Consort Medical

News Release

13 June 2013

Consort Medical plc

Preliminary results for the year ended 30 April 2013

Continuing strong performance and strategic execution

Consort Medical plc (LSE: CSRT) ("Consort" or the "Group"), a leading designer and manufacturer of drug delivery and device technologies, today announces its audited preliminary results for the year ended 30 April 2013.

Financial Highlights[1]

Like for like performance measures

GBPm *12 months ended*	**FY2013 Actuals** *30 April 2013*	**FY2012 Like for Like** *30 April 2012*	**Growth**	**FY2012 Actuals** *30 April 2012*	**Growth**
Revenue from products and services	129.5	127.8	1.3%	136.6	(5.2%)
Operating profit (before special items)	21.5	20.9	2.9%	21.5	(0.3%)
EBITDA (before special items)	28.3	27.2	4.0%	28.4	(0.9%)
Profit before tax and special items	19.6	18.7	4.4%	19.4	0.9%
Adjusted basic earnings per share	54.9p	n/a	n/a	52.2p	5.2%
Final Dividend per share	12.71p	n/a	n/a	12.1p	5.0%
Net Cash / (Debt)	37.0	n/a	n/a	(37.7)	n/a

Statutory performance measures

GBPm *12 months ended*	**FY2013 Actuals** *30 April 2013*	**FY2012 Actuals** *30 April 2012*	**Growth**
Revenue	101.4	97.8	3.6%
Profit for the financial year	24.4	14.2	72.3%

- Bespak operating profit[2] (before special items) up 6.6% to £19.5m, with positive margin expansion of 100bps to 20.5%;
- Profit before tax (and before special items) up 4.4% to £19.6m;
- Adjusted Basic EPS up 5.2% to 54.9p;
- Final dividend increased 5.0% to 12.71p, giving full year dividend of 19.71p, and dividend cover of 2.79x; and
- Balance sheet strong, with cash of £37.0m post receipt of initial King Systems disposal proceeds.

[1] Consort Medical divested King Systems on 15 February 2013. The FY2012 like for like figures reflect Consort Medical's consolidated financial performance on a like for like comparable basis with the FY2013 actuals. Special items of £1.9m include £0.9m amortisation of intangible assets, £0.5m onerous operating lease, £0.2m other costs, (£0.4m) tax credit and £0.7m tax charge on Milton Keynes facility. See note 2.
[2] Bespak (£19.5m) and King (£2.0m) operating profit before special items performance measures are prepared on a basis that is consistent with the historical segmentation analysis. Operating profit before special items is reconciled in total to the Group financial information on page 6 (£21.5m).

Operational Highlights

- Development Pipeline strengthened with considerable progress in development of programmes;
- Successful launch of the Chiesi NEXThaler, initially in Germany;
- Secured a potentially transformational contract from Nicoventures; and
- Completed divestment of King Systems at an attractive valuation.

Jon Glenn, Chief Executive Officer, commented:

"This has been a very significant year for Consort Medical in a number of areas: consistent strong financial performance; strategic execution in progressing the development pipeline towards launch; the successful launch of the Chiesi NEXThaler; securing a potentially transformational contract from Nicoventures; and the divestment of King Systems for a full price. We look forward optimistically to continuing strong performance as our strategy continues to deliver."

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Consort Medical plc is an international medical devices company, focused on developing and manufacturing disposable medical devices for drug delivery. The principal business of the Company is the management of Bespak, a global market leader in the manufacture of drug delivery devices for pharmaceutical partner companies, including respiratory, nasal, and injectables products, and the manufacture of devices for the point of care diagnostics market.

The Group has facilities in King's Lynn, Cambridge, Nelson and Hemel Hempstead in the UK. Consort Medical is a public company quoted on the full list of the London Stock Exchange (LSE: CSRT). The Group's website address is www.consortmedical.com.

Consort Medical plc

Chairman and Chief Executive's Combined Review

This has been a very significant year for Consort Medical in a number of areas:

- Consistent strong financial performance;
- Strategic execution in progressing the development pipeline towards launch;
- The successful launch of the Chiesi NEXThaler;
- Securing a potentially transformational contract from Nicoventures;
- The divestment of King Systems at an attractive valuation.

Group Results

On a like for like basis[1], revenue from products and services increased by £1.7m (1.3%) to £129.5m (FY2012: £127.8m). Bespak revenues[2] rose by £1.5m (1.7%) to £95.0m (FY2012: £93.5m) and King revenues[2] rose by £0.2m (0.4%) to £34.5m (FY2012: £34.3m).

On a like for like basis[1], operating profit before special items increased by 2.9% to £21.5m (FY2012: £20.9m). Bespak's operating profit[2] grew 6.6% to £19.5m (FY2012: £18.2m) with its operating margin increasing to 20.5% (FY2012: 19.5%). King's operating profit[2] decreased 23.0% to £2.0m (FY2012: £2.6m) with its operating margin declining to 5.9% (FY2012: 7.6%).

On a like for like basis[1], profit before tax and special items increased by £0.9m (4.4%) to £19.6m (FY2012: £18.7m).

Adjusted EPS from continuing and discontinued operations increased by 5.2% to 54.9p per share (FY2012: 52.2p). The basic aggregate EPS increased by 71.7% to 84.9p per share (FY2012: 49.5p) due to the gain on disposal of King Systems (See note 4).

Like for like Cash flow from Operating Activities[1] increased to £20.0m (FY2012: £17.6m). Like for like EBITDA[1] before special items was up £1.1m (4.0%) at £28.3m (2012: £27.2m). Working Capital on a like for like basis was down at £8.4m (2012: £9.3m) representing 8.8% of Sales (2012: 10.1%) following a sustained tightening of working capital management processes throughout the year. Capital expenditure of £11.0m (FY2012: £12.1m) was lower than the previous year, which saw investment in the King Systems transformation programme draw to a close.

Net cash on disposal of King Systems totalled £74.7m of which £57.1m was used to repay the Group's debt in full leaving the Group balance sheet in a net cash position of £37.0m (2012: Net debt £37.7m). With headroom of £76.1m under its undrawn banking facility, and a further £25.0m available under the accordion facility, the Group has significant resources of available cash.

Further commentary on the financial results is contained within the Chief Financial Officer's Review, which in particular seeks to clarify the financial performance on a like for like and statutory reporting bases, in the light of the King Systems' disposal.

The Board is proposing a 5% increase in the final dividend to 12.71p (FY2012: 12.1p), making a total dividend for the year of 19.71p. This increase rebases the Company's dividend cover, and underlines the Board's confidence in the sustainability of the current performance, and in the prospects for the conversion of its development opportunities into increased revenue and operating leverage.

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[1] Like for like basis adjusts the comparative figures to reflect the fact that King Systems was disposed of on 15 February 2013.
[2] Bespak (£19.5m) and King (£2.0m) operating profit before special items performance measures are prepared on a basis that is consistent with the historical segmentation analysis. Operating profit before special items is reconciled in total to the Group financial information on page 6 (£21.5m).

Development Portfolio

During the previous financial year, we added three new programmes to the Development Portfolio. During FY2013 there has been significant activity on the portfolio, and substantial resources are being added to manage these opportunities.

During the year the Chiesi NEXThaler was launched in Germany initially with regulatory approval already secure for another 13 European countries.

Project	Description	Customer	Status
DEV750	***DPI***	***European Pharma***	***Launched in March 2013***
INJ300	Autoinjector	Dr Reddy's Laboratories	This injector programme continues on track with the current schedule. Launch still expected H2 2013.
VAL310	Easifill primeless valve	US Pharma	Following re-filing, a further response letter has been received. Final FDA approval now delayed six months.
INJ570	Autoinjector	Global Pharma	Industrialisation scale up continues.
VAL020	MDI valve	Global Pharma	Good progress: launch still expected in 2014.
DEV200	Nicotine delivery	Nicoventures	Awarded exclusive multi-year supply contract. Product filed with MHRA for approval.
POC010	POC Test Cartridge	Atlas Genetics	Significant progress, launch now expected H2 2014.
NAS010	Nasal device	Global Pharma	The programme remains under review by the customer.
NAS020	Nasal device	Global Generic	Good progress; launch expected H1 2015.
DEV610	DPI	Global Pharma	Device design frozen, launch expected 2015.

Another significant development in the year was the award of a multi-year exclusive supply contract for Nicoventures. Previously a development programme with Kind Consumer, Nicoventures has licensed the product IP from Kind, and awarded the supply contract to Bespak. The product has been filed with the MHRA for approval.

All programmes have made further progress towards launch, except NAS010 which is under review by the customer – as indicated at the time of the Interim results. The Group followed its first two tranches of equity investment in Atlas Genetics with a third in April 2013. Significant progress has been made on the Point of Care ("POC") Test Cartridge, POC010, though launch is now expected about six months later in H2 2014.

In addition to the above, there are discussions on a number of programme opportunities in process currently, in established IP, contract manufacturing, and new IP (in particular from the Innovations team in Cambridge), and we expect to be able to unveil a new development programme on at least one of these within the next six months.

King Systems Disposal

In December we announced the divestment of King Systems, our US-based subsidiary engaged in the development and manufacture of disposable supplies to anaesthetists and emergency care practitioners. In recent years, we have made significant investments to improve the efficiency and reduce the operating costs of the business through factory consolidation and automation, and to deliver enhanced organic revenue growth through the development of the King Vision video laryngoscope. It is testament to the turnaround achieved in the business that we received a number of unsolicited approaches to purchase the business, and agreed a sale which provided us with both an attractive up front consideration, and a potentially substantial earn out. The sale completed on 15 February 2013.

Strategic Development

We have continued to execute on our strategy for diversified growth which we launched in 2008. At that time, Bespak was primarily focussed on the respiratory market, and King Systems was in need of new revenue streams and a more efficient cost base. Our strategy enabled us to reposition King's cost base and to create a strong engine of new organic growth for the business, which enabled us to sell it at a full valuation. In 2008, Bespak was principally engaged in the design and manufacture of devices for respiratory drugs; by contrast, today it has diversified such that it also operates in nasal, injectables, nicotine delivery, ocular and POC diagnostics. Moreover it has secured a greater share of the value chain than previously, through the addition of drug handling services to its customers, through one of the nasal development contracts as well as to Nicoventures.

Following the divestment of the King Systems business, our core strategy remains unchanged. Over the past five years, we have successfully diversified the business both horizontally and vertically, strengthened the cost base, and made selective investments into both the Medical House Injectables technology, and the Atlas Genetics POC diagnostics business. Our strategy will continue with a tighter focus on the Life Sciences market, as we exploit the organic development opportunities in front of us. In addition we will grow the business through inorganic means as suitable and value enhancing opportunities which fit with the Bespak business become available, and which can be leveraged to create further enhanced shareholder value.

Bespak

Bespak revenue from products and services grew 1.7% to £95.0m (FY2012: £93.5m), in line with expectations. Bespak operating profit before special items[2] grew 6.6% to £19.5m (FY2012: £18.2m) with operating margin increasing to 20.5% (FY2012: 19.5%), largely from increased service income and operating leverage.

Our growing Innovation team has made significant progress this year, developing a strong pipeline of new opportunities. Many of these have been introduced to customers with a very positive reception, and the team's services have also been commissioned on an "Innovation on Demand" basis.

Our development pipeline is exceptionally strong. Our tried and proven process methodologies are delivering progress on a number of programmes. The award of the Nicoventures programme has brought new opportunity to the pipeline.

Following the successful grant of the clinical trials license in 2011, the regulatory team is developing the necessary processes and controls for commercial drug handling. This will be an integral part of both the Nicoventures project and one of the pipeline nasal contracts: the team is confident of the successful grant of regulatory licensing for this in 2013.

In March 2013, the Chiesi NEXTHaler was launched following a significant development and industrialisation programme, which began in 2005. Industrial planning is well advanced to scale up facilities and equipment for Nicoventures manufacturing, which will include the reopening and refurbishment of our Milton Keynes facility.

King Systems (pre-disposal 15 February 2013)

King Systems like for like revenues[1] grew 0.4% to £34.5m (FY2012: £34.3m) and fell 20.0% (FY2012: £43.1m) without adjusting the comparatives. King Systems like for like operating profit decreased 23.0% to £2.0m (FY2012: £2.6m) with operating margin decreasing to 5.9% and decreased by £1.3m (38.6%) without adjusting the comparatives (FY2012: £3.3m).

King Systems' transformation continued strongly in the year under Consort Medical's ownership.
The Ohio facility was exited as expected about two weeks before the sale of the business completed. This was made possible by achievement of milestones on the Manufacturing Automation programme, on both the bag dip and breathing mask lines.

In addition, the King Vision video laryngoscope continued its sales growth, fulfilling our expectations up to the time of the sale. In addition the development of the next generation King Vision was also progressing on schedule.

King Systems was also successful in securing a multi-year exclusive supply contract with HPG, a major partner in the Hospitals supply chain.

The business departed the Group in good shape, well positioned to grow both revenue and profitability in the future. The disposal transaction was also structured in a way that Consort Medical shareholders will be able to participate in the financial upside which the King Vision video laryngoscope will continue to bring.

Full details of the transaction are included in the Chief Financial Officer's review.

Chief Financial Officer's Review

Income statement

1) *Like for like[1] trading performance*

	2013 Continuing operations £'000	2013 Discontinued operations £'000	2013 Total £'000	2012 £'000	2012 Disposal of King £'000	2012 Like for like £'000
Revenue from products and services	95,044	34,486	129,530	136,580	(8,739)	127,841
Operating profit before special items	18,103	3,376	21,479	21,537	(667)	20,870
Profit before tax and special items	16,188	3,365	19,533	19,338	(666)	18,722

On a like for like basis[1], revenue from products and services increased by £1.7m (1.3%) to £129.5m (FY2012: £127.8m). Bespak revenues[2] rose by £1.5m (1.7%) to £95.0m (FY2012: £93.5m) and King revenues[4] rose by £0.2m (0.4%) to £34.5m (FY2012: £34.3m).

On a like for like basis[1], operating profit before special items increased by 2.9% to £21.5m (FY2012: £20.9m). Bespak's operating profit[2] before special items grew 6.6% to £19.5m (FY2012: £18.2m) with its operating margin increasing to 20.5% (FY2012: 19.5%). King's operating profit[2] before special items decreased 23.0% to £2.0m (FY2012: £2.6m) with its operating margin declining to 5.9% (FY2012: 7.6%).

On a like for like basis[1], profit before tax and special items increased by £0.9m (4.4%) to £19.6m (FY2012: £18.7m).

[1] Like for like basis adjusts the comparative figures to reflect the fact that King Systems was disposed of on 15 February 2013.

[2] Bespak (£19.5m) and King (£2.0m) operating profit before special items performance measures are prepared on a basis that is consistent with the historical segmentation analysis. Operating profit before special items is reconciled in total to the Group financial information on page 6 (£21.5m).

2) Statutory trading performance

Following the disposal of King Systems, the Group's income statement has been re-stated to include profit after tax from King Systems within discontinued operations and the comparative figures for the rest of the income statement have been restated accordingly.

Revenue from products and services on continuing operations (entirely attributable to the Bespak division) grew 1.7% to £95.0m (FY2012: £93.5m).

Operating profit from continuing operations before special items increased by £1.6m (10.1%) to £18.1m (FY12: £16.5m). Profit before tax on continuing operations before special items increased by £1.9m (13.2%) to £16.2m (FY2012: £14.3m).

Profit before tax after special items from continuing operations decreased by £0.2m (1.5%) to £14.7m (FY2012: £14.9m). Profit after tax from continuing operations before special items increased by £1.7m (11.6%) to £13.0m (FY12: £11.3m).

Profit after tax before special items from discontinued operations decreased by £0.8m (22.0%) to £2.8m (FY12: £3.6m). Profit after tax and special items from discontinued operations increased by £11.0m to £13.3m.

Adjusted EPS from continuing and discontinued operations increased by 5.2% to 54.9p per share (FY2012: 52.2p). Basic EPS from continuing and discontinued operations increased by 71.7% to 84.9p per share (FY2012: 49.5p) due to the gain on disposal of King Systems (See note 4).

Taxation

The tax charge from continuing and discontinued operations for the year was £3.5m. The tax charge from continuing and discontinued operations before special items of £3.8m reflects an effective rate of 19.4% (FY2012: 23.0%).

The tax charge before special items on continuing operations (see note 3) was £3.2m resulting in an effective rate of 19.7% (FY2012: 20.8%). The R&D tax credit claims in the UK, a falling UK tax rate and finalisation of brought forward liabilities contributed to the reduced overall tax charge.

The tax credit from discontinued operations (see note 7) of £0.1m reflects the fact that no tax was charged against the gain on disposal, as the substantial shareholder exemption was available to the Group. The tax charge before special items from discontinued operations was £0.6m at an effective rate of 17.5% which was lower than the statutory rate due to the receipt of an R&D tax credit in the period up to disposal attributable to King Systems.

Dividend

The Board is proposing a 5% increase in the final dividend per share of 12.71p (2012: 12.1p) such that the total dividend for the period amounts to 19.71p (2012: 19.1p) as set out in note 5 to the financial information. The final dividend will be paid on 25 October 2013 to shareholders on the register on 20 September 2013. Dividend cover, based on earnings before special items, was 2.8 times (2012: 2.7 times). At the 30 April 2013 share price of 800p this represented a yield of 2.5%.

Special items from continuing operations

Special items from continuing operations of £1.9m consist of £0.9m of amortisation of intangible assets created on the acquisition The Medical House in 2009, a charge of £0.5m against an operating lease from the Medical House and other costs of £0.2m. The Group also incurred a one off tax charge of £0.7m in respect of the recognition of a deferred tax liability following the announcement to re-open the site at Milton Keynes offset by the tax effect of the above special items of £0.4m. See note 2.

Discontinued operations

On 15 February 2013, Consort Medical completed the sale of King Systems to Ambu A/S. This followed a number of unsolicited approaches from parties interested in acquiring the business.

The upfront consideration was £77.4m ($120.0m), which following adjustments for working capital increased to £79.6m ($123.3m). This represents a 17.3 multiple of the FY2012 EBITDA. Given the anticipated near term improvements expected in the financial performance of the business at the time of sale, contingent consideration mechanisms were agreed as a central element of the value realisation from the disposal. The first was a £6.5m ($10.0m) lump sum payment upon the launch of the King Vision next generation blade. The second element was a three year earn out of up to $40.0m based on the King Vision sales in the period from 1 May 2013 to 30 April 2016: £12.9m ($20.0m) of this was based on the King Systems business plan at the time of sale, with a further £12.9m ($20.0m) upside for up to 100% outperformance of that plan. Payment of the £6.5m ($10.0m) lump sum plus the first £12.9m ($20.0m) of the earn-out would equate to a valuation multiple of 21.5x FY2012 EBITDA; payment of the full £32.3m ($50.0m) would equate to a valuation multiple of 24.3x FY2012 EBITDA.

The disposal has been accounted for as follows and is included within special items from discontinued operations as set out in note 7 to the financial information:

	£m
Cash proceeds	79.6
Fair value of contingent consideration receivable	11.5
Net assets disposed	(78.0)
Disposal costs	(4.9)
Recycling of foreign exchange gains from reserves	2.7
Gain on disposal	10.9

Other special items from discontinued operations include £1.1m of amortisation of intangible assets recognised on the acquisition of King Systems in 2005 and £0.2m of restructuring costs in respect of the King transformation programme, offset by a £0.2m credit on the unwind of the discount on the contingent consideration receivable from Ambu and the tax effect of the above special items of £0.7m.

Revenue from discontinued operations decreased by £8.6m (20.0%) to £34.5m (FY2012: £43.1m). Profit before tax and special items from discontinued operations decreased by £1.7m (33.8%) to £3.4m (FY2012: £5.1m).

Investment in Atlas Genetics Ltd

In April 2013, the Group made a further investment of £1.1m in Atlas Genetics Ltd: this was the second Tranche of the funding initiated in July 2011, when the Group invested £1.4m, adding to the £1.2m invested in a previous fund raising in February 2011. The Group's total investment to date now stands at £3.7m. Substantial progress has been made in the last year in the POC diagnostics card development - in conjunction with Bespak – and with the development of the card reader and assay tests. The Group now holds 16.9% of the equity, or 15.7% on a fully diluted basis. The other equity partners include Novartis Venture Funds, Johnson & Johnson Development Corporation, Life Science Partners and BB Biotech Ventures. The third tranche of this round of funding is due in March 2014, and the Group may invest a further £0.5m. We continue to believe that having been joined as co-investors by two leading healthcare companies with significant diagnostic interests, and two leading Life Science investors, that their investment underlines the great potential of Atlas. The additional funding is expected to be sufficient to launch the current products for the detection of chlamydia and gonorrhoea as well as to start development of diagnostic tests for other infectious diseases.

Bespak has retained its long term manufacturing rights to the disposable card used in the Atlas system and continues with an arm's length development contract to design for manufacture and scale up production of the disposable card. The Group will continue to account for Atlas as an equity investment in the accounts of Consort Medical plc.

Balance sheet

Following the disposal of King Systems in February 2013, the Consort Medical balance sheet has been materially strengthened. Year-end Net Cash was £37.0m (FY2012: Net Debt (£37.7m)). With headroom of £76.1m under its undrawn banking facility, and a further £25.0m available under the accordion facility, the Group has significant available cash resources. Gross assets were £142.5m (2012: £182.8m). The pension deficit increased to £11.8m (2012: £3.4m) and is reviewed separately below. Provisions fell from £3.7m at the beginning of the period to £2.6m at 30 April 2013.

Cash flow, financing and liquidity

1) *Like for like cash flow performance*

	2013 Continuing operations £'000	**2013 Discontinued operations £'000**	**2013 Total £'000**	**2012 £'000**	**2012 Disposal of King £'000**	**2012 Like for like £'000**
EBITDA before special items	23,696	4,293	28,262	28,348	(1,183)	27,165
Cash flow from operating activities			20,015	18,426	(860)	17,566
Working capital			8,381	16,096	(6,700)	9,396

Like for like Cash flow from Operating Activities[1] increased to £20.0m (FY2012: £17.6m). Like for like EBITDA[1] before special items was up £1.1m (4.0%) at £28.3m (2012: £27.2m). Working Capital on a like for like basis was down at £8.4m (2012: £9.4m) representing 8.8% of revenue (2012: 10.1%) following a sustained tightening of working capital management processes throughout the year.

2) *Statutory cash flow performance*

Cash Flow from Operating Activities increased by £1.6m (8.6%) to £20.0m (FY2012: £18.4m). EBITDA before special items decreased by £0.1m (0.3%) to £28.3m (FY2012: £28.4m). Working capital reduced by £4.8m or 41.4% due to the disposal of King Systems during the year. Capital expenditure of £11.0m (FY2012: £12.1m) was lower than the previous year, which saw investment in the King Systems transformation programme draw to a close. Net cash on disposal of King Systems totalled £74.7m of which £57.1m was used to repay the Group's debt in full leaving the Group balance sheet in a net cash position of £37.0m (2012: net debt £37.7m).

The Group refinanced its principal bank facilities in June 2012 with the Royal Bank of Scotland (RBS) and HSBC. In order to eliminate the risk of volatile currency movements affecting our headroom, we have continued to split our main facilities into two revolving credit facilities (RCFs). The first RCF is for $56m (undrawn at 30 April 2013) and the second RCF is for £40m (also undrawn at 30 April 2013). These facilities total £76.1m and will expire in November 2016. Margins remained unchanged from the old facilities, with a cost of between two and three percent over LIBOR depending upon the ratio of net debt to EBITDA prevailing at the time. A non-utilisation fee of 40% of the interest margin on the undrawn balance applies.

Under the terms of the refinancing, the Group also has a £25m "accordion" facility, by which further facilities may be made available by RBS and HSBC under the current terms to support significant investment or acquisition opportunities which may arise.
The Group maintains levels of sterling cash sufficient to meet imminent obligations and to be a reserve in case of an adverse event. These funds are invested with a range of reputable financial institutions approved by the Board.

With net cash on the balance sheet, the Group clearly remains comfortably within both its headroom and its covenants. Taking into account the cash balances available, the total headroom at the period end was £113.1m (FY2012: £28.8m).

Foreign currency and European exposure

The Group monitors its foreign currency exposures carefully and seeks to mitigate all material transactional exposures. The Group currently has low exposure to movements in the euro and US dollar movements. Where necessary we buy or sell forward currency to protect current period transactions.

The Group does have significant sales into the Euro zone. We are vigilant as to the growing risks in Europe, but it is an important feature of our market that our customers are generally very profitable and stable entities for whom our products are generally a small part of the total cost of sales. The majority of them purchase product from us in GB pounds and they are generally unable to change their supply chains due to the regulatory environment in the short or even medium term. We continue to monitor the situation closely.

Pension scheme

Bespak operates a defined benefit pension scheme in the UK that is closed to new employees, who are eligible to join a defined contribution pension scheme. As at 30 April 2013, the deficit under IAS19 reporting requirements was £11.8m compared with £3.4m as at 30 April 2012. The movement was primarily as a result of gross liabilities increasing to £91.3m (2012: £71.5m) due to abnormal conditions in the global markets that have further depressed discount rates, partially offset by a recovery in asset values.

The Group completed its triennial revaluation of the pension scheme as at 30 April 2011, at which point the pension scheme was in a small actuarial surplus. The next triennial actuarial valuation will take place as at 30 April 2014.

Risk management

The Group considers effective risk management to be a high priority. We are pleased to report that the Group incurred no material financial or business losses despite the riskier economic and business environment.

Outlook

The breadth and depth of our development pipeline is substantial, and in the coming twelve months we expect to see significant progress through the achievement of milestones on current programmes, including product launches, as we deploy significant additional resources to convert these opportunities.

In addition to the firm pipeline we have a number of live early stage project enquiries under review, including new projects from our Innovations team. We would expect to convert at least one of these into our development pipeline over the next six months.

Volume production at the Bespak business continues to meet our expectations for the current year, which will include the ramp-up in production of the Chiesi NEXThaler following launch and roll-out to further territories.

The Board expects the sustained organic growth initiatives to continue to convert into progressively increased revenue and operating leverage for Consort Medical over time, as well as from further development programme wins. The Group continues to evaluate suitable inorganic opportunities which are consistent with its strategy.