CHIEF FINANCIAL OFFICER'S REPORT

PAUL HAYES CHIEF FINANCIAL OFFICER

UNDERLYING EBIT

£42.7m

UP 6.8%

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

Trading

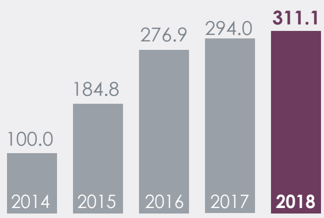
Group revenue grew by £17.1m (5.8%) to £311.1m with 4.4% of underlying growth and the benefit from translating our overseas results at more favourable exchange rates. Both the Bespak and Aesica divisions grew during the year and EBIT before special items increased by 6.8% to £42.7m. There was 5.3% of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

Finance costs & Profit before tax

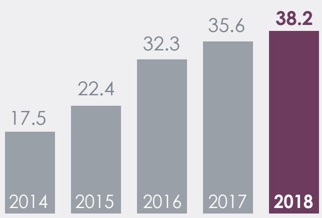
Finance costs at £4.5m (FY2017: £4.4m) were in line with the prior year.

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

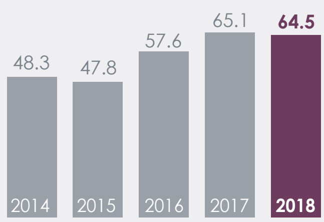
Revenue
£m



PBT before specials
£m



Adjusted basic EPS
Pence



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Special items

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

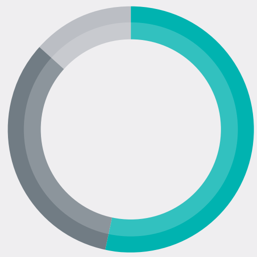
Statutory profit before tax was £4.6m lower at £17.3m (FY2017: £21.9m) as a result of these special items.

Taxation

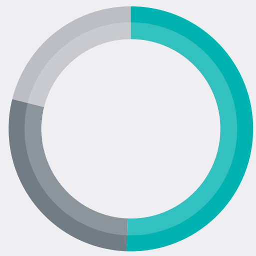
The underlying tax charge amounted to £6.6m (FY2017: £3.8m) delivering an effective tax rate (ETR) of 17.3% (FY2017: 10.7%). The Group's ETR was particularly low last year as it included some prior year adjustments that have not recurred this year. The ETR reflects a combination of factors including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

The Group benefits from the Research and Development Expenditure Credit (RDEC) and realised an R&D tax credit of £2.2m in the year (FY2017: £1.8m) that is recognised in operating profit and benefits both Bespak and Aesica.

Bespak revenue by product type 2018



Bespak revenue by product type 2017



Bespak continues to benefit from the progressive implementation of the UK's Patent Box regime on earnings from its patented products amounting to a benefit in the year of £1.9m in its cash tax (FY2017: £1.7m).

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

The outlook for the ETR for FY2019 is 18%, subject to the mix of Bespak sales (IP and non-IP protected), and the mix of Aesica sales between UK, Germany and Italy.

The Group's tax strategy continues to follow the commercial development of the business, while taking advantage of government tax incentive policies. The Group continues to be rated low risk by HMRC.

Earnings

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

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

Dividend

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

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

Cash flow & Net debt

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

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

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

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

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

Financing & Liquidity

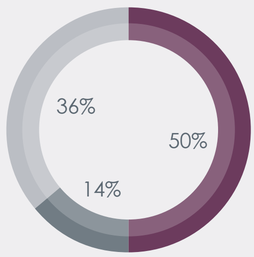
The Group has a c.£160m multi-currency committed revolving credit facility with Barclays, Lloyds, RBS and Santander which expires in September 2019. At 30 April 2018, the Group had drawn £117.3m of this committed revolving credit facility (FY2017: £113.0m).Margins are between 1.2% and 2.2% over LIBOR depending upon the ratio of Net debt to EBITDA. A non-utilisation fee of the interest margin on the undrawn balance applies.

The facility has two covenants: Net debt to EBITDA less than 3.0x and Interest Cover over EBITDA being greater than 3.0x. The Group continues to operate within its covenants at 30 April 2018 with Net debt to EBITDA of 1.7x, and Interest Cover 23.2x.

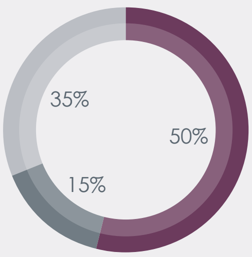
The Group has an uncommitted £65m accordion facility by which further funding may be made available by the participating banks under current terms to support significant investment or acquisition opportunities which may arise. The Group also has uncommitted overdraft facilities in the UK of £4.5m and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

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

Customer dependency – FY2018



Customer dependency – FY2017



Top 5
Top 10
Others

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Foreign currency exposure

The Group monitors its foreign currency exposures carefully and seeks to mitigate all material transactional exposures. Bespak currently has limited exposure to movements in the Euro and US Dollar and Aesica has wider exposure to the Euro. Where appropriate forward foreign currency is bought and/or sold to protect transactional margin exposure.

As a result of the Group's German and Italian Euro denominated operations, foreign currency translation sensitivity for the Euro is such that a 10¢ strengthening/weakening in the Euro:GBP exchange rate increases/decreases revenue by c.£8.4m and EBIT by c.£1.1m.

Pensions

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

Bespak scheme

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

As at 30 April 2018, the Bespak IAS 19 deficit was £10.4m compared with £40.6m as at 30 April 2017. The significant decrease in the deficit was primarily due to changes in the demographic assumptions in line with the recently agreed triennial valuation plus an increase in discount rates year over year.

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

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

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

Aesica schemes

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

Risk management

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

PAUL HAYES
CHIEF FINANCIAL OFFICER