
Euro	17.3	17.3
Yen	0.1	2.0
Swiss Franc	–	0.4
	48.9	48.9

Movements on the Group provision for impairment of trade receivables are as follows:

	Group	
	2017 £m	2016 £m
At 1 May	1.6	1.5
Provision for impairment of receivables	0.1	0.8
Receivables written off in the period	(0.4)	(0.7)
At 30 April	1.3	1.6

Amounts are written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Cash at bank and in hand	22.2	16.2	3.8	2.4
	22.2	16.2	3.8	2.4

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Trade payables	30.2	27.2	0.3	0.1
Bank overdrafts	2.8	–	–	–
Amounts payable to Group undertakings	–	–	272.1	270.8
Other taxation and social security	2.2	1.3	0.1	0.1
Other payables	9.1	10.6	–	–
Accruals and deferred income	31.3	32.0	3.4	3.0
	75.6	71.1	275.9	274.0
Due after more than one year:	8.5	9.4	15.9	15.9
Due within one year:	67.1	61.7	260.0	258.1

Loans from Group undertakings have no fixed date of repayment. Interest on certain balances is charged at rates linked to LIBOR. The balances due after more than one year in the Company are amounts payable to Group undertakings.

21. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Pension costs	2017 £m	2016 £m
UK and overseas defined benefit scheme	**0.1**	1.5
UK defined contribution schemes	**4.2**	3.3
Total charged to operating expenses (note 4)	**4.3**	4.8
Net interest included in other finance income (note 9)	**0.8**	0.7
Total cost of pensions charged to income statement	**5.1**	5.5

During the year, the Group operated four pension schemes: one in the UK, one in Italy and two in Germany. Pension benefits are provided by defined benefit schemes, whereby retirement benefits are based on employee pensionable remuneration and length of service, and by defined contribution schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee.

The Group's UK defined benefit pension scheme, the Bespak plc Staff Retirement Benefits Scheme ("Bespak") was closed to new entrants with effect from 30 June 2002. As at 30 April 2017, the IAS 19 "Employee benefits" deficit was £40.6m compared with £23.4m as at 30 April 2016. The movement was primarily due to the reduction in the yields on 25 year UK government bonds when compared with April 2016, primarily as a result of the EU referendum result in June 2016. The scheme was closed with effect from 31 March 2016 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. The accrued pension for active members will remain linked to their future salary, and so the closure did not have any impact on the accrued benefit obligation.

The Group also operated three additional defined benefit pension schemes during the year, two of which were operated by Aesica Pharmaceuticals GmbH in Germany and one which was operated by Aesica Pharmaceuticals Srl in Italy. The three schemes are the Retirement Benefit Obligations Scheme (the "RBO"), the Long Term Service Scheme (the "Jubilee") and the Aesica Italy Scheme. The ATZ Scheme is now closed as there are no further liabilities. The RBO Scheme is closed to new members whereas the Jubilee Scheme continues to be open to all employees of Aesica Pharmaceuticals GmbH. The Aesica Italy Scheme is open to all employees of Aesica Pharmaceuticals Srl and Consort Medical Srl. These overseas schemes had a total net IAS 19 deficit of £4.0m at 30 April 2017.

In relation to Bespak, increases to pensions in payment and in deferment in respect of future service are capped at 2.5% p.a. The members' share of the cost of the scheme is 8% of pensionable salaries which is generally paid via a "salary sacrifice" arrangement. The Group meets the full cost of accrual, but members receive a reduction in their salary equal to their share of the cost of the scheme. Members have the right to opt out of this arrangement if they wish to receive their full salary and not contribute to the scheme, in which case the Group's contributions to the scheme are reduced.

Contributions to each of the Group's defined benefit schemes are determined in accordance with the advice of an independent, professionally qualified actuary. Pension costs of defined benefit schemes for accounting purposes have been assessed in accordance with independent actuarial advice, using the projected unit method. Liabilities are assessed annually in accordance with the advice of an independent actuary. Formal, independent, actuarial valuations of the Group's defined benefit scheme are undertaken, normally every three years.

NOTES TO THE ACCOUNTS
CONTINUED

21. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The disclosures below are an aggregate of the Bespak and Aesica schemes.

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 May 2016	119.5	(92.3)	27.2
Current service cost	0.1	–	0.1
Interest expense/(income) (note 9)	3.9	(3.1)	0.8
Amount charged/(credited) to the income statement	4.0	(3.1)	0.9
Return on plan assets (excluding amounts included within interest)	–	(14.5)	(14.5)
Loss from changes in financial assumptions	32.8	–	32.8
Amount credited to equity	32.8	(14.5)	18.3
Contributions:			
– employers	(0.1)	(1.9)	(2.0)
Payments from plans:			
– benefit payments	(1.8)	1.8	–
Effects of foreign exchange rates	0.2	–	0.2
At 30 April 2017	**154.6**	**(110.0)**	**44.6**
At 1 May 2015	116.2	(95.1)	21.1
Current service cost	1.5	–	1.5
Interest expense/(income) (note 9)	4.0	(3.3)	0.7
Amount charged/(credited) to the income statement	5.5	(3.3)	2.2
Return on plan assets (excluding amounts included within interest)	–	5.7	5.7
Effect of demographic adjustments	(0.5)	–	(0.5)
Loss from changes in financial assumptions	0.2	–	0.2
Amount credited to equity	(0.3)	5.7	5.4
Contributions:			
– employers	(0.1)	(1.7)	(1.8)
Payments from plans:			
– benefit payments	(2.2)	2.2	–
Effects of foreign exchange rates	0.4	(0.1)	0.3
At 30 April 2016	119.5	(92.3)	27.2

Components of defined benefit pension cost	**2017 £m**	2016 £m
Current service cost	**0.1**	1.5
Net interest expense	**0.8**	0.7
Total defined benefit pension cost recognised in the income statement	**0.9**	2.2
Actuarial losses immediately recognised	**18.3**	5.4
Total pension expense recognised in the statement of comprehensive income	**18.3**	5.4
Cumulative amount of actuarial losses immediately recognised	**46.7**	28.4

Explanation of the relationship between Consort Medical plc and the trustees of the schemes

The assets of each scheme are held in separate trustee-administered funds to meet long-term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The Bespak scheme has a policy that one-third of all trustees should be nominated by members of the scheme whilst there is no such provision for the Aesica GmbH or Italy schemes.

21. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Disclosure of principal assumptions

The principal actuarial assumptions adopted at the balance sheet date were:

	Aesica				Bespak	
	Italy 2017	**RBO & Jubilee 2017**	Italy 2016	RBO & Jubilee 2016	**2017**	2016
Discount rate	**1.75% p.a.**	**2.05% p.a.**	1.9% p.a.	1.8% p.a.	**2.7% p.a.**	3.4% p.a.
Inflation assumption	**1.5% p.a.**	***2.0% p.a.**	1.5% p.a.	*2.0% p.a.	**n/a**	n/a
Future RPI inflation	**n/a**	**n/a**	n/a	n/a	**3.5% p.a.**	3.1% p.a.
Future CPI inflation	**n/a**	**n/a**	n/a	n/a	**2.5% p.a.**	2.1% p.a.
Future salary increases	**n/a**	***2.5% p.a.**	n/a	2.5% p.a.	**3.0% p.a.**	2.6% p.a.
Rate of pension increases		***2.0% p.a.**				
RPI inflation capped at 5% p.a.	**n/a**	**n/a**	n/a	n/a	**3.4% p.a.**	3.0% p.a.
RPI inflation capped at 5% p.a. with a minimum of 3% p.a.	**n/a**	**n/a**	n/a	n/a	**3.8% p.a.**	3.4% p.a.
RPI inflation capped at 2.5% p.a.	**n/a**	**n/a**	n/a	n/a	**2.2% p.a.**	2.2% p.a.

* Applies to the RBO scheme only.

The IAS 19 accounting standard "Employee benefits" requires that the discount rate used be determined by reference to market yields at the balance sheet date on high quality fixed income investments. The currency and term of these should be consistent with the currency and estimated term of the post-employment obligations.

Bespak

The discount rate has been developed from a spot yield curve based on UK Government bonds, adjusted to reflect the credit spread between AA-rated corporate bonds and Government bonds.

The expected rate of inflation is an important building block for the salary growth and pension increase assumption. A rate of inflation is "implied" by the difference between the yields on fixed-interest and index-linked Government bonds.

For the majority of members, pension accrued before 6 April 1997 does not receive any guaranteed increases and it is assumed that no discretionary increases will be awarded. Pension accrued between 6 April 1997 and 30 April 2009 receives increases in line with inflation subject to a maximum of 5% per annum (for which the Company has assumed future increases will be 3.0% per annum). Some members receive fixed increases of 3% per annum on pension accrued before 6 April 1997 and increases in line with inflation subject to a minimum of 3% per annum and a maximum of 5% per annum on pension accrued between 6 April 1997 and 30 April 2009 (for which the Company has assumed future increases will be 3.4% per annum). For all members, pension accrued after 1 May 2009 receives increases in line with inflation subject to a maximum of 2.5% per annum (for which the Company has assumed future increases will be 2.2% per annum).

One of the key assumptions made in valuing the pension scheme's liabilities are the mortality rates used to assess how long pensions will be paid for. The mortality rates used to calculate the scheme's liabilities were updated as part of the scheme's actuarial valuation in 2014 to reflect the results of surveys. These mortality tables are referred to as 95% (males)/85% (females) of the S2PA tables with improvements assumed to be in line with the CMI_2013 model with a 1.25% p.a. long-term rate of improvement.

The current life expectancies (in years) underlying the value of the accrued liabilities for the Bespak scheme are:

	2017		2016	
Life expectancy at age 65	**Male**	**Female**	Male	Female
Member currently aged 65	**23.0**	**25.9**	22.9	25.8
Member currently aged 45	**24.8**	**27.9**	24.8	27.8

NOTES TO THE ACCOUNTS
CONTINUED

21. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The split of the pension scheme's investments between principal asset categories for the Bespak scheme is as follows:

	2017			2016		
Asset category	Total assets £m	Of which quoted £m	%	Total assets £m	Of which quoted £m	%
Debt instruments	**50.1**	**–**	**46.0**	43.1	–	47.2
Equity instruments	**58.8**	**15.8**	**53.9**	40.3	12.8	44.1
Hedge funds	**–**	**–**	**–**	–	–	–
Cash and cash equivalents	**0.1**	**–**	**0.1**	7.9	–	8.7
Overall	**109.0**	**15.8**	**100.0**	91.3	12.8	100.0

Sensitivity analysis of the principal assumptions used to measure the Bespak and Aesica scheme liabilities

The sensitivity of each scheme's liabilities to changes in the principal assumptions used to measure these liabilities is illustrated below. The illustrations consider the single change shown with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (this is not always the case).

The Group liability is the difference between the schemes' liabilities and the schemes' assets. Certain changes in the assumptions will be as a result of changes in market yields. Where this is the case, the market value of schemes' assets may change simultaneously, which may or may not offset the change in assumptions. For example, a fall in interest rates will increase each scheme's liability, but may also trigger an offsetting increase in the market value of assets so that the net effect on the Group liability is reduced.

Bespak

Assumption	Change in assumption	Impact on scheme's accrued liabilities
Discount rate	Decrease by 0.25% p.a.	Increase by 6.5%
Rate of inflation and salary increase	Decrease by 0.25% p.a.	Decrease by 6.1%
Rate of inflation and salary increase	Increase by 0.25% p.a.	Increase by 5.0%
Rate of mortality	Members assumed to live one year longer	Increase by 2.9%

Aesica schemes

Assumption	Change in assumption	Impact on schemes' accrued liabilities
Discount rate	Increase by 0.5% p.a.	Decrease by 7.3%
Discount rate	Decrease by 0.5% p.a.	Increase by 8.0%
Rate of inflation and salary increase	Decrease by 0.5% p.a.	Decrease by 5.4%
Rate of inflation and salary increase	Increase by 0.5% p.a.	Increase by 5.9%

How the liabilities arising from the Bespak scheme are measured

The Group provides retirement benefits via the Bespak scheme to some of its former employees and approximately 30% of current UK employees. The level of retirement benefit is principally based on salary earned in the final three years of employment and period of service as a scheme member.

The projected liabilities of the scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The deficit in the consolidated balance sheet is the difference between the projected liability allocated to past service (the defined benefit obligation) and the market value of the assets of the scheme. The defined benefit obligation makes allowance for future earnings growth.

An alternative measure of liability is the cost of buying out benefits at the balance sheet date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities at the balance sheet date rather than the Group continuing to fund the ongoing liabilities of the scheme. The latest estimate of the amount required to settle the scheme's liabilities was calculated as part of the triennial valuation at 30 April 2014. This indicated that the amount required was £66.3m in excess of the assets held by the scheme.

21. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Future funding obligations in relation to the Bespak scheme

The trustees have selected a funding target based on the scheme being closed to new members, with the link to final salaries being maintained. The agreed funding objective is to reach, and then maintain, assets equal to 100% of the value of the projected past service liabilities, assessed on an ongoing basis, allowing for future salary increases for active members.

The most recently completed triennial actuarial valuation of the scheme was performed by an independent actuary for the trustees of the scheme and was carried out as at 30 April 2014. In September 2015, the Company and the Trustees agreed the actuarial valuation deficit of £13.8m. As part of that agreement, the Company agreed to make deficit recovery contributions at the rate of £1.5m per annum until 2028.

The weighted average duration of the defined benefit obligation is 25 years (2016: 24 years). The next triennial valuation is expected to take place with an effective date no later than 30 April 2017.

Nature and extent of the risks arising from financial instruments held by the Bespak scheme

The expected return on the scheme's assets is based on market expectations at the beginning of the financial year for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government and the risk of default on these is very small. The trustees also hold bond investments issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies. The trustees also have a substantial holding of equity and hedge fund investments, with a target of 60% of the scheme's assets being invested in these funds. The investment return related to these is variable, and they are generally considered much "riskier" investments. It is generally accepted that the yield on these investments will contain a premium ("the equity risk premium") to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

The majority of the equities held by the scheme are in international blue chip entities. The aim is to hold a globally diversified portfolio of equities, with a target of 22% of equities being held in the UK, 27% in the rest of Europe, 20% in North American equities, 10% in each of Japanese and Pacific Basin equities and 11% in emerging markets.

As part of the investment strategy review, the trustees, in conjunction with the Group, have carried out an asset-liability review for the scheme. These studies are used to assist the trustees and the Group in determining the optimal long-term asset allocation with regard to the structure of liabilities within the scheme. The results of the study are used to assist the trustees in managing the volatility in the underlying investment performance and the risk of a significant increase in the scheme's deficit by providing information used to determine the pension scheme's investment strategy.

NOTES TO THE ACCOUNTS
CONTINUED

22. PROVISIONS AND OTHER LIABILITIES

	Deferred income £m	Restructuring and other provisions £m	Employee benefits £m	**Total £m**
Group				
At 1 May 2016	1.5	4.0	0.7	6.2
Provided in the year	–	1.0	0.3	1.3
Utilised in the year	–	(1.9)	(0.3)	(2.2)
Effects of exchange rate changes	–	0.1	–	0.1
Released in the year	(1.5)	(1.0)	(0.1)	(2.6)
At 30 April 2017	**–**	**2.2**	**0.6**	**2.8**
Analysis of total provisions:				
Current	–	2.2	0.3	2.5
Non-current	–	–	0.3	0.3
Total	**–**	**2.2**	**0.6**	**2.8**
Company				
At 1 May 2016	–	–	0.5	0.5
Provided in the year	–	–	0.1	0.1
Utilised in the year	–	–	(0.3)	(0.3)
At 30 April 2017	**–**	**–**	**0.3**	**0.3**
Analysis of total provisions:				
Current	–	–	0.1	0.1
Non-current	–	–	0.2	0.2
Total	**–**	**–**	**0.3**	**0.3**

Deferred income in the prior year represented advance payments from customers that will be recognised within the device price when manufacturing commences or when the products are delivered to the customers. During the year, manufacturing commenced for all related advance payments and therefore amounts were reclassified to deferred income in trade and other payables.

The restructuring and other provisions balance at 30 April 2017 comprises mainly environmental provisions acquired from Aesica, employee severance associated with the restructuring and integration of Aesica and other provisions.

Employee benefits represents a provision for national insurance contributions on share options and other share-based payments.

For all provisions, the amounts provided represent management's best estimate of the most likely outcome. The split of provisions between current and non-current reflects the expected timing of the associated cash outflows.

23. NET DEBT

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Current assets:				
Cash and cash equivalents (note 19)	**22.2**	16.2	**3.8**	2.4
	22.2	16.2	**3.8**	2.4
Current liabilities:				
Bank overdrafts	**(2.8)**	–	**–**	–
	(2.8)	–	**–**	–
Group borrowings:				
Interest bearing loans and borrowings	**(113.0)**	(114.5)	**(113.0)**	(114.5)
Unamortised facility fees	**1.0**	1.3	**1.0**	1.3
Net borrowings	**(112.0)**	(113.2)	**(112.0)**	(113.2)
Net debt	**(92.6)**	(97.0)	**(108.2)**	(110.8)

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

Reconciliation of net cash flow to movement in net (debt)

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

NOTES TO THE ACCOUNTS
CONTINUED

24. SHARE CAPITAL AND SHARE PREMIUM

Group and Company	Issued Number	Ordinary shares of 10p each £m	Share premium £m
Share capital issued and fully paid			
At 1 May 2016	49,131,000	4.9	137.4
Issued under share option schemes	81,037	–	0.6
At 30 April 2017	**49,212,037**	**4.9**	**138.0**

	30 April 2017	30 April 2016
Number of shares issuable under outstanding options	**884,017**	1,058,899

81,037 (2016: 56,018) ordinary shares of 10p were issued as a result of exercises under the Consort Savings Related Share Option Scheme for total consideration of £0.6m (2016: £0.3m). 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 year, the Group purchased 276,380 shares at a nominal value of 10p. 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 £13.8m (2016: £11.2m). As at 30 April 2017 the ESOT held a total of 298,888 ordinary shares of 10p (2016: 301,521 shares) at a cost of £2.8m (2016: £2.5m) and market value of £2.3m (2016: £2.3m).

25. RETAINED EARNINGS

Profit for the financial year

As permitted by s408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The profit on ordinary activities after taxation for the financial year dealt within the accounts of the Company was £32.5m (2016: £9.7m loss).

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

Consort Medical plc reports in Sterling and pays dividends out of Sterling profits. The Group manages and monitors the Group's external and internal funding requirements and financial risks in support of Group corporate objectives. Treasury activities are governed by policies and procedures approved by the Board and monitored by the Group.

The Group maintains treasury control systems and procedures to monitor interest rate, foreign exchange, credit and liquidity risks.

Consort Medical plc uses a variety of financial instruments, including derivatives, to finance and to manage market risks of its operations. Financial instruments include cash and liquid resources, borrowings and forward foreign exchange contracts.

Liquid assets surplus to the immediate operating requirements of Group undertakings are invested and managed centrally by the Group.

External borrowings are managed centrally by the Group and comprise a combination of long and short-term finance.

Consort Medical plc does not hold or issue derivative financial instruments for speculative trading purposes and the Group's Treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities.

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Selling margins are sufficient to cover normal operating costs and the Group's operating subsidiaries are cash-generative. None of the entities in the Group are subject to externally imposed capital requirements. Operating cash flow is used to fund investment in new product development as well as to make the routine outflows of capital expenditure, tax, dividends and repayment of maturing debt.

The Group's policy is to borrow centrally to meet anticipated funding requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents and prepaid facility fees. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

As at 30 April 2017, the Group is in a net debt position of £92.6m (30 April 2016: £97.0m), see note 23.

The Group has historically monitored two widely used ratios to measure the ability to service debt, being net debt/EBITDA and EBITDA interest cover. These measures were ahead of target throughout FY2017 and FY2016.

Fair value of financial assets and liabilities

The table entitled "Fair value of financial assets and liabilities" presents the carrying amount and the fair values of the Group's financial assets and liabilities under IFRS. Where available, market values have been used to determine fair values. Where market values are not available, fair values are determined using the prevailing interest and exchange rates.

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

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

The fair value of other assets and liabilities approximates to the carrying amount reported in the balance sheet.

Fair value and cash flow hedging activities

All derivative financial instruments are recognised as assets or liabilities in the balance sheet at fair value. Gains and losses are recognised in the consolidated income statement unless they are designated as fair value hedging instruments and tested to be effective under IAS 39 "Financial instruments – Recognition and measurement", in which case the element of gains and losses that fulfil the hedge effectiveness criteria are taken directly to equity.

Consort Medical plc's hedging strategy is unchanged in respect of covering the transactional risk of foreign currency sales and purchases. In respect of the translational risk on the net investment in foreign subsidiaries, the Group has utilised a hedge of net investments in foreign operations. The Group uses a Euro loan, which had a carrying value of £29.6m at the year end (2016: £32.1m), as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

Interest rate risk management

The Group's borrowings are arranged at floating rates, thus potentially exposing the Group to interest rate risk, against which, in the past, the Group has sought to protect itself through interest rate swaps. Although the Group/Company is currently in a net debt position, no interest rate swaps are held as the Group was not subject to any significant movements in these rates during the period and current expectations do not indicate significant changes in this in the near future. This will continue to be kept under review over time.

NOTES TO THE ACCOUNTS
CONTINUED

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

Foreign exchange risk management
The Group's principal currency exposure is the movement between Sterling and the Euro and the movement between Sterling and the US Dollar.

Transactional exposure
The Group uses forward contracts to hedge a proportion of forecast foreign currency transactional exposure generally extending up to 12 months. At 30 April 2017, the Group held forward contracts to hedge the equivalent of £23.1m of forecast foreign currency transaction exposures (2016: £12.5m). The fair value of the forward exchange contracts was a liability of £0.2m at 30 April 2017 (2016: liability of £0.3m). The Group currently does not designate these forward contracts as cash flow hedges and so gains and losses are recognised in the income statement.

The primary transactional exposures in the UK and European business are transactions denominated in the USD and the Euro. A 10% decline in Sterling against the USD and the Euro (which is considered reasonably possible) would increase operating profit and equity by £1.9m (2016: £0.5m) on an unhedged basis. A 10% increase in the value of Sterling (which is considered reasonably possible) would have a similar but opposite effect.

Translational exposure
The Group also has exposure in the retranslation of the German and Italian operations in Aesica into GBP. The foreign currency translation sensitivity for the Euro for the full year FY2017 was such that a change in the rate of €0.01: £1 would have impacted revenue by £0.8m (2016: £0.6m) and EBIT by £0.1m (2016: £0.1m).

Committed facilities
As explained in note 23, the Group has committed facilities available at floating rates which expire in September 2019 and overdraft facilities that expire within one year.

Market risk of financial assets
The Group invests centrally managed liquid assets in short-term investments with banks at floating interest rates. These investments are classified as cash and cash equivalents.

Credit risk
The Group is exposed to a concentration of credit risk in respect of its major customers such that, if one or more of them is affected by financial difficulty, it could materially and adversely affect the Group's financial results. However, the Group generally does not expect its customers to fail to meet their obligations.

The Group does not believe that it is exposed to major concentrations of credit risk on other classes of financial instruments. The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not expect any counterparties to fail to meet their obligations.

The Group applies Board-approved limits to the amount of credit exposure to any one counterparty and employs strict minimum creditworthiness criteria as to the choice of counterparty.

Liquidity risk
The Group operates internationally, primarily through subsidiary companies established in the markets in which the Group trades. Selling margins are sufficient to exceed normal operating costs and the Group's main operating subsidiaries are cash-generative.

Operating cash flow is used to fund investment in the research and development of new products as well as routine outflows of capital expenditure, tax, dividends and repayment of maturing debt. The Group may, from time to time, have additional demands for finance, such as acquisitions.

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

Fair value of financial assets and liabilities

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

	Group		Company	
	30 April 2017 £m	30 April 2016 £m	**30 April 2017 £m**	30 April 2016 £m
Financial assets				
Cash and cash equivalents (note 19)	**22.2**	16.2	**3.8**	2.4
Trade receivables (note 18)	**43.2**	45.2	**–**	–
Other receivables	**8.1**	3.7	**–**	0.1
Amounts due from Group undertakings (notes 16,18)	**–**	–	**225.6**	207.6
Total loans and receivables	**51.3**	48.9	**225.6**	207.7
Equity investments (note 16)	**11.4**	8.3	**11.4**	8.3
Total available-for-sale financial assets	**11.4**	8.3	**11.4**	8.3
Financial liabilities				
Trade payables (note 20)	**(30.2)**	(27.2)	**(0.3)**	(0.1)
Bank overdrafts (note 20)	**(2.8)**	–	**–**	–
Other creditors and accruals	**(24.7)**	(27.0)	**(3.4)**	(3.0)
Interest bearing loans and borrowings (note 23)	**(113.0)**	(114.5)	**(113.0)**	(114.5)
Amounts due to Group undertakings (note 20)	**–**	–	**(272.1)**	(270.8)
Total amortised cost	**(170.7)**	(168.7)	**(388.8)**	(388.4)
Fair value through profit and loss – currency exchange contracts	**(0.2)**	(0.3)	**–**	–

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

Hedge of net investments in foreign operations

Included in loans at 30 April 2017 was a borrowing of £29.6m (2016: £32.1m) which has been designated as a hedge of the net investments in the two subsidiaries in Italy and Germany, Aesica Pharmaceuticals GmbH and Aesica Pharmaceuticals Srl. This borrowing is being used to hedge the Group's exposure to the Euro foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the year ended 30 April 2017.

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

The following tables categorise the Group's and Company's financial assets and liabilities held at fair value by the valuation methodology applied in determining fair value. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model are based on observable market data. In other cases the instrument is classified as Level 3. The Company has no financial assets held at fair value through profit or loss.

NOTES TO THE ACCOUNTS
CONTINUED

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

Financial liabilities at fair value

At 30 April 2017 Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Currency exchange contracts	–	(0.2)	–	(0.2)
	–	(0.2)	–	(0.2)

At 30 April 2016 Group and Company	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Currency exchange contracts	–	(0.3)	–	(0.3)
	–	(0.3)	–	(0.3)

Interest rate profile of financial assets and liabilities

The interest rate profile of the financial assets and liabilities of the Group at 30 April in the current and prior year is as follows:

	Group			Company		
At 30 April 2017 Financial assets	Cash and cash equivalents £m	Forward exchange contracts £m	Total Group £m	Cash and cash equivalents £m	Amounts due from Group undertakings £m	Total £m
Less than one year	22.2	–	22.2	3.8	10.4	14.2
Loans with no fixed repayment date	–	–	–	–	215.2	215.2
Total	22.2	–	22.2	3.8	225.6	229.4
Analysed as:						
Floating rate interest	22.2	–	22.2	3.8	220.3	224.1
Total interest earning	22.2	–	22.2	3.8	220.3	224.1
Non-interest earning	–	–	–	–	5.3	5.3
Total	22.2	–	22.2	3.8	225.6	229.4

	Group				Company		
At 30 April 2017 Financial liabilities	Bank overdrafts £m	Currency exchange contracts £m	Bank borrowings £m	Total Group £m	Bank borrowings £m	Amounts due to Group undertakings £m	Total £m
Less than one year	(2.8)	(0.2)	(113.0)	(116.0)	(113.0)	(256.2)	(369.2)
More than one year	–	–	–	–	–	(15.9)	(15.9)
Total	(2.8)	(0.2)	(113.0)	(116.0)	(113.0)	(272.1)	(385.1)
Analysed as:							
Floating rate interest	(2.8)	–	(113.0)	(115.8)	(113.0)	(50.3)	(163.3)
Total interest earning	(2.8)	–	(113.0)	(115.8)	(113.0)	(50.3)	(163.3)
Non-interest earning	–	(0.2)	–	(0.2)	–	(221.8)	(221.8)
Total	(2.8)	(0.2)	(113.0)	(116.0)	(113.0)	(272.1)	(385.1)

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

	Group			Company		
At 30 April 2016 Financial assets	Cash and cash equivalents £m	Forward exchange contracts £m	Total Group £m	Cash and cash equivalents £m	Loans receivable from Group undertakings £m	Total £m
Less than one year	16.2	–	16.2	2.4	8.4	10.9
Loans with no fixed repayment date	–	–	–	–	199.2	199.2
Total	16.2	–	16.2	2.4	207.6	210.1
Analysed as:						
Floating rate interest	–	–	–	2.4	204.8	207.3
Total interest earning	–	–	–	2.4	204.8	207.3
Non-interest earning	16.2	–	16.2	–	2.8	2.8
Total	16.2	–	16.2	2.4	207.6	210.1

		Group			Company		
At 30 April 2016 Financial liabilities	Bank overdrafts £m	Currency exchange contracts £m	Bank borrowings £m	Total Group £m	Bank borrowings £m	Loans payable to Group undertakings £m	Total £m
Less than one year	–	(0.3)	(114.5)	(114.8)	(114.5)	(254.9)	(369.4)
More than one year	–	–	–	–	–	(15.9)	(15.9)
Total	–	(0.3)	(114.5)	(114.8)	(114.5)	(270.8)	(385.3)
Analysed as:							
Floating rate interest	–	–	(114.5)	(114.5)	(114.5)	(63.8)	(178.3)
Total interest earning	–	–	(114.5)	(114.5)	(114.5)	(63.8)	(178.3)
Non-interest earning	–	(0.3)	–	(0.3)	–	(207.0)	(207.0)
Total	–	(0.3)	(114.5)	(114.8)	(114.5)	(270.8)	(385.3)

Currency profile of the financial assets and liabilities

The currency profile of the financial assets and liabilities of the Group and Company is as follows:

	Group					Company				
At 30 April 2017	Sterling £m	US Dollar £m	Euro £m	Other £m	**Total £m**	Sterling £m	US Dollar £m	Euro £m	Other £m	**Total £m**
Financial assets										
Cash and cash equivalents	12.7	0.2	7.9	1.4	**22.2**	3.2	–	0.6	–	**3.8**
Loans receivable from Group undertakings	–	–	–	–	**–**	112.2	34.7	78.6	0.1	**225.6**
	12.7	0.2	7.9	1.4	**22.2**	115.4	34.7	79.2	0.1	**229.4**
Financial liabilities										
Bank overdrafts (including right of offset)	(3.4)	0.5	–	0.1	**(2.8)**	–	–	–	–	**–**
Interest bearing loans and borrowings	(83.4)	–	(29.6)	–	**(113.0)**	(83.4)	–	(29.6)	–	**(113.0)**
Loans payable to Group undertakings	–	–	–	–	**–**	(65.2)	(33.4)	(173.4)	(0.1)	**(272.1)**
	(86.8)	0.5	(29.6)	0.1	**(115.8)**	(148.6)	(33.4)	(203.0)	(0.1)	**(385.1)**

NOTES TO THE ACCOUNTS
CONTINUED

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

	Group					Company				
At 30 April 2016	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Financial assets										
Cash and cash equivalents	10.7	0.4	4.4	0.8	**16.3**	2.3	–	0.1	–	**2.4**
Loans receivable from Group undertakings	–	–	–	–	**–**	105.6	30.7	71.2	0.1	**207.6**
	10.7	0.4	4.4	0.8	**16.3**	107.9	30.7	71.3	0.1	**210.0**
Financial liabilities										
Interest bearing loans and borrowings	(82.4)	–	(32.1)	–	**(114.5)**	(82.4)	–	(32.1)	–	**(114.5)**
Loans payable to Group undertakings	–	–	–	–	**–**	(85.2)	(29.5)	(156.0)	(0.1)	**(270.8)**
	(82.4)	–	(32.1)	–	**(114.5)**	(167.6)	(29.5)	(188.1)	(0.1)	**(385.3)**

Borrowing facilities

At 30 April, the Group and Company had the following undrawn committed borrowing facilities:

	2017 £m	2016 £m
Expiring within one year	**2.8**	5.6
Expiring beyond one year	**53.6**	46.6

Derivative financial instruments

The table below sets out the net principal amounts and fair value of derivative contracts:

	Contract or underlying principal amount £m	Fair value Assets £m	Fair value Liabilities £m
At 30 April 2017			
Currency exchange contracts	23.1	–	(0.2)
Total derivative financial instruments	23.1	–	(0.2)
At 30 April 2016			
Currency exchange contracts	12.5	–	(0.3)
Total derivative financial instruments	12.5	–	(0.3)

27. EMPLOYEE SHARE SCHEME

Share options

The Group operates share award schemes whereby awards are granted to employees to acquire shares in Consort Medical plc at no cost, subject to the achievement by the Group of certain specified performance targets. It also offers savings-related share option schemes. Following the formal approval of the Performance Share Plan 2015 ("PSP") at the Annual General Meeting in September 2015, no further awards have been made under the 2005 Long Term Incentive Plan ("LTIP"). In June 2016 and April 2017 awards were made under the PSP. In June 2016 awards were made under the DBP.

Grants of share options are normally exercisable at the end of the three-year vesting/performance period. Grants under savings-related share option schemes are normally exercisable after three years' saving. Grants under share option schemes are normally exercisable between three and ten years from the date of grant. Options under the share option schemes are normally granted at the market price ruling at the date of grant. The majority of options under the savings-related share option schemes are now granted at the market price ruling at the date of grant.

Share options awarded to the directors are subject to performance criteria as detailed in the Remuneration Report.

Share-based compensation recognised in the income statement

	2017 £m	2016 £m
Staff costs (note 4)	**1.3**	1.8
	1.3	1.8

Option pricing

For the purposes of valuing options to arrive at the share-based compensation charge, the Black–Scholes option pricing model has been used. The assumptions used in the model are as follows:

	SAYE scheme 2017
Risk-free interest rate	0.9%
Dividend yield	1.9%
Volatility	26.0%
Expected lives of options granted under:	
Savings-related share option schemes	3 years
Weighted average share price for grants in the year:	
Savings-related share option schemes – market and option price	1,047p

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

NOTES TO THE ACCOUNTS
CONTINUED

27. EMPLOYEE SHARE SCHEME (CONTINUED)

Options outstanding

Save As You Earn Share Option Scheme

	2017 Number of options	2017 Weighted average exercise price	2016 Number of options	2016 Weighted average exercise price
Outstanding at 1 May	**261,775**	**848.4p**	222,119	783.3p
Granted	**75,078**	**1,047.0p**	114,068	908.0p
Exercised	**(81,037)**	**656.7p**	(56,018)	614.0p
Forfeited	**(26,641)**	**929.8p**	(18,394)	878.3p
Outstanding at 30 April	**229,175**	**937.1p**	261,775	848.4p
Exercisable at end of year	**–**	**–**	–	–

Company Share Option Scheme

	2017 Number of options	2017 Weighted average exercise price	2016 Number of options	2016 Weighted average exercise price
Outstanding at 1 May	**11,647**	**785.0p**	40,162	689.5p
Exercised	**(11,647)**	**686.6p**	(21,670)	550.0p
Forfeited	**–**	**–**	(6,845)	746.4p
Outstanding at 30 April	**–**	**–**	11,647	785.0p

Outstanding options granted under all schemes are as follows:

		Options granted		Weighted average remaining contractual life (years)		
Options granted		**2017 £m**	2016 £m	**2017 £m**	2016 £m	Price at grant date
Savings-related share option schemes						
July 2013		**–**	76,792	**–**	0.3	744.0p
July 2014		**69,703**	81,455	**0.3**	1.3	871.0p
July 2015		**91,195**	103,528	**1.3**	2.3	908.0p
July 2016		**68,277**	–	**2.3**	–	1,047.0p
Total		**229,175**	261,775	**1.3**	1.4	937.1p
Company and executive share option schemes						
June 2013	CSOS	**–**	11,647	**–**	0.1	785.0p
Total		**–**	11,647	**–**	0.1	785.0p

In June 2013 share options were granted under the Company Share Option Plan ("CSOP") in tandem with grants under the LTIP. The cumulative economic effect of these awards for both participants and the Company is identical to that for performance shares, and as such the fair value of these awards has been calculated on the same basis. See below for further details on performance share plans.

27. EMPLOYEE SHARE SCHEME (CONTINUED)

Performance Share Plan (LTIP)

The Group operates performance share plans whereby awards are granted to directors and senior management at no cost. The percentage of each award that vests is based upon the performance of the Group over a three-year measurement period.

Number of shares issuable	2017 Number	2016 Number
Performance shares		
At 1 May	**410,327**	734,049
Granted	**11,885**	51,546
Exercised	**(202,670)**	(278,419)
Forfeited	**(44,703)**	(96,849)
At 30 April	**174,839**	410,327

Performance Share Plan (PSP)

Number of shares issuable	2017 Number	2016 Number
Performance shares		
At 1 May	**245,114**	–
Granted	**237,778**	252,514
Forfeited	**(93,814)**	(7,400)
At 30 April	**389,078**	245,114

Performance shares are issued at nil cost to the employee. There were no performance shares exercisable at the end of the year (2016: nil). The weighted average remaining contractual life of the performance shares in issue was 20 months (2016: 18 months).

The majority of the awards granted in the year were made in the form of an award of performance shares.

Deferred Bonus Plan (DBP)

The Group operates a Deferred Bonus Plan whereby awards are granted to directors and senior management at no cost. The percentage of each award that vests is based upon the performance of the Group over a three-year measurement period.

Number of shares issuable	2017 Number	2016 Number
Deferred bonus plan shares		
At 1 May	**130,036**	147,198
Granted	**42,280**	56,355
Exercised	**(55,598)**	(73,517)
Forfeited	**(25,793)**	–
At 30 April	**90,925**	130,036

Deferred bonus plan shares are issued at nil cost to the employee. There were no deferred bonus plan shares exercisable at the end of the year (2016: nil). The weighted average remaining contractual life of the performance shares in issue was 14 months (2016: 18 months).

NOTES TO THE ACCOUNTS
CONTINUED

27. EMPLOYEE SHARE SCHEME (CONTINUED)

During the year awards under the LTIP and DBP were granted to a number of employees. The fair value per share under award at grant has been calculated using a Monte Carlo share pricing model. The assumptions used in the calculation are as follows:

	FY2017
Share price at grant date	992.0p
Shares under option	236,366
Vesting period	3 years
Volatility	26.4%
Risk-free rate	0.54%
Fair value per performance share – TSR criteria	604p
Fair value per performance share – EPS criteria	992p

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise.

28. DISCONTINUED OPERATIONS

The results of the discontinued operations relate to the King Systems business, which was disposed of on 15 February 2013, were as follows:

	2017			2016		
	Before special items £m	Special items £m	Total £m	Before special items £m	Special items £m	2016 £m
Revenue	–	–	–	–	–	–
Operating expenses before special items	–	–	–	–	–	–
Finance costs	–	–	–	–	–	–
Profit before tax and special items	–	–	–	–	–	–
Special items	–	–	–	–	–	–
Profit before tax of continued operations	–	–	–	–	–	–
Taxation	–	–	–	–	–	–
Profit after tax of continued operations	–	–	–	–	–	–
Loss on disposal: movement in fair value of contingent consideration	–	–	–	–	(1.0)	(1.0)
Net profit attributable to discontinued operations (attributable to the owners of the Company)	–	–	–	–	(1.0)	(1.0)

Special items from discontinued operations in the prior year relate to the movement in the value of the King Systems contingent consideration receivable.

29. COMMITMENTS AND CONTINGENT LIABILITIES

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Property, plant and equipment				
(i) Capital expenditure contracted for but not provided in the accounts	**7.6**	3.6	**–**	–
(ii) Commitments under operating leases:				
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:				
No later than one year	**1.7**	1.6	**0.2**	0.1
Later than one year and no later than five years	**5.0**	5.1	**0.8**	0.1
Later than five years and no later than 25 years	**1.1**	0.4	**0.9**	–
	7.8	7.1	**1.9**	0.2

(iii) Cross-guarantees

There is a guarantee agreement from Group undertakings to Barclays Bank plc, the Royal Bank of Scotland plc, Lloyds Bank plc and Santander UK plc in respect of the Group's borrowings. The outstanding balance of borrowings amounted to £113.0m (2016: £114.5m) at 30 April 2017.

NOTES TO THE ACCOUNTS
CONTINUED

30. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and all subsidiaries listed in the following table:

Subsidiaries	Country of registration (or incorporation) and operation	% of ordinary shares held by the Company	% of ordinary shares held by the Group	Nature of business
Consort Medical Finance 2010 Limited[1]	United Kingdom	100	100	Financial intermediary
Bespak Holdings Limited[1]	United Kingdom	100	100	Non-trading company
Bespak Finance Limited[1]	United Kingdom	100	100	Non-trading company
Consort Medical Finance Limited[1]	United Kingdom	–	100	Financial intermediary
Consort Medical Finance Ireland Limited[1]	Ireland	–	100	Financial intermediary
Consort Medical GmbH[2]	Germany	–	100	Non-trading company
Consort Medical Srl[3]	Italy	–	100	Non-trading company
H & M Rubber Company Inc[4]	USA	–	100	Dormant
Bespak Europe Limited[1]	United Kingdom	100	100	Drug delivery device manufacturer
Integrated Aluminium Components Limited[1]	United Kingdom	–	100	Manufacturer of anodised parts and pressings
The Medical House Limited[1]	United Kingdom	100	100	Development of disposable auto-injector systems
The Medical House Group Limited[1]	United Kingdom	–	100	Non-trading company
Medical House Products Limited[1]	United Kingdom	–	100	Development of disposable auto-injector systems
Medical House (ASI) Limited[1]	United Kingdom	–	100	Development of disposable auto-injector systems
Hyperlyser Limited[1]	United Kingdom	–	100	Dormant
Bespak, LLC[5]	USA	–	100	Commercial services
Aesica Holdco Limited[1]	United Kingdom	100	100	Non-trading company
Aesica M1 Limited[1]	United Kingdom	–	100	Non-trading company
Aesica M2 Limited[1]	United Kingdom	–	100	Non-trading company
Aesica BC Limited[1]	United Kingdom	–	100	Non-trading company
Aesica Pharmaceuticals Limited[1]	United Kingdom	–	100	Pharmaceutical ingredients/ products manufacturer
Aesica Queenborough Limited[1]	United Kingdom	–	100	Pharmaceutical ingredients/ products manufacturer
Aesica Trustee Company Limited[1]	United Kingdom	–	100	Non-trading company
Aesica LLC[6]	USA	–	100	Commercial services
Aesica Formulation Development Limited[1]	United Kingdom	–	100	Pharmaceutical ingredients/ products manufacturer
Aesica Pharmaceuticals GmbH[2]	Germany	–	100	Pharmaceutical products/ packaging manufacturer
Aesica Pharmaceuticals S.r.l.[3]	Italy	–	100	Pharmaceutical products/ packaging manufacturer

Registered Addresses:

[1] Breakspear Park, Breakspear Way, Hemel Hempstead, HP2 4TZ, United Kingdom
[2] Alfred-Nobel Straße 10, 40789, Monheim, Germany
[3] Via Praglia 15, 10044, Pianezza (TO), Italy
[4] 4400 Easton Commons Way, Suite 125, Columbus, OH 43219, USA
[5] Corporation Trust Center, 1209 Orange Street, Wilmington, Newcastle, Delaware, 19801, USA
[6] 601 US Highway 35 North, Neptune, New Jersey, 07753, USA

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties	Country of registration (or incorporation) and operation	% of ordinary shares held by the Company	% of ordinary shares held by the Group	Nature of business
Atlas Genetics Limited[1]	United Kingdom	15	15	Healthcare technology company
Oxular Limited[2]	United Kingdom	12	12	Retinal therapeutics company

Registered Addresses:

[1] Derby Court, Epsom Square, White Horse Business Park, Trowbridge, Wiltshire, BA14 0XG, United Kingdom
[2] Magdalen Centre, Robert Robinson Avenue, Oxford, OX4 4GA, United Kingdom

Aesica Holdco Limited and its subsidiaries were acquired on 12 November 2014.

The following tables provide the total amount of transactions which have been entered into with related parties for the relevant financial year:

	Sale of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
Group	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Related parties	**1.9**	1.7	**–**	–	**0.1**	0.2	**–**	–

	Sale of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
Company	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Subsidiaries	**10.9**	9.7	**0.9**	0.9	**225.6**	207.6	**272.1**	270.8

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances that relate to trading balances are unsecured, interest-free and settlement occurs in cash. Long-term loans owed to and from the Company by subsidiary undertakings generally bear market rates of interest in accordance with the intercompany loan agreements. Consort Medical plc has provided guarantees to suppliers of Integrated Aluminium Components Limited amounting to £1.7m (2016: £1.9m), including a property lease that runs until 2020.

A provision of £3.1m exists against the amount due from Integrated Aluminium Components Limited to Consort Medical plc (2016: £3.1m). No other provisions have been made against amounts from related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Outstanding balances with the Company's pension scheme are disclosed in note 21.

Compensation of key management personnel of the Group

Key management personnel includes directors (executive and non-executive) and members of the Executive Committee.

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Short-term employee benefits	**2.8**	3.0	**2.2**	2.3
Post-employment benefits	**0.3**	0.3	**0.2**	0.2
Share-based payments	**0.9**	1.3	**0.7**	1.1
	4.0	4.6	**3.1**	3.6

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CONSORT MEDICAL PLC ONLY

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Consort Medical plc for the year ended 30 April 2017 set out on pages 79 to 133. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2017 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement, in decreasing order of audit significance, that had the greatest effect on our audit were as follows (unchanged from 2016):

Risks of material misstatement		vs 2016
Recurring risks	Valuation of Goodwill and Intangible Assets	< >
	Revenue Recognition	< >

The risk		Our response
Valuation of Goodwill and Intangibles Assets (Goodwill: £126m (2016: £122.6m)) (Intangible Assets: £56.2m (2016: £67.3m)) Refer to page 53 (Audit Committee Report), page 90 (accounting policy) and pages 108 to 109 (financial disclosure).	**Valuation of Goodwill and Intangible Assets** Goodwill and customer relationship intangible assets are directly linked as they arise from past acquisitions. These are assessed for indicators of impairment and tested for impairment if such indicators are identified. The cash generating units to which goodwill is allocated are assessed for impairment using a discounted cash flow model to calculate a value in use, on an annual basis. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, the valuation of goodwill and customer relationships is one of the key judgmental areas on which our audit focused.	**Our procedures included:** **Our sector experience** We assessed and challenged whether there were any internal or external indicators of impairment that should have been considered by the directors, associated with the goodwill and finite life intangible assets, based on our knowledge of the Group and the market; **Benchmarking assumptions** We used our own valuation specialists to assist us in evaluating the discount rate and we considered the reasonableness of other key assumptions including, growth rate, foreign exchange rates, and cash flow forecasts; **Sensitivity analysis** We performed breakeven analysis on the assumptions noted above; **Historical comparisons** We challenged the forecast used in the discounted cash flow model by evaluating the Group's budgeting procedures upon which the forecasts are based. We assessed the accuracy of the current year forecasts by considering the accuracy of prior period forecasts; and **Assessing transparency** We assessed the adequacy of the Group's disclosures (see notes 14 and 15) in respect of impairment testing and considered whether the disclosures reflected the risks inherent in the valuation of goodwill and intangible assets.

The risk		Our response
Revenue recognition (£294.0m; (2016: £276.9m)) Refer to page 53 (Audit Committee Report), page 88 (accounting policy) and pages 96 to 97 (financial disclosure).	**Completeness, existence and accuracy of revenue recognition** The Group's revenue is mainly derived from long-term manufacturing agreements. The agreements vary from customer to customer in terms of minimum order quantities, performance obligations or milestone deliverables and payment mechanisms. Given the variety of individual contract terms, and that revenue is a material figure in the financial statements, we consider a significant risk exists in relation to the timing and value of revenue to be recognised.	**Our procedures included:** **Control design, observation and performance:** Testing the design, implementation and operating effectiveness of the controls over the revenue process **Expectation vs outcome:** For a sample of significant contracts in Bespak, we developed an expectation of the revenue to be recognised based on the contractual terms with regards to price and volumes delivered in the year and compared to actual revenue; and **Test of details:** We read a sample of revenue contracts for Bespak and Aesica to determine whether the amounts recognized in revenue were in line with the contractual terms with regards timing and value taking into consideration delivery quantities, milestones and other performance obligations. We obtained a sample of invoices raised and related delivery documentation around the year end to assess whether revenue had been recorded in the appropriate period with respect to those invoices. We examined a sample of credit notes raised after the period end to determine whether revenue had been recorded in the appropriate accounting period.

3. Our application of materiality and an overview of the scope of our audit

Overview

Materiality: Group financial statements as a whole	£1m (2016: £1m) 5% (2016: 5%) of normalised Group profit before tax
Coverage	90% (2016: 99%) of Group profit before tax

Materiality for the Group financial statements as a whole was set at £1m (2016: £1m) and determined with reference to a benchmark of Group profit before tax as disclosed on the face of the Income Statement, of which it represents 5% (2016: 5%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £50k (2016: £50k), in addition to other identified misstatements that we believe warranted reporting on qualitative grounds.

Of the Group's 27 components (2016: 27 components), we subjected 15 (2016: 15) to audits for Group reporting purposes. These accounted for over 93% (2016: 94%) of the Group's revenues, 90% (2016: 99%) profit before taxation, and 96% (2016: 96%) of the Group's total assets. For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement with these.

The Group audit team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The component materialities ranged from £281k to £700k (2016: £2k to £730k), having regard to the mix of size and risk profile of the Group across the components. The work on 1 (2016: 1) of the 15 components was performed by component auditors and the rest by the Group team.

The Group team held telephone conference meetings with the overseas Group reporting component auditor, and also attended the audit clearance meeting. At these meetings, the audit approach, findings and observations reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor. The Group team also reviewed the audit work papers for significant areas prepared by the component auditor.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for Group reporting purposes	15	93%	90%	96%
Total	**15**	**93%**	**90%**	**96%**
Total (2016)	**15**	**94%**	**99%**	**96%**

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement on Viability on page 52, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report on page 53 does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 52, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 45 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 78, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

LYNTON RICHMOND (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

14 June 2017