INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CONSORT MEDICAL PLC

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 2016 set out on pages 75 to 130.

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 2016 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 that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Valuation of goodwill (£122.6m) and intangible assets (£67.3m)

Refer to page 49, page 86 and page 104.

- **The risk** — Goodwill and intangible assets are assessed for impairment using a discounted cash flow model to calculate a value in use. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is one of the key judgemental areas on which our audit focused.
- **Our response** — We challenged the forecasts contained within the discounted cash flow model by assessing the Group's budgeting procedures upon which the forecasts are based and comparing the assumptions to externally derived data as well as our own assessments. We used our own valuation specialists to assist us in evaluating the key assumptions, including the long-term growth rate and the discount rate as well as performing sensitivity analysis over these. We tested the principles and integrity of the Group's discounted cash flow model. We also assessed the forecasting accuracy of the Group in previous periods. We assessed the adequacy of the Group's disclosures (see note 14) in respect of impairment testing and considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the valuation of goodwill and other intangible assets.

Revenue recognition (£276.9m)

Refer to page 50, page 84 and pages 91 to 93.

- **The risk** — The Group's revenue is mainly derived from long-term manufacturing contracts. The contracts vary from customer to customer in terms of minimum order quantities, performance obligations, payment mechanisms and contributions to capital expenditure for assets required in production. 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 quantum of revenue to be recognised.
- **Our response** — Our audit procedures included documenting and performing walk-through tests of the controls over the delivery of products to customers and the presentation of these deliveries and the revenue recognised in respect of them in the financial statements. We read a sample of revenue contracts to determine whether the policy for recognising and measuring revenue with respect to those contracts was in line with the contractual terms and relevant accounting literature. With respect to revenue recognised in the year, we inspected a sample of significant contracts and evaluated the revenue recognised against the terms of those contracts and products delivered in the year. We obtained a sample of invoices raised around the year end and traced them to appropriate delivery documentation to assess whether revenue had been recorded in an appropriate period with respect to those invoices. We examined credit notes raised after the period end to determine whether revenue had been recorded in an appropriate accounting period with respect to those items.

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

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

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

Of the Group's 27 components, we subjected 15 to audits for Group reporting purposes. These accounted for over 94% of the Group's revenues, 99% profit before taxation, and over 96% of the Group's total assets. For the remaining components, we performed analysis at an aggregated Group level to reexamine 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CONSORT MEDICAL PLC

The component materialities ranged from £2k to £730k, having regard to the mix of size and risk profile of the Group across the components. The work on one of the 15 components was performed by component auditors and the rest by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

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.

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 for which the financial statements are prepared is consistent with the financial statements

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 of Viability on pages 47 and 48, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the next three years to 2019 or
- the disclosures in note 1 of the financial statement 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 section of the Annual Report on page 49 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 pages 47 and 48, in relation to going concern and longer-term viability and
- the part of the Corporate Governance Statement on page 41 relating to the Company's compliance with the eleven 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 74, 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 opinion.

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
15 June 2016