Advanced Medical Solutions Group plc

Technology Platforms for Growth

INTERIM REPORT 2007

Advanced Medical Solutions Group plc

Financial Highlights

Financial position further improved:

- Maiden first half pre-tax profit of £0.7 million (H1 2006: £0.1 million loss), following a full year 2006 pre-tax profit of £0.6 million
- Group revenue up 22% to £7.9 million (H1 2006: £6.5 million)
- Gross margin further improved to 43% from 40%
- Positive EPS of 0.57p (H1 2006: 0.10p loss)
- Net cash inflow from operations of £1.2 million (H1 2006: £0.4 million)
- Cash generation resulted in cash and cash investments of £5.3 million at the half year (H1 2006: £3.6 million)
- The Group will adopt IFRS in 2007. This has had a positive impact on pre-tax profit of less than £0.2 million in H1

Business Highlights

Continued progress with key organic growth drivers:

- Continued growth of silver alginate business with further launches by strategic partners in US and Europe
- NHS direct business continuing to build steadily with the number of NHS Trusts using ActivHeal® range doubling since the year-end to more than 80
- Surgical skin sealant successfully launched in US by Kimberly-Clark
- LiquiBand™ progressing on track for US regulatory approval in 2008

Overview

I am pleased to announce that AMS continues to make excellent progress across the Group. The financial position has been further strengthened with the Group delivering maiden first half profits on revenue growth of 22% and positive net cash flow continuing in the period. Good progress has been made across all of the key organic growth drivers and a number of strategic M & A opportunities have been identified that are currently under consideration.

Operating review

Advanced woundcare

Advanced woundcare sales of £6.3 million were up 21% on the prior half-year with growth spread across key products and markets. The global advanced woundcare dressings market is currently estimated at $3.2 billion and growing at around 10% per annum.

The Group continues to strengthen its position in the dynamic silver alginate market, which is now estimated to be $125 million and growing at 25%. AMS has two silver technologies and a broad range of partners selling into the major global markets. New partner launches took place during the first half year into the US hospital market and in a number of European countries.

The opportunity to access the US burns market was strengthened with 510(k) clearance being granted by the FDA, allowing AMS to extend its claims for a silver alginate dressing that is effective for up to 21 days. This allows the frequency of dressing changes to be reduced, thus providing a significant reduction in the time and overall cost of treatment, a better opportunity for healing to progress undisturbed and less pain and discomfort to the patient. The extended claims strengthen the commercial offering to marketing partners looking to access the burns market.

The Company has made good progress during the period with its direct ActivHeal® offering to the NHS. The number of NHS Hospital and Primary Care Trusts that have adopted ActivHeal® products has doubled since year-end to more than 80. The focus remains on converting hospital Trusts to the use of ActivHeal® as a first line therapy for routine wounds, complementing the use of the Group's new technologies such as silver alginate for treating more difficult wounds sold through strategic partners.

The recent addition of University College London Hospitals (UCLH) NHS Foundation Trust is a strong endorsement of the ActivHeal® product range and the success AMS is now achieving with this business model. Following a review of its woundcare product formulary, this major London teaching centre adopted ActivHeal® as a way to manage costs without compromising patient care for routine wounds after evaluating products from a number of companies. The training and educational assistance provided by the AMS clinical nurse team to support a successful conversion was recognised. This is particularly encouraging as over the past year the Group has focused on providing strong clinical support to back up the value proposition of its product offering. The ActivHeal® product range has also been strengthened with the launch of new foam and hydrocolloid products in June.

The Company remains confident that it will continue to penetrate the NHS advanced woundcare market currently estimated at £110 million. Increased central decision-making by regional purchasing hubs and integration of product usage between Hospitals and their associated Primary Care Trusts, are positive trends that support timely selection and adoption of the ActivHeal® range.

Wound closure and sealants

The wound closure and sealants business grew 28% to £1.7 million in the period as the Group continued to develop its LiquiBand™ business within Europe and Kimberly-Clark launched surgical skin sealant into the US.

The Group maintained its strong leadership position in the UK Accident & Emergency (A&E) arena in the period and has also focused the efforts of its European distributors on the A&E market where the adhesive technology has real clinical and cosmetic benefits over alternative wound closure methodologies such as sutures, staples and adhesive strips. The Group is reviewing its strategy for penetration of the European Operating Room (OR) market either through recruitment of specialist OR distributors or by expanding its direct sales presence in this area.

The dominant segment of the $150 million topical tissue adhesive market is the US and regulatory approval for entering this market is progressing. The FDA has now accepted, and is promoting, the panel recommendation of August 2006 for these products to be reclassified from a Premarket Approval (PMA) to the less onerous 510(k) approval route.

A Federal Register Notice was posted on 3 July 2007 containing draft Special Controls to be used for 510(k) clearance, and written comments from the public were requested. Subject to the outcome of the public comments, formal reclassification allowing 510(k) regulatory approval is anticipated during 2008. In the meantime the Group continues to build clinical data to support a PMA route in parallel.

Kimberly-Clark Health Care is continuing its US roll out of the new surgical skin sealant following its initial introduction in February 2007. The product is now available in the US, Europe and other international markets. Initial reaction from the surgical community to this innovative product to help prevent infection of surgical sites is very positive, both at the institutional and at the individual surgeon level. The product is being evaluated in a wide range of surgical procedures as a means to help reduce skin flora contamination of the wound. Particular interest is being shown in orthopaedic surgery where the implications of surgical site infection during the procedure are recognised as an area of concern.

R & D

The Group has continued to build on its current technology programmes. As well as adding line extensions to the current advanced woundcare range, new dressings with improved fluid handling and wound healing characteristics are under development. Of particular interest are materials that inhibit or negate the effect of metallo-matrix proteases (MMP's), enzymes that prevent wound healing. A number of technologies are under evaluation, both through internal development and as licensing and acquisition candidates, that could lead to products with superior performance by modulating MMP activity and hence may help to accelerate chronic wound healing.

In wound closure and sealants, as well as broadening the existing product portfolio for topical skin closure and protection, the Group has started to evaluate technologies that will allow it to enter the internal adhesives and sealants market currently estimated at $600 million. Whilst this is likely to be a medium to long term development and regulatory approval programme, it will allow the Group to leverage its current cyanoacrylate adhesives platform and its expertise in applicator design to enter the surgical arena as part of continuing to move to higher value products.

Financial Review

The Group will adopt International Financial Reporting Standards (IFRS) for the first time in 2007. The condensed consolidated interim financial statements have been prepared on the basis of the accounting policies that will be adopted in the year end 31 December 2007 annual report. An explanation of the basis of preparation and the accounting policies that will be adopted are included in the notes to the accounts together with reconciliations explaining the impact of the transition. Overall, the profit before tax has been improved by less than £0.2 million in the first half year under IFRS with the main changes arising from the capitalisation of R & D of £0.2 million being offset by the costs of share based payments (£0.1 million).

Group revenue increased 22% to £7.9 million (H1 2006: £6.5 million) for the first six months ended 30 June 2007. Both parts of the business grew strongly with the advanced woundcare business growing 21% to £6.3 million (H1 2006: £5.2 million) and the wound closure and sealants business growing 28% to £1.7 million (H1 2006: £1.3 million). Both businesses benefited from product launches in the period.

Revenue grew in the UK by 39% with sales to the NHS making good progress. Sales to the rest of Europe through partners also progressed well, growing 31%, whilst sales to the US were affected by the weak dollar but still grew by 12%. On a comparable dollar basis to last year, sales growth in the US would have been 21%.

The gross margin for the Group was 43% (H1 2006: 40%). The Group continues to benefit from improvements to manufacturing efficiency and from selling higher value products.

Net operating expenses were at the same level as last year at £2.8 million with approximately £0.2 million of development spend capitalised in accordance with IAS 38 Intangible Assets (H1 2006: nil).

The Group reported a maiden first half operating profit of £0.6 million, an improvement of £0.8 million compared with the prior year (H1 2006: loss £0.2 million) and maiden profit before taxation of £0.7 million (H1 2006: loss £0.1 million).

The profit for the period attributable to equity shareholders was £0.8 million (H1 2006: loss £0.1 million) and the earnings per share was 0.57p (2006: loss 0.10p).

The Group generated a £1.2 million net cash inflow from operating activities (H1 2006: £0.4 million). Capital expenditure increased to £0.3 million (H1 2006: £0.1 million) while investment in R & D that was capitalised increased to £0.2 million (H1 2006: nil).

Working capital remains tightly managed with net working capital excluding investments and cash and cash equivalents increasing by £0.1 million to £2.8 million.

The Group elected to use the fair value as the deemed cost for property at the date of transition to IFRS (International Financial Reporting Standards), as at 1 January 2006 under IFRS 1. As a result, the property value was increased by £0.2 million. The increase arising on the revaluation has been credited to a revaluation reserve in equity. Under IAS 12 Income Tax, a deferred tax liability of £0.1 million is recognised on this gain and this has been debited to the revaluation reserve.

Under UK GAAP discounting of future deferred tax assets was allowed, under IAS 12 this is not permitted. As a consequence the discount on the deferred tax asset has been reversed and the deferred tax asset increased by £0.1 million. IAS 12 also requires a deferred tax asset to be identified if the accounting expense is different from the tax base on any share based payments. As the accrued tax deduction is greater than the accounting expense the excess of £0.2 million (H1 2006: nil) has been recognised in equity as a share based payments' deferred tax reserve.

Under IAS 7 cash held on deposit for more than 3 months and which is not needed to meet short-term cash commitments is not considered a cash equivalent and should be described as an investment. Investments, cash and cash equivalents increased to £5.3 million compared with £3.6 million last year. The Group's investment of £3.9 million (H1 2006: £2.4 million) comprises cash on deposit for more than 3 months.

On 6 July 2007 the reduction of the Company's share capital by the cancellation of its Deferred Shares of 5p each together with the cancellation of the share premium account became effective. The total equity of the Group remains unchanged and the Group profit and loss reserve has a balance of £4.9 million following the reconstruction.

This reconstruction enables the Group to pay dividends in the future. The Board currently believes that it is best able to deliver shareholder returns by growing the business and delivering capital growth.

The balance sheet remains very strong and provides the Group with the opportunity to fund further growth both organically and through acquisition.

Outlook

Woundcare is an attractive market with favourable demographics and an increasing need for products for the treatment of both chronic and acute wounds.

Organic growth is set to continue due to the dynamic silver market, increasing penetration into the NHS and the launch of surgical skin sealant. Additionally, the Group has exciting step-change opportunities such as entry into the US market with LiquiBand® and through acquisitions that leverage AMS's technology and distribution base.

Trading continues to be strong at the start of the second half of the year. The outlook for the Group remains extremely positive.

Dr Geoffrey N Vernon
Chairman
4 September 2007

INDEPENDENT REVIEW REPORT TO ADVANCED MEDICAL SOLUTIONS GROUP PLC

Introduction
We have been instructed by the Company to review the financial information set out on pages 5 to 24 and we have read the other information in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of their interim statement and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities
The interim statement, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Statement in accordance with the AIM Market Rules which require that the accounting policies and presentation applied to the interim figures must be consistent with those that will be adopted in the Company's annual accounts.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom, as if that Bulletin applied. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the disclosed accounting policies have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Baker Tilly UK Audit LLP
Chartered Accountants
Number One Old Hall Street
Liverpool
L3 9SX

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2007

	Note	**Six months ended 30 June 2007 £'000**	(Restated) Six months ended 30 June 2006 £'000	(Restated) Twelve months ended 31 December 2006 £'000
Revenue	5	**7,932**	6,478	14,322
Cost of sales		**(4,536)**	(3,875)	(8,280)
Gross profit		**3,396**	2,603	6,042
Distribution costs		**(44)**	(53)	(107)
Administration costs		**(2,913)**	(2,949)	(5,940)
Other operating income		**138**	220	480
Operating profit/(loss)		**577**	(179)	475
Investment income		**100**	55	149
Finance costs		**(13)**	(14)	(29)
Profit/(loss) on ordinary activities before taxation		**664**	(138)	595
Taxation		**144**	—	135
Profit/(loss) for the period attributable to equity shareholders		**808**	(138)	730
Earnings/(loss) per share				
Basic	4	**0.57p**	(0.10)p	0.51p
Diluted		**0.54p**	(0.10)p	0.50p

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Six months ended 30 June 2007 £'000	(Restated) Six months ended 30 June 2006 £'000	(Restated) Twelve months ended 31 December 2006 £'000
Assets			
Non-current assets			
Intellectual property rights	**1,650**	1,818	1,734
Software intangibles	**25**	21	29
Internally generated intangible assets	**269**	20	64
Property, plant and equipment	**3,014**	3,349	3,094
Deferred tax assets	**1,065**	670	828
Trade and other receivables	**200**	200	200
	6,223	6,078	5,949
Current assets			
Inventories	**1,940**	1,837	1,786
Trade and other receivables	**3,617**	2,689	3,719
Current tax debtor	**17**	75	17
Investments	**3,864**	2,372	3,950
Cash and cash equivalents	**1,460**	1,235	602
	10,898	8,208	10,074
Total assets	**17,121**	14,286	16,023
Liabilities			
Current liabilities			
Trade and other payables	**2,634**	1,735	2,415
Tax payable	**100**	144	244
Financial liabilities	**15**	14	14
Obligations under finance leases	**6**	5	5
	2,755	1,898	2,678
Non-current liabilities			
Financial liabilities	**286**	306	295
Obligations under finance leases	**16**	—	1
	302	306	296
Total liabilities	**3,057**	2,204	2,974
Net assets	**14,064**	12,082	13,049
Shareholders' equity			
Share capital	**11,823**	11,782	11,782
Share based payments reserve	**116**	18	60
Share based payments deferred tax reserve	**160**	24	67
Share premium account	**37,984**	37,978	37,978
Other reserve	**1,531**	1,531	1,531
Profit and loss	**(37,750)**	(39,427)	(38,558)
Revaluation reserve	**172**	173	172
Translation reserve	**28**	3	17
Total equity	**14,064**	12,082	13,049

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Group

	Share capital £'000	Share based payments reserve £'000	Share based payments deferred tax reserve £'000	Share premium account £'000	Other reserve £'000	Profit and loss account £'000	Revaluation reserve £'000	Translation reserve £'000	Total £'000
At 1 January 2007	11,782	60	67	37,978	1,531	(38,558)	172	17	13,049
Consolidated profit for the period						808			808
Exchange differences on translation of foreign operations								11	11
Share based payments		56							56
Share based payments — deferred tax			93						93
Issue of share capital	41			6					47
At 30 June 2007	**11,823**	**116**	**160**	**37,984**	**1,531**	**(37,750)**	**172**	**28**	**14,064**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Twelve months ended 31 December 2006 £'000
Exchange differences on translation of foreign operations	**11**	3	17
Profit/(loss) for the period	**808**	(138)	730
Total recognised income and expense for the period	**819**	(135)	747

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June 2007 £'000	(Restated) Six months ended 30 June 2006 £'000	(Restated) Twelve months ended 31 December 2006 £'000
Cash flows from operating activities			
Operating profit/(loss)	**577**	(179)	475
Depreciation	**383**	409	804
Amortisation — intellectual property rights	**84**	84	168
— internally generated intangible assets	**13**	2	5
— software	**8**	5	13
Loss on sale of non-current assets	**—**	—	11
Increase in inventories	**(154)**	(168)	(117)
Decrease/(increase) in trade and other receivables	**124**	501	(472)
Increase/(decrease) in trade payables and provisions	**86**	(296)	483
Share based payments expense	**56**	—	42
Net cash inflow from operating activities	**1,177**	358	1,412
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**—**	—	8
Purchase of software	**(5)**	(7)	(21)
Purchases of property, plant and equipment	**(303)**	(127)	(288)
Research and development	**(228)**	(22)	(69)
Taxation	**—**	—	78
Net change in equity investments and money market deposits	**86**	614	(964)
Interest received	**78**	37	74
Net cash (used in)/from investing activities	**(372)**	495	(1,182)
Cash flows from financing activities			
Net movement of capital element of finance leases	**16**	(3)	(5)
Repayment of secured loan	**(7)**	(6)	(13)
Issue of equity shares	**47**	—	—
Interest paid	**(13)**	(13)	(28)
Interest element of finance leases	**(1)**	(1)	(1)
Net cash from/(used in) financing activities	**42**	(23)	(47)
Net increase in cash and cash equivalents	**847**	830	183
Cash and cash equivalents at the beginning of the period	**602**	402	402
Foreign exchange rate adjustments	**11**	3	17
Cash and cash equivalents at the end of the period	**1,460**	1,235	602

1. Reporting entity

Advanced Medical Solutions Group plc ("the Company") is a public limited company incorporated and domiciled in England and Wales (registration number 2867684). The Company's registered address is Road Three, Winsford Industrial Estate, Winsford, Cheshire, CW7 3PD.

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange plc. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group"). The condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 3 September 2007.

The Group is primarily involved in the design, development and manufacture of novel high performance polymers (both natural and synthetic) for use in advanced woundcare dressings and materials and medical adhesives for the healthcare market.

2. Basis of preparation

In 2007 the Group will adopt International Financial Reporting Standards (IFRSs) for the first time. These condensed consolidated interim financial statements have been prepared on the basis of the accounting policies that will be adopted in the year ended 31 December 2007 annual report. Since this is the first year that the Group will be preparing its annual financial statements in accordance with IFRS as adopted by the EU, the accounting policies that have been adopted in the interim report are based on the IFRSs that are in issue at the 30 June 2007. These standards remain subject to ongoing amendment and/or interpretation and are therefore still subject to change. Accordingly, information contained in these interim financial statements may need updating for subsequent amendments to IFRS required for first-time adoption or for new standards issued post the balance sheet date. Previously the Group reported under UK generally accepted accounting principles ("UK GAAP").

The Group has applied IFRS 1 First Time Adoption of International Financial Reporting Standards to provide a starting point for reporting under IFRS. The Group's date of transition to IFRS is 1 January 2006 and all comparative information in the condensed consolidated interim financial statements is restated to reflect the Group's adoption of IFRS, except where otherwise required or permitted under IFRS 1.

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening IFRS balance sheet at 1 January 2006 for the purposes of the transition to IFRSs, as required by IFRS 1. The impact of the transition from UK GAAP to IFRSs on the Group's profit, equity and cash flows is explained in Note 6.

The information relating to the six months ended 30 June 2006 and 30 June 2007 is unaudited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the year ended 31 December 2006 are not the Company's accounts for that financial year. The statutory accounts for the year ended 31 December 2006, prepared under UK GAAP, have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The interim financial statements are unaudited, but have been reviewed by the auditors and their report to the Board of Advanced Medical Solutions Group plc is set out on page 4 of this document.

The condensed consolidated interim financial statements have been prepared on the historic cost basis of accounting except as disclosed in the accounting policies set out below.

These statements are presented in sterling, which is the Company's functional currency.

3. Accounting policies

The condensed consolidated interim financial statements have been prepared on the basis of the accounting policies which will be adopted in the Annual Financial Statements for 31 December 2007. The Group has elected not to apply IFRS 3, "Business Combinations" retrospectively to business combinations.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to retain benefits from its activities. The financial statements are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances between Group entities are eliminated upon consolidation.

Goodwill

Goodwill written off to reserve under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Inventory

Inventory is valued at the lower of cost or net realisable value. Cost is calculated as follows:

Raw materials	— cost of purchase on first in, first out basis
Work in progress and finished goods	— cost of raw materials and labour and attributable overheads

Net realisable value is based on estimated selling price less further costs to completion and disposal.

3. Accounting policies continued

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. 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 and in any future periods affected.

Revenue recognition
Revenue represents sales and royalty income receivable under licence agreements from external customers at amounts less value added tax, and recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Other operating income
Operating income represents non-refundable upfront licence payments received for the grant of rights for the development and marketing of products, contributions received to research and development, government grants of a revenue nature and other sundry income.

Property, plant and equipment
Land and buildings and plant and equipment held for use in the production of goods and services or for administrative purposes are carried in the balance sheet at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Group has elected to use the fair value as the deemed cost for land and buildings at the date of transition to IFRS. The revaluation increase arising on the revaluation of the land and buildings is credited to a revaluation reserve. Depreciation on the revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve will be transferred directly to retained earnings.

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment, over the expected useful life of the asset from the date that the asset is brought into use. It is calculated at the following rates:

- Freehold property — 4% per annum
- Leasehold improvements — over the length of the lease
- Motor vehicles — 25% per annum on cost
- Plant and machinery — 6.67% to 33.3% per annum on cost
- Fixtures and fittings — 33.3% per annum on cost
- Computers — 33.3% per annum on cost

No depreciation is provided on freehold land.

Intangible assets

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the income statement as an expense in the period in which it is incurred.

Expenditure on development activities where research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised once it can be demonstrated that the product or process is clearly identifiable, technically and commercially feasible, will generate future economic benefits and the Group has sufficient resources to complete development. Expenditure capitalised is stated as the cost of materials, direct labour and an appropriate proportion of overheads less accumulated amortisation.

Where development expenditure results in new or substantially improved products or processes and it is probable that recovery will take place, it is capitalised and amortised on a straight-line basis over the product's useful life starting from the date on which serial production commences, which is between one and ten years. The life and value of the assets are assessed at least annually for impairment. If impairment has occurred, the value of the asset is written down immediately. If the useful life of the asset is reduced, the remaining book value of the asset is amortised over its reduced life.

Patents and trademarks
Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, which is between three and twenty years.

Computer software costs
Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Amortisation is provided on a straight-line basis over its economic useful life, which is in the range of three to five years.

3. Accounting policies continued

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

Leasing assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held as 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 during the lease term at the inception of the lease. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest in the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement. Lease incentives, primarily up-front cash payments or rent-free periods, are capitalised and spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

Investments

Cash held in accounts with more that 90 days' notice that are not required to meet short term cash commitments are shown as an investment. The Group invests funds which are surplus to requirements in fixed rate deposits operating within parameters for credit ratings and credit limits for individual institutions that are approved and monitored by the Board.

Pensions

The Group operated a money purchase pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Deferred taxation

Deferred tax liabilities are recognised in respect of all taxable temporary differences that arise, unless they result from initial recognition of goodwill or the transaction is not a business combination and does not affect accounting profit and taxable profit. Temporary differences are calculated as the difference between the carrying value of an asset or liability and its tax base. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets are recognised, on an undiscounted basis, to the extent that they are regarded as recoverable, when on the basis of all available evidence it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying difference can be deducted.

Foreign currencies

The presentation currency of the Group and functional currency of Advanced Medical Solutions Group plc is pounds sterling.

The financial statements for each of the Group's subsidiaries are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of overseas subsidiaries whose functional currency is other than sterling are translated at each balance sheet date. Closing rate is used to retranslate assets and liabilities whilst average rate is used to retranslate the income statement. Exchange differences are recognised in a separate component of equity. The Group has elected to reset all cumulative translation differences for all foreign operations to zero at the date of transition to IFRS in accordance with the exemption allowed to first time adopters of IFRS.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has 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.

3. **Accounting policies** continued

Share based payments

The Group has applied the requirements of IFRS 2 Share based payments. IFRS has been applied to all options granted after 7 November 2002 that were unvested as of 1 January 2006.

The Group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value as determined at the grant date of equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioral considerations.

The Group adopted FRS 20 Share-based payments for the first time in its financial results for the year ending 31 December 2006.

Cash flow

Cash and short term deposits comprise cash at banks and in hand and short term deposits with an original maturity of three months or less that are held for the purpose of meeting short term cash commitments and are subject to insignificant risk in change in value. Cash held in accounts with more than 90 days' notice that are not required to meet short term cash commitments are shown as an investment.

Segment information

For management purposes, the Group is organised into two business units, Advanced woundcare and Wound closure and sealants. These divisions are the basis on which the Group reports its primary segment information.

Intersegment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, corporate assets, head office expenses and income tax assets.

Business segments

The principal activities of the Advanced woundcare business unit are the research, development, manufacture and distribution of novel, high performance polymers for the healthcare market.

The principal activities of the Wound closure and sealants business unit is the research, development, manufacture and distribution of medical adhesives and sealants for the healthcare market.

Geographical segments

The Advanced woundcare and Wound closure and sealants operate mainly in the UK, with a sales office located in the USA. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

4. **Earnings/(loss) per share**

The basic earnings/(loss) per share has been calculated on a weighted average number of shares in issue for the six months ended 30 June 2007, namely 142,430,205 (2006: 142,082,536) and profit of £808k (2006: loss of £138k).

The diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential shares, namely 149,097,569 (2006: 142,082,536) and a profit of £808k (2006: loss of £138k).

5. Segment information

Business segment

	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Twelve months ended 31 December 2006 £'000
Revenue by business unit			
Advanced woundcare	**6,262**	5,177	11,462
Wound closure and sealants	**1,670**	1,301	2,860
	7,932	6,478	14,322

Geographical segment

	Six months ended 30 June 2007 £000	Six months ended 30 June 2006 £'000	Twelve months ended 31 December 2006 £'000
Revenue by geographical region			
United Kingdom	**2,738**	1,967	4,524
Europe excluding United Kingdom	**3,469**	2,643	5,600
United States of America	**1,620**	1,451	3,480
Rest of World	**105**	417	718
	7,932	6,478	14,322

6. Appendix to the interim report

To explain the impact of the transition, reconciliations have been included that show the changes made to the statements previously reported under UK GAAP. The following unaudited reconciliations are included:

- Reconciliation of Group balance sheet at 31 December 2005 from UK GAAP to IFRS.
- Reconciliation of Group income statement for the 6 months ended 30 June 2006 from UK GAAP to IFRS.
- Reconciliation of the Group balance sheet at 30 June 2006 from UK GAAP to IFRS.
- Reconciliation of Group income statement for the 12 months ended 31 December 2006 from UK GAAP to IFRS.
- Reconciliation of Group balance sheet at 31 December 2006 from UK GAAP to IFRS.
- Consolidated interim statement of changes in equity.

The transition from UK GAAP to IFRS does not affect the cash flows generated by the Group. The IFRS cash flow statement is in a different format than that required under UK GAAP. The reconciling items between UK GAAP format and IFRS format have no net impact on the cash flows generated and accordingly reconciliations have not been presented.

The Group's date of transition is 1 January 2006. The accounting policies used for IFRS are set out in Note 3.

Descriptions of the reconciling items between UK GAAP and IFRS are listed below. The amounts of the reconciling items are detailed in the tables set out beneath each of the reconciliations.

Intangible assets

On transition the Group has reclassified separately identifiable computer software assets from tangible to intangible asset following the provisions of IAS 38.

Expenditure on development activities resulting in new or substantially improved products which will generate future economic benefits is now capitalised and amortised over the products' useful life. Previously, under UK GAAP, all such development costs were expensed.

Property, plant and equipment

The group has elected to use the fair value as the deemed cost for land and buildings at the date of transition to IFRS. The revaluation increase arising on the revaluation is credited to a revaluation reserve.

Deferred tax

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base. IAS 12 does not permit discounting of deferred tax balances. The Group has recognised a deferred tax liability resulting from the revaluation of property, plant and equipment which has been debited to the revaluation reserve. It has also increased the value of the deferred tax asset from unwinding the discount factors on the deferred tax asset recognised under UK GAAP.

The Group, on transition to IFRS, has recognised a deferred tax asset arising on the difference between market value and exercise price of unexercised employee options and LTIPS.

RECONCILIATION OF GROUP BALANCE SHEET

At 31 December 2005 from UK GAAP to IFRS

Note:		UK GAAP 31 Dec 2005 £'000	Reclassification 31 Dec 2005 £'000	IFRS adjustments 31 Dec 2005 £'000	IFRS 31 Dec 2005 £'000
	Assets				
	Non-current assets				
	Intellectual property rights	1,902		—	1,902
1	Software intangibles	—		14	14
	Internally generated intangible assets	—		—	—
2,3	Property, plant and equipment	3,403		233	3,636
4,5,7	Deferred tax assets	547		100	647
	Trade and other receivables	200		—	200
		6,052		347	6,399
	Current assets				
	Inventories	1,669		—	1,669
	Trade and other receivables	3,230		—	3,230
	Current tax debtor	17		—	17
	Cash at bank and in hand	3,388	(3,388)	—	—
	Investments	—	2,986	—	2,986
	Cash and cash equivalents	—	402	—	402
		8,304	—	—	8,304
	Total assets	14,356		347	14,703
	Liabilities				
	Current liabilities				
	Trade and other payables	1,945		—	1,945
	Tax payable	230		—	230
	Financial liabilities	13		—	13
	Obligations under finance leases	5		—	5
		2,193		—	2,193
	Non-current liabilities				
	Financial liabilities	309		—	309
	Obligations under finance leases	7		—	7
		316		—	316
	Total liabilities	2,509		—	2,509
	Net assets	11,847		347	12,194
	Shareholders' equity				
	Share capital	11,782		—	11,782
6	Share based payments reserve	—		18	18
7	Share based payments deferred tax reserve	—		1	1
	Share premium account	37,978		—	37,978
	Other reserve	1,531		—	1,531
5,6,7	Profit and loss	(39,444)		155	(39,289)
3,4	Revaluation reserve	—		173	173
	Total equity	11,847		347	12,194

RECONCILIATION OF GROUP BALANCE SHEET

At 31 December 2005 from UK GAAP to IFRS

		Non-current assets £'000	Shareholders' equity £'000
Note:	**Conversions effect comprise:**		
1	IAS 38 — Reclassification of software from tangible to intangible assets	14	
2	IAS 38 — Reclassification of software from tangible to intangible assets	(14)	
3	IFRS 1 — Revaluation of land and buildings to fair value at date of transition	247	247
4	IAS 12 — Deferred tax — revaluation of land and buildings	(74)	(74)
5	IAS 12 — Reversal of discount on deferred tax	168	168
6	IFRS 2 — Share based payments reserve		18
	Profit and loss		(18)
7	IAS 12 — Deferred tax — share based payments	6	1
	Profit and loss		5
	Net movement	347	347

RECONCILIATION OF GROUP INCOME STATEMENT

For the six months ended 30 June 2006
from UK GAAP to IFRS

	Note	UK GAAP 30 June 2006 £'000	IFRS adjustments 30 June 2006 £'000	IFRS 30 June 2006 £'000
Revenue		6,478	—	6,478
Cost of sales		(3,875)	—	(3,875)
Gross profit		2,603	—	2,603
Distribution costs		(53)	—	(53)
Administration costs	1	(2,969)	20	(2,949)
Other operating income		220	—	220
Operating loss		(199)	20	(179)
Investment income		55	—	55
Finance costs		(14)	—	(14)
Loss on ordinary activities before taxation		(158)	20	(138)
Taxation		—	—	—
Loss attributable to equity shareholders		(158)	20	(138)
Loss per share				
Basic		(0.11)p		(0.10)p
Diluted		(0.11)p		(0.10)p

Note:

Conversion effects comprise:

1	IAS 38 — Expenditure on development activities which have met the criteria to be capitalised less amortisation	20
Loss attributable to equity shareholders		20

RECONCILIATION OF GROUP BALANCE SHEET

At 30 June 2006 from UK GAAP to IFRS

Note:		UK GAAP 30 June 2006 £'000	Reclassification 30 June 2006 £'000	IFRS adjustments 30 June 2006 £'000	IFRS 30 June 2006 £'000
	Assets				
	Non-current assets				
	Intellectual property rights	1,818		—	1,818
1	Software intangibles	—		21	21
3	Internally generated intangible assets	—		20	20
2,4	Property, plant and equipment	3,123		226	3,349
5,6,9	Deferred tax assets	547		123	670
	Trade and other receivables	200		—	200
		5,688		390	6,078
	Current assets				
	Inventories	1,837		—	1,837
	Trade and other receivables	2,689		—	2,689
	Current tax debtor	75		—	75
	Cash at bank and in hand	3,607	(3,607)	—	—
	Investments	—	1,235	—	1,235
	Cash and cash equivalents	—	2,372	—	2,372
		8,208	—	—	8,208
	Total assets	13,896	—	390	14,286
	Liabilities				
	Current liabilities				
	Trade and other payables	1,735		—	1,735
	Tax payable	144		—	144
	Financial liabilities	14		—	14
	Obligations under finance leases	5		—	5
		1,898		—	1,898
	Non-current liabilities				
	Financial liabilities	306		—	306
		306		—	306
	Total liabilities	2,204		—	2,204
	Net assets	11,692		390	12,082
	Shareholders' equity				
	Share capital	11,782		—	11,782
7	Share based payments' reserve	—		18	18
9	Share based payments' deferred tax reserve			24	24
	Share premium account	37,978		—	37,978
	Other reserve	1,531		—	1,531
3,5,7,8,9	Profit and loss	(39,599)		172	(39,427)
4,6	Revaluation reserve	—		173	173
8	Translation reserve	—		3	3
	Total equity	11,692		390	12,082

RECONCILIATION OF GROUP BALANCE SHEET
At 30 June 2006 from UK GAAP to IFRS

		Non-current assets £'000	Shareholders' equity £'000
Note:	**Conversion effects comprise:**		
1	IAS 38 — Reclassification of software from tangible to intangible assets	21	
2	IAS 38 — Reclassification of software from tangible to intangible assets	(21)	
3	IAS 38 — Recognition of development activities less amortisation	20	20
4	IFRS 1 — Revaluation of land and buildings to fair value		
	at date of transition less depreciation	247	247
5	IAS 12 — Deferred tax — reversal of discount on deferred tax	168	168
6	IAS 12 — Deferred tax — revaluation of land and buildings	(74)	(74)
7	IFRS 2 — Share based payments reserve		18
	Profit and loss		(18)
8	IAS 21 — Translation reserve		3
	Profit and loss		(3)
9	IAS 12 — Deferred tax — share based payments	29	24
	Profit and loss		5
	Net movement	390	390

RECONCILIATION OF GROUP INCOME STATEMENT

For the twelve months ended 31 December 2006 from UK GAAP to IFRS

	Note	UK GAAP 31 Dec 2006 £'000	IFRS adjustments 31 Dec 2006 £'000	IFRS 31 Dec 2006 £'000
Revenue		14,322	—	14,322
Cost of sales	1	(8,279)	(1)	(8,280)
Gross profit		6,043	(1)	6,042
Distribution costs		(107)	—	(107)
Administration costs	2,3	(6,022)	82	(5,940)
Other operating income		480	—	480
Operating profit		394	81	475
Investment income	4	204	(55)	149
Finance costs		(29)	—	(29)
Profit on ordinary activities before taxation		569	26	595
Taxation	5,6	167	(32)	135
Profit attributable to equity shareholders		736	(6)	730
Earnings per share				
Basic		0.52p		0.51p
Diluted		0.50p		0.50p

Note:

Conversion effects comprise:

1	IFRS 1 — Depreciation in revaluation of land and buildings	(1)
2	IAS 38 — Expenditure on development activities and patents which have met the criteria to be capitalised less amortisation	64
3	IFRS 2 — Reversal of share based payments included in year ended 31 December 2005	18
Operating profit		81
4	IAS 12 — Reversal of unwinding of discount on deferred tax asset	(55)
5	IAS 12 — Reversal of discount on deferred tax	(45)
6	IAS 12 — Deferred tax on share based payments	13
Profit attributable to equity shareholders		(6)

RECONCILIATION OF GROUP BALANCE SHEET

At 31 December 2006 from UK GAAP to IFRS

		UK GAAP 31 Dec 2006 £'000	Reclassification 31 Dec 2006 £'000	IFRS adjustments 31 Dec 2006 £'000	IFRS 31 Dec 2006 £'000
Note:	**Assets**				
	Non-current assets				
	Intellectual property rights	1,734		—	1,734
1	Software intangibles	—		29	29
3	Internally generated intangible assets	—		64	64
2,4	Property, plant and equipment	2,877		217	3,094
5,6,8	Deferred tax assets	749		79	828
	Trade and other receivables	208	(8)	—	200
		5,568	(8)	389	5,949
	Current assets				
	Inventories	1,786		—	1,786
	Trade and other receivables	3,711		—	3,719
	Current tax debtor	17		—	17
	Cash at bank and in hand	4,552	(4,552)	—	—
	Investments	—	3,950	—	3,950
	Cash and cash equivalents	—	602	—	602
		10,066	8	—	10,074
	Total assets	15,634	—	389	16,023
	Liabilities				
	Current liabilities				
	Trade and other payables	2,415		—	2,415
	Tax payable	244			244
	Financial liabilities	14			14
	Obligations under finance leases	5			5
		2,678		—	2,678
	Non-current liabilities				
	Financial liabilities	295		—	295
	Obligations under finance leases	1		—	1
		296		—	296
	Total liabilities	2,974		—	2,974
	Net assets	12,660		389	13,049
	Shareholders' equity				
	Share capital	11,782		—	11,782
	Share based payments reserve	60		—	60
8	Share based payments deferred tax reserve	—		67	67
	Share premium account	37,978		—	37,978
	Other reserve	1,531		—	1,531
3,6,7,8	Profit and loss	(38,691)		133	(38,558)
4,5	Revaluation reserve	—		172	172
7	Translation reserve	—		17	17
	Total equity	12,660		389	13,049

RECONCILIATION OF GROUP BALANCE SHEET

At 31 December 2006 from UK GAAP to IFRS

			Non-current assets £'000	Share-holders' equity £'000
Note:	**Conversion effects comprise:**			
1	IAS 38 —	Reclassification of software from tangible to intangible assets	29	
2	IAS 38 —	Reclassification of software from tangible to intangible assets	(29)	
3	IAS 38 —	Recognition of development activities less amortisation	64	64
4	IFRS 1 —	Revaluation of land and buildings to fair value at date of transition less depreciation	246	246
5	IAS 12 —	Deferred tax — revaluation of land and buildings	(74)	(74)
6	IAS 12 —	Deferred tax — reversal of discount on deferred tax	68	68
7	IAS 21 —	Translation reserve		17
		Profit and loss		(17)
8	IAS 12 —	Deferred tax — share based payments	85	67
		Profit and loss		18
	Net movement		389	389

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Group

	Share capital £'000	Share based payments reserve £'000	Share based payments deferred tax reserve £'000	Share premium account £'000	Other reserve £'000	Profit and loss account £'000	Revaluation reserve £'000	Translation reserve £'000	Total £'000
At 1 January 2006	11,782	18	1	37,978	1,531	(39,289)	173	—	12,194
Consolidated loss for the period to 30 June 2006						(138)			(138)
Share based payments — deferred tax			23						23
Exchange differences on translation of foreign operations								3	3
At 30 June 2006	11,782	18	24	37,978	1,531	(39,427)	173	3	12,082
Consolidated profit for the period to 31 December 2006						868			868
Share based payments		42							42
Share based payments — deferred tax			43						43
Exchange differences on translation of foreign operations								14	14
Transfer of depreciation on revaluation						1	(1)		—
At 31 December 2006	11,782	60	67	37,978	1,531	(38,558)	172	17	13,049

Advanced Medical Solutions is a leading company in the development and manufacture of products for the $15 billion global woundcare market.

Founded in 1991 and quoted on AIM, Advanced Medical Solutions is focused on the design, development and manufacture of innovative and technologically advanced woundcare products.

In-house natural and synthetic polymer technology is used to provide advanced wound dressings based on the moist healing principle. AMS' resources ensure a unique position as a vertically integrated "one stop shop" to provide all categories of moist wound healing produts. The Company has the capability to move a product from design and development through to production and delivery ready for distribution and sale into customer markets.

The acquisition of MedLogic in 2002 brought AMS products and technology in cyanoacrylate based tissue adhesives that offer benefits over sutures and staples for closing topical wounds sold direct to hospitals or through distributors.

Advanced woundcare

The standard product range contains film, foam, hydrocolloid, hydrogel and alginate materials which are sold into hospitals, nursing homes and community care markets worldwide through branded partners, private label distributors and direct to the NHS in the UK.

AMS supplies a broad range of marketing and distribution partners across the world with advanced woundcare products and has a particularly strong position with its alginate technology. It is able to provide either differentiated products to branded partners who are looking for new innovative products, or value ranges to own-label distributors, who are addressing the increasing pressure on budgets by health care providers.

Silver alginate

Due to concerns over wound infection by "super-bugs" such as MRSA, there is a strong trend towards the use of anti-microbial dressings, currently utilised in advanced woundcare with silver the dominant anti-microbial technology and alginate the major dressing. AMS has exploited this trend and has developed a strong competitive position by developing various silver technologies to combine with its alginate.

AMS' initial silver alginate product, based on silver fibre technology, was licensed exclusively to a major branded partner in 2004 who has now launched in the key global markets. In order to provide other selected partners with a silver product, AMS has developed a range of ionic silver alginate dressings which were approved by the FDA and launched into the US in 2005 and approved and launched by a number of partners in Europe in 2006. In November 2006, the FDA granted 510(k) clearance for an AMS silver alginate wound dressing for use over a period of up to 21 days. This 21 day approval, combined with the inherent absorbency of the dressing, may reduce the frequency of having to change dressings thus reducing the time and overall cost of treatment and provide a better opportunity for healing to progress undisturbed.

ActivHeal®

Increasingly, healthcare providers are seeking ways to manage woundcare budgets whilst being able to afford new innovative technologies such as silver. Whilst these products may reduce the overall cost of patient care by preventing infection and accelerating healing of difficult wounds, they put pressure on local budgets. Hence there is interest in value products that address routine wounds at lower costs, without compromising patient care. This need is driving the trend to private label and has been addressed by AMS in the UK with the introduction of the ActivHeal® range as a first line therapy sold direct to NHS Trusts through its UK sales force, complementing the use of its new technologies on more difficult wounds, sold through strategic partners. Independent technical and clinical evaluations have shown that the ActivHeal® generic woundcare range offers equivalent performance to similar branded products but at a substantially reduced cost thereby delivering real and immediate savings.

Data from multi-centre clinical evaluations presented at the Wounds UK 2006 Woundcare Conference held on 13–15 November 2006 showed that 98% of ActivHeal® woundcare responses were equivalent to or better than responses from other dressings. Whilst independent laboratory tests have previously shown that the ActivHeal® range has comparable physical properties to market leaders, this new information strongly endorses the clinical effectiveness of AMS' products. The study data was collated from more than 150 applications from 9 NHS Trusts, including 5 Hospitals and 4 Primary Care Trusts.

A full range of support services are provided by the AMS clinical nurse team to ensure effective introduction and usage of the ActivHeal® products. These include training, education, launch days and formulary and evaluation support. A basic woundcare education package has been prepared and is available free to general nurses to help facilitate good practice and to achieve the best clinical outcomes for the patient, nurse and Trust.

Wound closure and sealants

The LiquiBand® range consists of cyanoacrylate tissue adhesives covering the closure of small cuts and trauma wounds through to large surgical incisions. The products are sold directly to the NHS in the UK and through partners in other European countries.

Development activity to extend the cyanoacrylate adhesive technology into new areas has resulted in an exciting strategic partnership with Kimberly-Clark for a novel surgical skin sealant to help control the risk of skin flora contamination throughout a surgical procedure, a key factor in the development of surgical site infections. AMS has developed an innovative film-forming solution that bonds to the skin sealing off the spaces where bacteria can grow. Based upon patented technology, the product immobilises endogenous pathogens thereby reducing the risk of skin flora contamination of the surgical site.

Marketing strategy

AMS has successfully adopted a three tier route to market strategy:

- Branded Partners — The Group believes that the most effective way of rapidly commercialising new technologies/concepts on a global basis is through strategic partnerships with major branded companies.
- Private Label — AMS also addresses the increasing trend towards private label in advanced woundcare, driven by cost constraints by health care providers, by provision of own label products to distributors. These products allow savings to be made on treatment of routine wounds alongside the use of the new innovative products for more difficult wounds
- Direct — AMS sells direct to the NHS in its own home market.

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//// Advanced Woundcare
//// Wound Closure and Sealants