Advanced Medical Solutions Group plc

Annual Report and Accounts 2008

Delivering on our strategy

advanced woundcare

wound closure and sealants

Welcome to
Advanced Medical Solutions Group plc

Advanced Medical Solutions is a UK-based company developing and providing leading edge technology to the global woundcare market.

Contents

Our Strategy

- Develop and provide leading edge technology to the global medical device market
- Work with strategic partners and major brands to commercialise our products worldwide
- Supply and develop our own branded solutions to the NHS in our UK home market
- Create shareholder value by expanding the business organically and through acquisition

advanced woundcare

wound closure and sealants

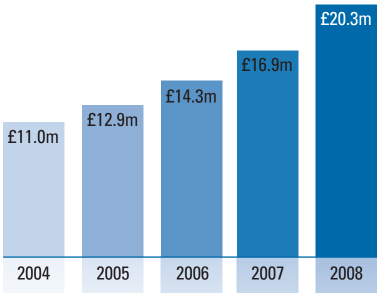
Financial Highlights

Strong financial performance:

Group revenue

£20.3m

(2007: £16.9m)

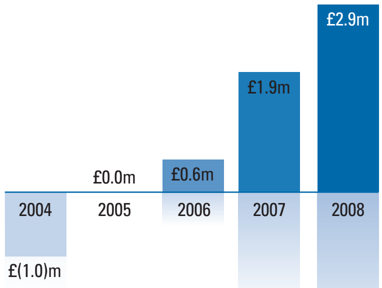


up 21%

Profit before taxation

£2.9m

(2007: £1.9m)

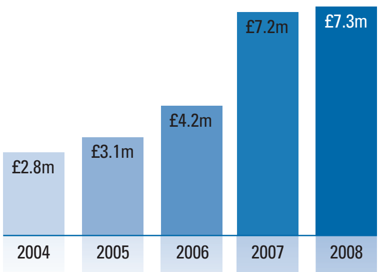


up 54%

Net funds[1]

£7.3m

(2007: £7.2m)

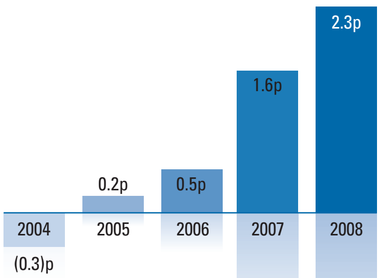


up 1%

Earnings per share (basic)

2.3p

(2007: 1.6p)



up 47%

[1] Net funds is defined as cash and cash equivalents plus short-term investments less financial liabilities

Business Highlights

Good progress with key growth drivers:

- Silver alginate market presence strengthened with additional major branded marketing and distribution partners signed for US and Europe and two new 510(k) approvals
- NHS direct woundcare business continues to build momentum with full ActivHeal® product range included on new framework agreement and products used in nearly half of all NHS Hospital Trusts throughout the UK
- FDA reclassification of topical tissue adhesives has accelerated the US regulatory approval process for the LiquiBand® range with initial product approved in February 2009
- Corpura Joint Venture strengthens AMS's position in hydrophilic polyurethane foams — the largest and fastest growing segment of the advanced woundcare dressings market

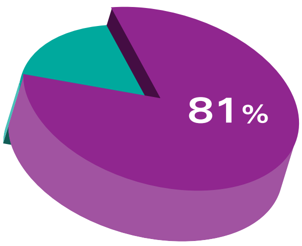
Our Business at a Glance

advanced woundcare

AMS provides a full range of advanced woundcare products for sale in hospital, nursing home and community care markets. The main indications are for chronic wounds such as ulcers and pressure sores.

These products pioneer the concept of moist wound healing allowing wounds to heal faster and with less pain and scarring if they remain moist. They protect the wound, deal with tissue fluids and provide an optimal environment for healing to occur.

Percentage of total Group revenue



Revenue £16.4m

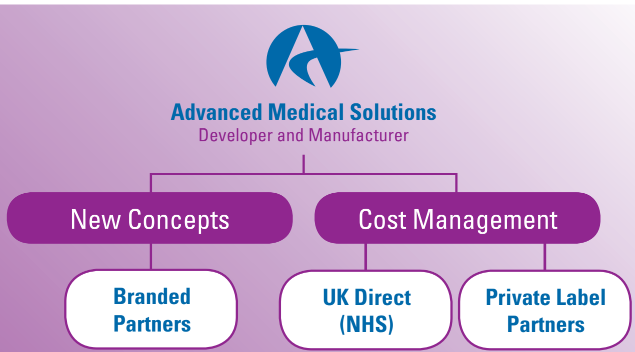
advanced woundcare **routes to market**

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 the treatment of routine wounds alongside the use of the new innovative products for more difficult wounds.

Direct — AMS sells direct to the NHS in the UK.



Technology Platforms

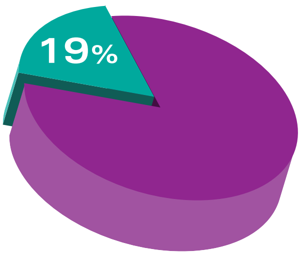
wound closure and sealants

Our wound closure and sealants products are based on cyanoacrylate adhesive technology developed for medical applications.

Tissue adhesives offer significant benefits over conventional ways of closing wounds following trauma or surgical incision. They are simple to use, non-invasive, help to reduce the risk of infection, minimise trauma to the patient and provide good clinical and cosmetic outcomes.

The technology is also ideally suited to protecting skin from breakdown or for use as a skin sealant to help prevent infection of surgical sites.

Percentage of total Group revenue

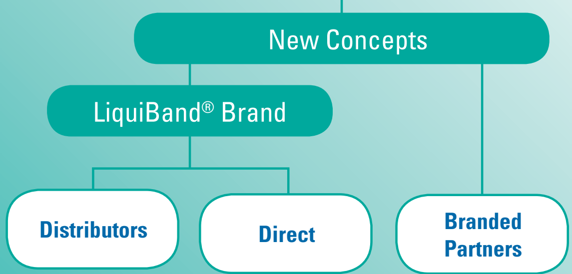


Revenue £3.9m

wound closure and sealants **routes to market**

The use of tissue adhesives and sealants is still a relatively new concept and requires market creation, education and development. Products are taken to market either through a major branded partner or under our own LiquiBand® brand, direct in the UK and via distributors in Europe.

Advanced Medical Solutions
Developer and Manufacturer



Technology Platforms

Delivering On Our Strategy

Strategic Goal

To achieve sustained profitability and cash generation to grow a substantial global medical technology business.

Strategy

- Develop and provide leading edge technology to the global medical device market
- Work with strategic partners and major brands to commercialise our products worldwide
- Supply and develop our own branded solutions to the NHS in our UK home market
- Create shareholder value by expanding the business organically and through acquisition

Key Strengths

Four key strengths underpin our strategy:

- Broad portfolio of materials technology, supported by strong intellectual property and patents
- Track record of commercialising research and development and forming strategic relationships with blue-chip partners
- Multiple routes to market
- Experienced management team

Organic Growth Drivers

Silver alginate

2008 market size: $300 million

Growth rate: 20% **AMS available market:** $100 million

Product status: Silver fibre technology — global exclusive with major brand

Ionic silver technology — multi-partner US/EU

What's new:

- Additional major branded marketing and distribution partners signed for US and Europe
- Market presence broadened to include hospitals, nursing homes, home health and burn clinics
- Two new 510(k) approvals received in December

NHS Advanced Woundcare

2008 market size: £120 million

Growth rate: 10% **AMS available market:** £60 million

Product status: Routine wounds — ActivHeal® sold direct by AMS as a value range for first line therapy

Difficult wounds — higher performance products/new technologies sold via partners

What's new:

- Over half of NHS Hospital Trusts using ActivHeal® with focus now on compliance
- Broad geographic presence in both Hospitals and Primary Care Trusts
- Full range included in new framework agreement
- ActivHeal® range rated highly by NHS Supply Chain/DHL in supplier selection process

LiquiBand® US approval

2008 market size: $200 million (US Market $170 million)

Growth rate: 15% **AMS available market:** $25 million (EU)

US regulatory approval status:

- FDA has reclassified topical tissue adhesives from Class III to Class II
- Approval route now via 510(k) rather than more onerous PMA
- 510(k)s submitted and under review
- Clearance received for first product in February 2009
- Further approvals and market entry expected in 2009 via marketing partners

Surgical Skin Sealants

Product status: Innovative product to help prevent surgical site infection due to patients' skin flora

Licensed to Kimberly-Clark in 2006 as global exclusive

Roll-out status:

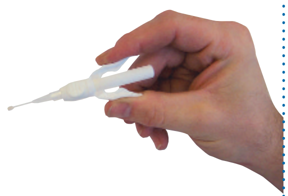
- US launch in February 2007
- Now available in US, Europe and other international markets
- Product is being evaluated in a wide range of surgical procedures
- Clinical evidence is being generated to show reduction in surgical site infections
- Clinical results due to be published at conferences during 2009
- IS-50 smaller size launched by Kimberly-Clark in December 2008

Organic growth strategy 2009 – 2010

Silver Dressings

NHS

LiquiBand™ US approval



Surgical Skin Sealant

Delivery during 2008/09

510(k) approval for silver wound gel

AMS's silver anti-microbial wound gel has received 510(k) approval from the Food & Drug Administration (FDA), allowing the product to be marketed in the US. This approval gives AMS the opportunity to target a niche but growing segment of the advanced woundcare market via the Group's existing routes to market. AMS's wound gel contains silver, which is widely recognised as a safe and effective anti-microbial agent for the control of infection from a wide range of micro-organisms.

The silver anti-microbial wound gel has gained 510(k) approval for the management of dry to moderate exuding, partial to full thickness wounds including pressure ulcers, leg ulcers, diabetic ulcers, graft and donor sites, post-operative surgical wounds, trauma wounds, first and second degree burns, and abrasions and lacerations.

Silver Alginate 510(k)s

Two additional silver alginate 510(k) approvals were received in December — one for a non-adherent antimicrobial dressing and one for Silver alginate IV involving a new silver technology.

Delivery during 2008/09

ActivHeal® range included on new NHS framework agreement for advanced woundcare

AMS has been informed by the NHS Supply Chain that its entire ActivHeal® product range has been included on a new framework agreement for the supply of advanced woundcare products to NHS Hospital Trusts. The agreement runs from June 2008 to May 2010. Inclusion in this framework agreement continues AMS's direct sales to the NHS, which first purchased ActivHeal® products at the beginning of 2005.

Delivery during 2008/09

510(k) clearance for LiquiBand® topical skin adhesive

AMS has received 510(k) clearance from the US Food and Drug Administration (FDA) for one of its LiquiBand® topical skin adhesive formulations. The US market constitutes the major part of the global topical tissue adhesives market, which has an estimated value of $200 million annually. AMS's commercial strategy has therefore been focused on obtaining US approval for a product range that is already sold successfully in Europe.

This particular product has been sold successfully for many years in Europe and has allowed AMS to establish a leadership position in the use of tissue adhesives for closing wounds in the Accident & Emergency (A&E) arena.

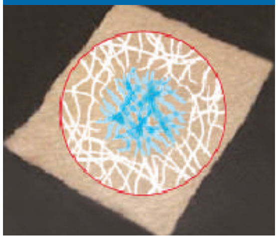
Clearance is also being sought for additional products that will provide a comprehensive range of topical skin adhesives covering both the A&E and Operating Room market in the US.

Delivering On Our Strategy continued

Investment opportunities for growth

Organic R&D

Advanced Woundcare



- Higher performance dressings
- Actives/anti-microbials
- Accelerate wound healing
- MMP modulation
- Biofilm busters

Wound Closure & Sealants

- Indication specific devices
- Internal adhesives
- Fixation of devices
- Surgical/OR applications

Major New UK Facility under development in the North West

AMS has agreed a pre-let for the lease of a 138,500 sq ft bespoke building on the Premier Park industrial complex in Winsford, Cheshire, for development into a new facility comprising offices, R&D laboratories, manufacturing and warehousing.

AMS currently has two operations on the Winsford Industrial Estate, employing 150 people who will transfer to the new facility during 2009 and 2010. The new facility has been sized to accommodate AMS's existing operations and allows for future expansion.

Licensing and Acquisitions

Technology

Strategy:

To access complementary new products/technologies which will leverage existing distribution outlets — direct, strategic partners and distributors.

Target areas:

New material technologies

Actives

Internal adhesives

Distribution

Strategy:

To broaden direct sales presence to accelerate penetration of key markets and maximise value of AMS technology.

Target areas:

Major European markets

Wound closure

Surgical/Operating Room arena

Delivery during 2008/09

Joint Venture between Recticel and Advanced Medical Solutions Group (AMS)

AMS and Recticel reached an agreement to form a Joint Venture relating to Corpura BV, Recticel's fully owned subsidiary. Corpura, established in 2004, as part of Recticel's Flexible Foams Division, develops and produces hydrophilic polyurethane foams out of a state-of-the-art, dedicated R&D and manufacturing facility in Etten Leur, the Netherlands.

Employing 13 people, the Company reached sales of EUR 2.2 million and became cash generative in 2007, serving medical and cosmetic/ body care applications in the European market. Corpura currently supplies AMS with polyurethane foam for inclusion into its advanced wound care dressings. As a result of this transaction AMS has acquired 49.4% of the Corpura shares.

Hydrophilic, polyurethane foam is one of the largest and fastest growing segments, currently estimated to be USD 900 million, of the USD 3.2 billion advanced woundcare market. It is an ideal material for the treatment of medium to high exudate chronic wounds and for delivery of active technologies to prevent infection and help accelerate wound healing.

The combination of AMS woundcare expertise with Recticel's world-class polyurethane know-how will help Corpura to accelerate its growth.

Chairman's Statement Dr Geoffrey Vernon

"With entry into the US market with LiquiBand® expected in second half 2009 delivering another key growth driver, the outlook for the business remains very positive."

Overview

It was another excellent year of progress by AMS.

The Group broadened its global customer base, strengthened its technology portfolio with regulatory approvals and new product launches and acquired 49.4% of the Corpura medical foam business, whilst maintaining its strong financial position and cash generation.

Group revenue grew by 21% to £20.3 million, with underlying growth of 19% when adjusted for the dollar. Gross margin improved across the Group to 48% from 44% as the business benefited from increased sales of silver alginate and its ActivHeal® product range. Pre-tax profit increased 54% to £2.9 million during the period.

The business continues to generate cash and after the Corpura acquisition, for €2.5 million including funding, net funds stood at £7.3 million compared with £7.2 million at the previous year end.

The Corpura joint venture has strengthened AMS's position in polyurethane foam, the largest, fastest growing segment of the advanced woundcare dressings market, and provides an additional material platform for the delivery of new technologies currently under evaluation within Research & Development ("R&D").

The recent 510(k) clearance for LiquiBand® tissue adhesive allows initial entry into the key US market for topical wound closure, which is expected in the second half of 2009 via marketing and distribution partners.

Operating Review
Advanced Woundcare

Advanced Woundcare sales of £16.4 million were up 28% on prior year (26% at constant currency), which is well ahead of the currently estimated market growth rate of around 8%, with both silver alginate and the NHS delivering strong revenue growth.

Silver alginate continues to be a major growth driver for this business segment with sales up over 30% year on year. AMS has already commercialised two silver technologies and in December 2008 received 510(k) clearance allowing sale into the US market for two additional silver products.

The Group's presence in this dynamic market, which is estimated to have a current value of around $300 million and to be growing at 20%, was further strengthened by signing new marketing and distribution partners in the US and Europe.

Good progress continues to be made in penetrating the UK NHS with AMS's own brand ActivHeal®. ActivHeal® is a range of woundcare dressings offered directly to the NHS as a first line therapy for treating routine wounds which offers substantial savings in woundcare budgets. The ActivHeal® range complements the use of AMS's newer technologies, such as silver alginate, for treating infected or more difficult to heal wounds, which are sold through strategic partners.

In June 2008, the full ActivHeal® range was included on the new framework agreement negotiated by NHS Supply Chain, part of DHL Logistics, for the supply of advanced woundcare products to NHS Hospital Trusts. Sales of the ActivHeal® range were up nearly 50% in the year and these products are now used in almost half of the NHS Foundation and Acute Hospital Trusts.

In May 2008, AMS formed a joint venture with Recticel, a Belgian-based global leader in polyurethane foam, under which it acquired 49.4% of the shares in Corpura BV, a fully owned subsidiary of Recticel. Established in 2004, Corpura develops and produces hydrophilic polyurethane foams for medical applications from a state-of-the-art, dedicated R&D and manufacturing facility in Etten Leur, Netherlands. Corpura, which is profitable, cash generative and employs 13 people, supplies AMS with base polyurethane foam for inclusion into AMS's wound dressings. The shareholding in Corpura has given the Group a strong technology position in polyurethane foams — the largest ($900 million) and fastest growing (20%) segment of the advanced woundcare dressings market — and provides an ideal platform material utilising the Group's R&D capability and IP for delivery of higher value technologies to prevent infection and help accelerate wound healing.

This Joint Venture has been accounted for under the equity method and contributed £80k to the Group's profit in 2008.

Wound Closure and Sealants

As expected, wound closure and sealants sales declined 4% to £3.9 million in the year compared with a 41% growth in 2007, reflecting Kimberly-Clark Health Care's major launch and related stocking and pipeline fill of InteguSeal® Surgical Skin Sealant in 2007 following its exclusive global licensing technology in 2006. Excluding InteguSeal®, the underlying business grew 14%.

InteguSeal® is currently available in key global markets and during 2008 was the subject of extensive activity by Kimberly-Clark to create market awareness and compile clinical evidence demonstrating the benefits of the product in reducing skin flora contamination of the wound site in a wide range of surgical procedures. Surgical site infections (SSIs) are a major source of concern to surgeons and healthcare providers worldwide and clinical evidence showing a statistically significant reduction of SSIs with the use of InteguSeal® will open up a major growth opportunity for AMS in the surgical arena. Initial feedback is encouraging and significant clinical papers are expected to be published and presented at surgical conferences during 2009. In December 2008, Kimberly-Clark launched IS-50, a smaller size InteguSeal® surgical sealant which is ideally suited for orthopaedic procedures that involve small surgical incisions in areas such as on the hands, feet and ankles.

Good progress continues to be made in penetrating the European market with the LiquiBand® tissue adhesive range with a particularly strong presence being built in the Emergency Room ("ER"). AMS maintained its market leadership position in the UK for the use of topical adhesives for closure of small trauma wounds in the ER. The Group is actively looking to improve its penetration of the European Operating Room ("OR") market, where it currently has limited presence through specialist OR distributors. This activity includes evaluating opportunities to expand its direct sales presence, currently limited to the UK ER arena, together with the development of a range of OR products with strong clinical support such as LiquiBand® Laparoscopic, developed specifically for closing small surgical incisions such as port sites following laparoscopic procedures. The Group is evaluating acquisition opportunities to support this strategy.

"The Group has delivered against all of its major objectives for 2008"

Chairman's Statement continued

Whilst good progress continues to be made in growing the European business, the dominant segment of the global topical tissue adhesives market, currently estimated to be worth $200 million and growing at a rate of 15%, is the US market, which is estimated at $170 million. Regulatory approval for entering this market with the full LiquiBand® range is progressing well.

In May 2008, the FDA completed its review of a petition submitted by AMS for reclassification of tissue adhesives for topical approximation of skin. The FDA concluded that these devices should be reclassified from Class III to Class II. This means that topical tissue adhesives will now be cleared for commercial distribution via a Pre-market Notification 510(k) submission rather than the more onerous Pre-market Approval application (PMA). The additional costs of obtaining this approval have been taken as an expense within R&D.

510(k)s have been submitted and the first product, LiquiBand® tissue adhesive, which is ideally suited to the ER market, was cleared in February 2009, with market entry expected in the second half of 2009 via marketing and distribution partners. Further submissions are in progress covering products targeted at surgical wounds and the OR and these are expected to be approved throughout the year.

Research & Development

The Group has continued to invest in a strategically aligned and focused R&D programme to deliver future profitable growth. Significant investment has been made in R&D with total spend, including capitalised R&D, increasing to 8% of total revenue (2007: 7%) with the main expenditure being incurred in obtaining regulatory approval for LiquiBand® in the US, together with a number of silver projects in advanced woundcare.

Short to medium-term developments (2009–2010) are focused on fully exploiting silver technologies in advanced woundcare and upgrading the LiquiBand® product range with indication-specific devices.

Longer term research activities are focused on new technology platforms to access new market opportunities or address unmet clinical needs.

In advanced woundcare, a wide range of new technologies with the potential to accelerate wound healing has been assessed and potential licensing opportunities identified. Of particular interest are technologies that inhibit the formation of bacterial biofilms or that modulate excess protease activity as both factors are associated with delayed wound healing. These technologies would be incorporated

into AMS woundcare materials and regulated as medical devices. In wound closure and sealants, longer term R&D efforts are focused on entering the $600 million internal adhesives and sealants market. A development programme is now under way for an implantable adhesive for fixation of surgical materials and devices utilising the Group's expertise in cyanoacrylate chemistry and applicator design. These products are being developed to fit with the trend towards procedures being conducted via laparoscopic surgery.

New premises

In July 2008, AMS announced that it had agreed a pre-let for the lease of a 138,500 sq ft bespoke building in Winsford, Cheshire, for development into a new facility comprising offices, R&D laboratories, manufacturing and warehousing. This facility is now available for commencement of fit-out and will allow rationalisation of AMS's two existing facilities in Winsford into the new building during 2009 and 2010.

A 15 year lease, with an option to extend for a further 10 years, has been agreed for the new facility, which is sized to accommodate AMS's existing operations and to allow future expansion. Costs associated with this project have been fairly modest in 2008 and have been included under administration expense.

In 2009, the costs of the site move will be identified as exceptional items. These costs will include the validation of the plant and additional lease costs while the new facility is being fitted out. Capital expenditure for the new facility has been budgeted at £4.6 million.

Outlook

The Group remains well placed to continue to deliver organic growth, driven by silver alginate sales through multiple partners, increased penetration into the NHS, access to polyurethane foam technology and a strong R&D pipeline. With entry into the US market with LiquiBand® expected in second half 2009 delivering another key growth driver, the outlook for the business remains very positive.

Dr Geoffrey N Vernon
Chairman
22 April 2009

Business Review

Dr Don Evans and Mary Tavener

"The Group has delivered strongly on its strategy"

In 2008 AMS continued to deliver its strategy of developing and providing leading edge technology to the global medical device market.

The Group strengthened its technology platforms whilst further developing its multiple routes to market for commercialising its products worldwide.

As well as continuing to expand the business organically, access to a key materials technology for advanced woundcare was obtained through acquisition of 49.4% of Corpura BV.

Technology platforms

AMS strengthened its rich technology base covered by a broad range of IP and know-how. In-house natural and synthetic polymer technology is used to provide advanced wound dressings based on the moist healing principle. Technology in cyanoacrylate-based tissue adhesives is used either for the closure of wounds or for protecting or sealing skin to prevent breakdown or infection.

Advanced woundcare

The Group's technology base of advanced woundcare materials was strengthened by the Corpura joint venture, a leader in the development and manufacture of hydrophilic polyurethane foam for medical applications. This provides AMS with another key platform material, alongside its alginate and hydrogel range, for delivering new technologies that can help accelerate wound healing.

R&D projects are currently under way utilising polyurethane foam as the base material for composite dressings that deliver these higher value technologies, whilst still performing the basic role of managing wound fluid. These products are expected to be commercialised through marketing and distribution partners in 2010 and 2011.

Excellent progress was made in the year in further exploiting the use of silver as an anti-microbial in wound dressings. The Group has successfully commercialised two silver technologies as part of its alginate range which has grown 33% in 2008.

New regulatory approvals have been obtained for another silver alginate technology, a low adherent silver alginate product and for a silver hydrogel.

Wound closure and sealants

A comprehensive range of products has been developed utilising cyanoacrylate adhesive technology for closing topical wounds and protecting and sealing skin.

The LiquiBand® range of products covers the whole spectrum of wound closure in the Emergency Room (ER) and Operating Room (OR).

AMS has established a market leading position in the UK ER arena with its base LiquiBand® product for the use of adhesives for closing small trauma wounds, particularly on the facial triangle and the scalp. Based on butyl cyanoacrylate, these products provide strong, fast closure and come in a variety of sizes and applicators.

These products are sold direct in the UK and via distributors in Europe, under the LiquiBand® topical skin adhesives brand.

Specific products have also been developed for the higher value surgical OR market.

LiquiBand® Laparoscopic is aimed at closure of small surgical wounds and targets the increasing trend for many surgical procedures, particularly in gynaecology and general surgery, to be conducted via laparoscopy, which involves a number of port site wounds. LiquiBand® Laparoscopic has a two part applicator and a butyl-octyl cyanoacrylate blend that closes and protects these wounds.

LiquiBand® Surgical is aimed at large surgical wounds, such as following Caesarean section, breast surgery and orthopaedic procedures. It contains two different adhesive formulations — one for fast, secure closure of the wound, and one to act as a liquid bandage to seal and protect the wound.

All of the above products are approved and on sale throughout Europe and are currently undergoing US regulatory approval.

510(k) clearance for the LiquiBand® A&E product was obtained in February 2009 and we expect to receive approval for the full range including the OR specific products during the course of 2009.

LIQUIBAND® OPTIMA

The **future** of wound closure...

LiquiBand® Optima is the latest and most innovative product within the successful LiquiBand® skin adhesive range. It has been developed to meet the needs of clinicians and patients in today's busy Emergency Departments.

It is a pre-assembled device with a unique winged actuator that provides an easy 'click and use' functionality. The applicator provides precise control enabling quicker and safer wound closure.

Other benefits are:

- microbial barrier protection
- ambient storage
- no sting
- faster setting time

Business Review continued

IntegeSeal* Surgical Skin Sealant is an exciting pre-surgical application of the Group's cyanoacrylate technology. The product was licensed in 2006 and has been rolled out globally by Kimberly-Clark Health Care and is currently the subject of significant marketing and clinical trial activity to demonstrate its effectiveness in reducing surgical site infections (SSIs), an area of real concern to health care providers. A global multi-centre clinical study is currently under way, which is expected to be published towards the end of 2009. In addition, a number of independent studies are taking place, some of which have already demonstrated the benefits of the product.

A study by Towfigh, et al. published in Arch. Surg 2008; 143 (9): 885–891 concluded that cyanoacrylate-based medical sealant may be an important tool to reduce wound contamination and potentially prevent surgical site infections. This study, conducted at six teaching hospitals in the US, involved 177 patients undergoing hernia repair and compared InteguSeal® with the 10% povidone–iodine standard of care.

Longer term research in the wound closure and sealants business is aimed at entering the $600 million internal adhesives and sealants market. A development programme is under way to fix medical devices such as hernia mesh in place and to close internal wounds, particularly utilising laparoscopic surgical procedures. The first internal products are expected to be available for commercialisation in 2010.

This programme will help the Group further penetrate the higher value surgical OR arena.

INTEGUSEAL®

Surgical skin sealant

In clean surgeries, direct inoculation of the patient's own skin flora is the primary source of incisional contamination as the skin cannot be completely sterilised and rebound growth of bacteria deep in the skin occurs during surgery.

InteguSeal® Microbial Sealant is a film-forming liquid that locks down bacteria residing deep in the skin as well as those surviving typical pre-operative prepping.

- Seals and immobilises dangerous pathogens in the site of application, including MRSA, S. *epidermidis*, and E. *coli*.
- Non-irritating and breathable to permit normal skin transpiration.
- Does not promote bacterial resistance.

Routes to market

A strength of the AMS business is its multiple routes to markets. This has helped to build a broad global business, minimise dependence on one particular approach and allow the Group to react to changing market dynamics.

Health care providers are constantly trying to balance the often conflicting demands of accessing new technologies at premium prices with cost management of finite budgets. This has led AMS to devise a multi-faceted approach covering strategic partnerships with major global branded companies for new technologies, providing a full range of value products to private label distributors and a direct model in the UK home market.

The strategic partnership approach has allowed global commercialisation of new technologies that involve market creation such as silver wound dressings and surgical skin sealants. This model has been expanded during 2008 with the addition of two new silver alginate partners in both Europe and the US. This has provided strong global coverage of the Group's silver technologies.

Where the Group has gone direct in the UK it has seen strong market penetration and value retention. AMS currently has eleven sales people and three clinical nurses covering the LiquiBand® tissue adhesives range and the ActivHeal® wound dressings product range. As a result of this focus, LiquiBand® is market leader in the UK ER arena, while ActivHeal® grew 47% last year and is now used in almost half of all NHS Hospital Trusts.

In June, the full ActivHeal® range was included on the new framework agreement negotiated by NHS Supply Chain, part of DHL Logistics, for the supply of advanced woundcare products to NHS Hospital Trusts. This is the first procurement project of its type in the medical device arena and involved a robust supplier selection process, including clinical user groups to assess economic and clinical aspects of companies' products. The evaluation included cost, quality, clinical data, innovation, manufacturing capability, user education and clinical/technical support.

The ActivHeal® range was rated highly in the assessment reflecting the quality of the comprehensive offering by AMS in this product sector. The product range consists of alginate, foam, hydrocolloid, hydrogel and AquaFiber® high absorbency, clear gelling dressing.

Inclusion of the full ActivHeal® range on the new framework agreement underpins AMS's NHS direct woundcare business over the next two years. In addition to a strong cost management offering, added value features such as the innovation provided by a UK-based R&D and manufacturing presence and the clinical training and education provided by the UK clinical nurse team were also recognised during the supplier assessment process.

The Group has maintained its market leadership in the UK for LiquiBand® and its Education Programme for minor wound closure was accredited in January by the Royal College of Nursing Accreditation Unit. Containing both theory and a practical skills session, this programme enables UK nursing staff to gain an in-depth knowledge of closing wounds by using tissue adhesives in the ER for treating small cuts and trauma wounds, and contributes study hours towards their continuing professional development.

The Group is continuing to review its strategy for penetration of the European Operating Room (OR) market where it currently has limited presence through specialist OR distributors.

On 9 April 2009, the Board announced that it had been pursuing an acquisition opportunity that had reached an advanced stage of discussions but which have now been terminated. The costs relating to this aborted transaction are expected to be between £700,000 and £800,000 and will be reported as an exceptional cost in 2009.

Financial summary

Revenue for the Group increased by 21% to £20.3 million (2007: £16.9 million). The Group benefited from the strengthening dollar and, adjusting for this effect, the underlying growth was 19%. Advanced woundcare increased 28% to £16.4 million (2007: £12.8 million) with both silver alginate and sales into the NHS underpinning growth. The wound closure and sealants business declined by 4% but this result masked the effect of the launch of InteguSeal by Kimberly-Clark, which resulted in this business increasing 41% in 2007. This reduction in sales in the year after launch, following the initial stock build, is as expected. The feedback from Kimberly-Clark continues to be positive and sales are expected to increase during the second half of 2009. Adjusting for this, the underlying growth of the remaining wound closure business was 14%.

Gross margin improved across the Group to 48% (2007: 44%) as the Group continued to benefit from selling higher-value products and from operational efficiencies.

Administration costs increased to £7.6 million (2007: £6.2 million) as the Group chose to invest in its infrastructure and in Research and Development (R&D). R&D expensed through the income statement increased to £1.5 million (2007: £0.8 million) with spend being incurred in obtaining regulatory approval for LiquiBand® in the US and with work continuing on a number of other silver projects. Sales and marketing costs

Business Review continued

also increased to £2.1 million (2007 £1.7 million) as spend was incurred in supporting the growing business. Administration expenses also include a net loss of £125,000 as a result of foreign exchange. Whilst the Group benefited from the stronger dollar, particularly at the end of the year, the effect of marking currency hedging derivatives to market through the income statement led to an overall exchange loss.

Other income was £0.7 million (2007: £0.5 million) resulting from fees paid by partners towards the development of new products.

In May 2008 the Group formed a joint venture relating to Corpura BV, Recticel's fully owned subsidiary. The Group acquired a 49.4% stake in Corpura BV for £1.4 million and provided £0.7 million of funding. Corpura BV develops and produces hydrophilic polyurethane foams in Etten Lear, the Netherlands. This Joint Venture has been accounted for under the equity method and contributed £80k to the Group's pre-tax profit from operations. The fair value of the net assets acquired were £270k.

Finance income was at a similar level to 2007 at £0.3 million as a result of the interest earned on increased level of cash and investment balances maintained throughout the year.

The Group achieved a profit before taxation of £2.9 million an increase of 54% compared with 2007 (2007: £1.9 million).

The Group recognised a tax credit of £0.4 million resulting from deferred tax (2007: £0.3 million), reflecting the extent to which recoverability of tax losses can be foreseen with reasonable certainty. The Group holds a deferred tax asset on the balance sheet of £2.0 million (2007: £1.4 million). There is, however, approximately, a further £25.0 million (2007: £28.5 million) of tax losses that have not been recognised.

The profit after tax for the period was £3.3 million (2007: £2.2 million), resulting in fully diluted earnings per share of 2.16p (2007: 1.48p).

The Group generated £2.8 million of cash from operating activities (2007: £3.7 million). Working capital increased to £2.8 million (2007: £2.0 million) reflecting the increased level of business. Trade debtors and receivables increased by £1.4 million but debtor days were 53, a similar level to the prior year (2007: 52).

The Group invested £0.9 million (2007: £0.5 million) on property, plant and equipment, which will be expected to improve efficiencies and capacity going forward.

The Group also capitalises some of its R&D expenditure and capitalised £0.3 million in 2008 (2007: £0.3 million). As a consequence, the total spend on R&D in 2008 was £1.7 million or 8% of revenue (2007: £1.1 million or 7% of revenue).

The Group has identified the need to rationalise its two existing sites in Winsford into a new facility and has agreed a pre-let agreement for a lease for the new site. The lease agreed is for 15 years with an option to extend for a further 10 years.

A budget of £4.6 million of capital expenditure has been identified for the fit-out of the building in 2009. The benefits of the rationalisation will be to provide extra capacity for the future and to improve process flows and efficiencies. While the project is ongoing, it is expected that some exceptional costs of up to £1 million in both 2009 and 2010 will be incurred as a dedicated project team will work to validate equipment and ensure that the new facility becomes operational on schedule. The Group expects to make gross margin improvements once the move into the new site is complete. The benefits of these will be seen in 2011.

The Group has obtained approval for an NWDA grant of £0.3 million to assist with this project which will contribute towards the capital expenditure.

At the end of 2008 the Group had £7.3 million in net funds (2007: £7.2 million). Net funds are defined as cash and cash equivalents plus short-term investments less financial liabilities.

The Group has identified a number of Key Performance Indicators (KPIs) which it uses to measure the success of the business. Good progress has been made on these targets.

"The Group maintained its strong financial position and cash generation"

KPI	Target	Result
Revenue growth	Better than market growth rate — estimated 8% in 2008	21% (2007: 18%)
Profit from operations	20%	13.3% (2007: 9.8%)
Earnings per share (fully diluted)	To deliver 20% growth per annum	47% (2007: 196%)
Percentage of sales from products launched in the last 5 years	30%	38.2%
Customer service	OTIF (on time, in full) of 90%	87%

Dr D W Evans
Chief Executive Officer
22 April 2009

Directors & Advisers

Dr Geoffrey N Vernon BPharm, PhD, MBA, Ch.Dir.
Non-executive Chairman Age 56

Dr Vernon is a former executive director of Rothschild Asset Management and partner of the venture capital group Advent Limited. He joined AMS as a non-executive director in July 1998 and became Chairman in January 2001. He has over 20 years' experience in health care and life sciences. He is a non-executive chairman and director of a number of quoted and privately owned companies. He is a Chartered director of the Institute of Directors.

DrD on W Evans BChemEng, MASc, PhD
Chief Executive Officer Age 60

After completing a degree in Chemical Engineering at the University of Queensland and a PhD in Biomedical Engineering at the University of Toronto, Dr Evans joined Johnson & Johnson UK where he worked for 19 years in Research & Development and Manufacturing. He was subsequently appointed as Vice-President of European Operations for Johnson & Johnson Professional. Dr Evans joined AMS in 1997 as Operations director and was appointed Managing Director of Advanced Woundcare in January 1999. He became Group Chief Executive in January 2000.

MaryG Tavener ACMA, MCT, BA (Hons) Chem (Oxon)
Finance Director Age 47

Ms Tavener joined AMS as Finance Director in 1999. Prior to this she was the Group Financial Controller at BTP plc during a period of considerable corporate activity and was involved in the acquisition and disposal of several businesses that repositioned BTP plc as a fine chemical company. Her experience has been gained in manufacturing and she has held financial positions with Cadburys Limited and Parker Hannifin, a US Engineering Corporation. Prior to BTP plc, she was the Finance Director of Churchill Tableware Limited.

Advisers

FinancialA dviser and Nomad
Investec
2 Gresham Street,
London, EC2V 7QP

Auditors
Deloitte LLP
2 Hardman Street,
Manchester, M60 2AT

Solicitors
Wragge & Co
55 Colmore Row,
Birmingham, B3 2AS

Registrars and Transfer Office
Capita Registrars plc
Northern House, Woodsome Park,
Fenay Bridge, Huddersfield,
West Yorkshire, HD8 0LA

Bankers
HSBC Bank plc
City Branch, 4 Dale Street,
Liverpool, L69 2BZ

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Manchester Office, Sussex House,
83–85 Mosley Street,
Manchester, M2 3LG

Foley & Lardner, LLC
Building 3, Palo Alto Square,
3000 El Camino Real,
Palo Alto, CA 94306

Public Relations
Buchanan Communications
45 Moorfields,
London, EC2Y 9AE

AC hris Meredith BSc (Hons)
Group Commercial Director Age 42

Mr Meredith joined AMS as Group Commercial Director in July 2005. He began his career in sales for Beecham Pharmaceuticals and has continued to hold commercial roles within the health care industry ever since. His experience covers contract manufacturing, product development, clinical research and branded product sales all within the medical device, pharmaceutical or consumer health care markets. Mr Meredith has previously held senior commercial positions at Cardinal Health, Banner Pharmacaps, Aster Cephac and Smiths Industries.

R Stephen Harris BPharm, FRPharmS
Non-Executive Director Age 66

Mr Harris was appointed as a non-executive director of AMS in January 2001. His career has been in both prescription and consumer health care sectors, with sales, marketing and general management experience with MSD, Lilly, Boots and Reckitt & Colman before becoming a main Board director of Medeva plc. He resigned as a director of Medeva in 1995 to set up his own consultancy business. He now holds non-executive appointments with a number of quoted and privately owned health care companies.

Stephen G Bellamy BCom & ACA (NZ)
Non-Executive Director Age 49

Mr Bellamy was appointed as non-executive director of AMS on 20 February 2007. He is currently Chairman of The First Close Technology Fund, a founding partner of Accretion Capital LLP (a new technology fund management business) and non-executive director of Clarity Commerce Solutions plc and Image Metrics Limited. Formerly, an executive director of Sherwood International plc, and Brierley Investments' London operations, he has also held a number of other non-executive directorships and advisory roles. He is a qualified chartered accountant.

Corporate governance standing committees

Audit Committee
S G Bellamy, Chairman
R S Harris
Dr G N Vernon

Remuneration Committee
R S Harris, Chairman
Dr G N Vernon
S G Bellamy

Nominations Committee
Dr G N Vernon, Chairman
R S Harris
S G Bellamy
Dr D W Evans

Company Secretary
M G Tavener

Registered Office
Road Three, Winsford Industrial Estate,
Winsford, Cheshire, CW7 3PD

Registered Number
2867684

Senior Management

Dr Nick Frampton PhD, MBA
Vice-President Sales & Marketing

Aged 48, Nick joined AMS in 2006 as Vice-President European Business Development. With a strong technical background, Nick has extensive commercial experience in pharmaceuticals and medical devices.

After completing a PhD in Chemistry at University of Plymouth, Nick progressed through a number of technical and commercial roles with West Pharmaceutical Services, Lucas Control Systems and Banner Pharmacaps Europe BV where he was Director of Pharma Sales and Business Development. Nick received an MBA in 1997 from University of Exeter.

Jeffrey Willis BSc
Vice-President Strategic Marketing

Aged 36, Jeff graduated in Biomedical Engineering from the University of Florida and completed a Masters programme in Management of Technology at Georgia Institute of Technology.

He spent 10 years with Kimberly-Clark Corporation in R & D and New Business Development, and was a key member of the medical device M & A strategy team in Atlanta. In 2004 Jeff joined Abbott Laboratories in Columbus, Ohio as Senior Manager of Licensing and Business Development supporting the medical nutritional and consumer products division.

Jeff joined AMS in 2006 as Business Development Manager for the US providing local support to our US partners and is based in Florida.

Ed Surman BSc (Hons)
Operations Manager, Advanced Woundcare

Aged 47, Ed was appointed Operations Manager in June 2005, and has responsibility for Manufacturing, QA and Supply Chain for the Winsford based advanced woundcare business.

He is a Chemistry graduate of Nottingham University with a background in Technical Service, Research & Development, Marketing and Manufacturing. After a 15 year career working in the packaging industry with Hoechst Trespaplan and EPL Technologies, Ed returned to university and was awarded a Fellowship in Manufacturing Management programme from Cranfield University. Ed then became Production Manager at Wockhardt UK, a pharmaceutical manufacturing company.

Richard Smith ACA
Group Financial Controller

Aged 41, Richard joined AMS in January 2009 having qualified as a chartered accountant in 1996.

After periods in banking and private practice, Richard Joined AstraZeneca in 2000 where he worked in a number of finance roles culminating in the position of Finance Director, M & A and Strategic Planning as part of a deal team covering commercial, manufacturing, R & D and legal.

Dr Richard Freeman BSc (Hons) D.Phil
R & D Manager, Advanced Woundcare

Aged 45, Richard was appointed R & D Manager in 2002 having been involved in health care research and product development for more than 22 years.

After graduating in chemistry at University College Cork, and completing a D.Phil in Organic Chemistry at Oxford, where he was awarded a Foreign and Commonwealth Scholarship, Richard took a post-doctoral fellowship at the University of Sydney, Australia in 1990–91.

He joined Biocompatibles Ltd in 1992 as a Chemist, where he progressed through a number of R & D roles culminating in a position of Project Director for the launch of the BiodivYsio™ Stent. Since joining AMS, Richard has headed up the R & D function for the advanced woundcare business in Winsford.

Richard Stenton
General Manager, Wound Closure and Sealants

Aged 57, Richard was Managing Director of MedLogic Global Ltd when it was acquired by AMS in May 2002. Richard was subsequently appointed as General Manager where he has responsibility for R & D and Operations for the wound closure and sealants business based in Plymouth.

Following completion of an engineering apprenticeship, Richard spent 14 years in engineering and manufacturing with CR Bard Ltd, three years as a Project Director installing medical device manufacturing processes in Europe, South Africa and the Far East before joining HG Wallace in 1989 as Manufacturing Manager covering six medical device manufacturing sites in the UK.

He joined MedLogic Global in 1997 and was responsible for setting up and managing the UK operation for its tissue adhesives business.

Ian Vickery BA (Hons), MCIPD
Group HR Manager

Aged 41, Ian was appointed Group HR Manager in April 2009. After graduating in Geography from Leeds University, Ian completed a Diploma in Personnel Management in 1989.

An HR specialist with 20 years' experience within engineering, manufacturing, pharmaceuticals and higher education, Ian has operated at a senior level within the UK and Europe to support businesses and their management teams in delivering their strategic goals and objectives.

Advanced Medical Solutions Group plc

Report of the Directors

for the year ended 31 December 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activities, trading review and future developments

The Group is primarily involved in the manufacturer and distribution of novel high performance polymers (both natural and synthetic) for use in advanced woundcare dressings and materials and medical adhesives for closing and sealing tissue for sale into the global medical device market.

In addition to the risk factors discussed below, further information about the business, its strategy, products and markets and its financial risks is contained in the Chairman's Statement, on page 8 to 11, and the Business Review on pages 12 to 17.

Principal risks and uncertainties

Advanced Medical Solutions Group plc is a business that depends on revenues through its direct sales to the NHS, sales to business partners and distributors, a successful pipeline of new products through its research and development programme to build future revenues and a manufacturing capability to produce the products it sells.

Risk associated with global economic conditions
The Company has a widespread geographical market sector and customer base which minimises the impact of any single event. With an ageing population increasingly suffering health problems such as obesity and diabetes, the incidence of chronic wounds is increasing and the demographics are beneficial for the Company.

There has been consolidation in the health care industry in recent years, which is ongoing. This presents both opportunities and risks. Consolidation could result in the loss of a partner which could have a material effect on the results of the Company.

The Group also recognises that the general world economy is resulting in a decline in demand in most industries and sectors and that whilst the health care sector may be more resilient than many other sectors to this effect it is not immune. There is a risk that one of the Group's partners or suppliers may be severely affected by the economic recession which may in turn have a negative impact on the Group.

Risk associated with revenue streams
The Group's revenues are mainly from the sale of its products. The Group enters contractual relationships with its business partners wherever possible, however, there can be no guarantee that sales will be maintained or increased in future years.

The Group maintains close partnerships with a number of companies so that not more than 20% of its revenues are from any one partner.

There are also risks from pricing pressure and from competition from other products. The Group seeks to provide differentiated products that are patented wherever possible to reduce the effects of competition.

Risk associated with new products
The Group continues to invest in research and development to develop its next generation of products. By its nature, not all research leads to successful new products, although the Group believes that by monitoring progress against key milestones, it avoids excessive expenditure on projects that will not deliver a viable product. There is also the risk that the Group will not identify a new technology or opportunity before its competition and therefore miss an opportunity to gain competitive advantage.

Risk associated with manufacture
The Group seeks to work with its business partners through the use of forecasts to ensure that products are delivered on time and in full.

The Group is also exposed to the risk that margins would be eroded if price increases occur in raw materials, and the price increases could not be passed on to the business partner or customer. Wherever possible, the Group tries to maintain more than one source of the supply of key materials. Where materials can only be sourced from a sole supplier or are linked to commodity prices, the Group includes pricing mechanism clauses in its contracts wherever possible.

As a manufacturer, the Group is exposed to potential product liability claims but has in place insurance cover to manage this potential risk. The Group's products are subject to medical device regulatory approval and certification before launch. The Group's manufacturing facilities are in compliance with ISO 13485, the latest international quality assurance standard to medical devices and receive regular inspection by regulatory authorities.

The Group has identified a need to increase its capacity and as a result has decided to move its two existing sites in Winsford into one new premises on the same industrial estate. Although the Group believes that this site move has been carefully planned and resourced, there is some risk that this project may overrun or be overspent or may not deliver the benefits that are expected.

Financial risk

The Group is subject to various financial risks including the following:

- *Market.* The Group's main currency exposure is to the US dollar with around 18% of the Group's sales denominated in US dollars. The Group's policy is to hedge significant transaction exposure (50% to 80% of the sales for 12 months) to the dollar by using forward contracts and options and has both contracts and options in place to the end of 2009. In 2008, if the average dollar had depreciated against sterling by 10% more, the average rate would have had a £0.4 million impact on revenue and the gross margin would have been reduced by 1 percentage point.
- *Liquidity and Cash Flow.* The Group invests funds that are surplus to short-term 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. 2008 was a turbulent year that required the Group to give greater consideration to the counterparty risk involved.
- *Credit.* The Company assesses the risk of contracting with each customer and sets credit limits which are carefully monitored. If a significant risk is identified credit facilities are withdrawn and transactions are carried out on a cash basis.
- *Price.* Supplier costs, discounts and rebates are monitored and checked in line with budgets and documentary evidence. Wherever possible contracts are in place with key suppliers which define prices and terms. The Group estimates that if material prices had increased by a further 5% in 2008 and the Group was unable to pass the increases on there would have been a negative impact of £0.2 million to cost and the gross margin would have been reduced by 1 percentage point.

Going concern

After making enquiries and based on the assumptions outlined in the corporate governance section on page 34, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the accounts.

Dividends

The Group made a profit for the year to 31 December 2008 of £3.3 million (2007: £2.2 million). The directors do not recommend the payment of a dividend (2007: nil) and the whole of the gain will be transferred to reserves.

Research and Development

The Group has expensed to the income statement £1,534k (2007: £784k) in the year ended 31 December 2008 on research and development. In accordance with International Accounting Standards a further £343k (2007: £294k) has been capitalised. Further details on the Group's research and development are included in the Business Review on pages 12 to 17.

Creditors' payment policy

The Group's policy, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms, and to abide by the agreed terms of payment provided that the supplier performs its obligations. Where terms have not been specifically agreed, it is the Group's practice to settle invoices in line with local and industry requirements. The Groups trade creditors at 31 December 2008 represented approximately 76 days of purchases (2007: 70 days).

Charitable and political contributions

The Group did not make any charitable or political contributions during the year.

Report of the Directors continued

Share capital and issue of ordinary shares

The authorised and issued share capital of the Company is set out in Note 30 to the accounts on pages 71 to 72.

Substantial shareholdings

The Company's major shareholders at 23 March 2009 are:

	No. of Ordinary Shares	%
Axa Framlington Investment Management	18,646,307	13.00
J.D. Slater & Family	9,905,000	6.91
Amvescap (incl. Invesco)	8,741,891	6.10
Legal & General Investment Management	6,173,344	4.31
Artemis Investment Management	5,882,352	4.10
Aerion Fund Management	5,677,972	3.96
Cavendish Asset Management	4,905,000	3.42
Electra Partners Europe	4,732,352	3.30
Swedbank Robur	4,506,000	3.14

Employees

The Group's policy is to consult and discuss with employees, through meetings, both formal and informal, those matters likely to affect employees' interests. The Employees' Consultative Committee, which comprises representatives of employees and management, meets regularly to discuss business issues and areas of concern.

Employees are incentivised directly through the Company's bonus scheme, share option schemes, deferred share bonus schemes, performance reviews and training and development opportunities. The Group's aim is to recruit and retain sufficient skilled and motivated employees to meet the needs of the business. The required skills are defined and employees are encouraged to acquire additional skills through a skill grid structure for which they are remunerated. Each line manager is responsible for implementing this approach.

It is the Group's policy to give full and fair consideration to all applications for employment from disabled persons having regard to their particular aptitudes and abilities and to encourage the training and career development of all personnel employed by the Group, including disabled persons. Should an employee become disabled, the Group would, where practicable, seek to continue the employment and arrange appropriate training.

Employees' Share Schemes

All employees, except for participants in the Long Term Incentive Plan (LTIP), are eligible after a period of service to be granted options over shares in the Company under the Company's Executive Share Option Schemes, under which both Enterprise Management Incentive (EMI) options and Unapproved options may be granted. Options granted under these schemes are not offered at a discount. Further details are included in the Remuneration Report on pages 27 to 32.

The Company also operates a Deferred Share Bonus Scheme (DSB) in which all employees are invited to participate. The DSB encourages employee share ownership and aligns the employees' interests with those of the shareholders. The details on the Deferred Share Bonus Scheme are provided in the Remuneration Report on page 30.

Health and Safety and the Environment

The Group is committed to high standards in health, safety and environmental performance. It is the Group's policy to abide by all laws, directives and regulations pertinent to its field of operations and to act in a manner so as to minimise the effects of its operations on the environment. The Company provides safe places and systems of work, safe plant and machinery, safe handling of materials and that appropriate information, instruction and training is given. Regular audits are undertaken to evaluate compliance with Company policy.

The business is proactive in assessing its impact on the environment. It ensures that removal of waste is only made by suitable registered and accredited organisations.

Directors and their interests

The directors of the Company at 31 December 2008 and their interests, all of which are beneficially held, in the share capital of the Company were:

	Ordinary shares of 5p each 31 December 2008			Ordinary shares of 5p each 31 December 2007		
	Shares	Options	LTIPs	Shares	Options	LTIPs
G Vernon	1,000,000	—	—	960,000	—	—
D Evans	793,709	616,666	3,001,173	763,859	616,666	3,001,173
M Tavener	183,778	300,000	2,214,571	155,421	300,000	2,214,571
S Harris	122,857	—	—	237,857	—	—
A C Meredith	74,538	—	1,208,000	55,136	—	1,208,000
S G Bellamy	100,000	—	—	100,000	—	—

There have been no changes to the directors' interests between the end of the financial year and 22 April 2009, being less than a month prior to the date of notice of the Annual General Meeting.

Further details of the directors' remuneration and benefits are included in the Remuneration Report on pages 27 to 32.

Reappointment

At the forthcoming Annual General Meeting, Chris Meredith and Steve Harris will retire by rotation and, being eligible, will be proposed for reappointment. Geoffrey Vernon, who has been a non-executive director of the Company for more than ten years, will now retire and be proposed for re-election each year. Details of the current directors of the Company are shown on page 18 to 19.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

a select suitable accounting policies and then apply them consistently;

b make judgements and estimates that are reasonable and prudent;

c for the Group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and

d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Report of the Directors continued

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Companys website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Third party indemnity provision for directors

Third party indemnity provision was in place for the directors of the Group for the financial year.

Auditors

Deloitte LLP were appointed by the Board on 3 December 2008 to act as auditors of the Group following the resignation of Baker Tilly LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Annual General Meeting

The Annual General Meeting will be held on 3 June 2009 at 11.00 am at the Macdonald Portal Hotel, Cobblers Cross Lane, Tarporley, Cheshire, CW6 0DJ. Details of the Notice of the Annual General Meeting are given on pages 84 to 86. The Annual General Meeting provides an opportunity for private shareholders to question your Board and to meet informally with the executive management after the meeting.

M G Tavener
Company Secretary
22 April 2009

Remuneration Report

As an AIM company, Advanced Medical Solutions Group plc is not required to comply with Schedule 7a of the Companies Act 1985. The following disclosures are made voluntarily.

The members of the Remuneration Committee are all non-executive directors of the Group and have no personal financial interest arising from cross-directorship and no day-to-day involvement in running the business. The Committee met three times during the year.

The Board has accepted the Remuneration Committee's recommendations in full.

The Remuneration Committee, on behalf of the Board and in consultation with the Chief Executive, determines the Group's policy on executive remuneration, employment conditions, succession planning and the individual remuneration packages of executive directors and management earning in excess of £75,000 per annum and administers the Share Option Schemes.

Remuneration policy

The remuneration policy is based on the need to offer competitive packages to attract and retain senior executives of the highest calibre. Regular reviews of the policy are carried out, supported by independent advice, to ensure that the range and level of emoluments and incentive schemes continue to match current market practice.

Salary

Salaries are measured against performance and market medians.

Annual performance bonus

The service agreements provide that each executive director shall be entitled to receive an annual bonus to be determined by the Remuneration Committee based on the Group's financial and operating performance. Each participant may receive up to 60% of his or her salary dependent upon performance measured against targets resulting from the completion of the Group's business plan, the performance of the Group, and other personal targets.

Share options

All employees, except for participants in the Long Term Incentive Plan (LTIP), can be granted options over shares in the Company under the Company's Executive Share Option Schemes, under which both Enterprise Management Incentive (EMI) options and Unapproved options may be granted. Options granted under these schemes are not offered at a discount.

The exercising of options under these schemes is conditional on certain performance conditions which are pre-determined by the Remuneration Committee and which accord with the Joint Statement from the Investment Committees of the Association of British Insurers and the National Association of Pension Funds. Further details of these options are included in note 32 on pages 72 to 76.

The Company's Unapproved Executive Share Option Scheme was adopted on 29 June 1999 and in accordance with the rules of the scheme terminates on 28 June 2009. The Group believes that the grant of options to employees acts as an incentive and so Resolution 6 will be a proposal to seek authority to establish the Advanced Medical Solutions Group plc 2009 Executive Share Options Scheme (the 'Scheme') to replace the 1999 Scheme. Resolution 7 seeks authority to establish an employee benefit trust (the 'Trust'). The details of both the Scheme and the Trust are described below. Both resolutions will be proposed as ordinary resolutions.

General

The Scheme provides for the grant of options to acquire shares in the Company to be granted to eligible employees of the Company and its subsidiaries ('the Group'). Such options are not transferable and option benefits are not pensionable.

Eligibility

Options may only be granted to employees and executive directors of the Company or of any subsidiary of the Company. Decisions concerning the grant of an option to any director or employee will be approved by the Remuneration Committee.

Grant of options

Options may be granted within 42 days after the Scheme is approved by shareholders. Thereafter, options may normally only be granted within the period of 42 days following the announcement of the Companys results for any period and within the period of 42 days after a new employee first joins the Group. Options may be granted outside these periods but only in circumstances considered to be exceptional. No option may be granted more than ten years after the date on which the Scheme is approved by shareholders.

Remuneration Report continued

Exercise price

The price per share at which shares may be acquired upon the exercise of an option shall be determined by the Remuneration Committee at the time of grant but shall be not less than the market value of a share at the date of grant.

Performance-related conditions of exercise

The exercise of options will normally be conditional upon the performance of one or more of the Company, a subsidiary or subsidiaries of the Company, or the optionholder measured against criteria determined at the time of the grant of the option.

The Remuneration Committee may from time to time vary or waive any such performance-related condition as it applies to any outstanding option.

Exercise of options

An option is exercisable normally only after the third anniversary of the date of grant (or such later time as may be determined at the time of grant) and cannot in any event be exercised later than the tenth anniversary of the date of grant.

If an optionholder dies in service his options may be exercised by his personal representatives within 12 months thereafter in respect of a proportion of the option shares corresponding, unless the Remuneration Committee determine otherwise, to such proportion of the period over which performance is measured (the Performance Period) as had elapsed before death. Exercise will be subject, unless the Remuneration Committee determine otherwise, to the relevant performance condition being satisfied or deemed satisfied.

If an optionholder leaves the Group by reason of injury, disability, redundancy, or the company or business in which he is employed being sold outside the Group, then he may exercise his options in respect of a proportion of the option shares corresponding, unless the Remuneration Committee determine otherwise, to such proportion of the Performance Period as had elapsed on cessation. Exercise will be subject, unless the Remuneration Committee determine otherwise, to the relevant performance condition being satisfied or deemed satisfied, with such exercise being permitted either in the six months following cessation or the six months following the normal first exercise date.

If an optionholder leaves the Group for any other reason, his option may only be exercised to the extent, and within such period as, the Remuneration Committee determine.

Reconstruction, winding-up and takeover of the Company

Early exercise of options within specified periods is permitted in the event of a demerger, reconstruction or change of control of the Company in consequence of a general offer to shareholders. If notice is given to shareholders of a resolution for the voluntary winding-up of the Company, options may be exercised within a period set out in the rules of the Scheme. Otherwise all unexercised options will lapse upon the commencement of a winding-up. Exercise will be subject, unless the Remuneration Committee determine otherwise, to the relevant performance condition being satisfied or deemed satisfied.

Rights attaching to shares and source of shares

Shares issued upon the exercise of options will rank equally in all respects with all other ordinary shares of the Company for the time being in issue (save as regards any rights attaching to ordinary shares by reference to a record date prior to the allotment or transfer of such shares).

Options may be satisfied by the issue of new shares, the transfer of existing shares held by a person other than the Company or the transfer of existing shares held by the Company in treasury.

Variation of share capital

In the event of any alteration of the issued ordinary share capital of the Company by way of a capitalisation or rights issue, sub-division, consolidation or reduction or any other variation in the ordinary share capital of the Company, the Remuneration Committee may make such adjustment as they consider appropriate to the total amount of ordinary shares subject to any option and/or the exercise price payable upon the exercise of any option. However, except in the case of a subdivision, consolidation or capitalisation issue, any such adjustment must be confirmed in writing by the auditors of the Company (or other independent advisers) to be in their opinion fair and reasonable.

Alteration of the Scheme

The Remuneration Committee may alter or add to the Scheme but may not make any alteration or addition to the advantage of present or future optionholders to the provisions relating to eligibility, the overall limit on the Scheme, or any variation of share capital, without the prior approval of ordinary shareholders in general meeting except for minor amendments for the purposes of administration of the Scheme, amendments to take account of any change in legislation or amendments which are necessary or appropriate to obtain or maintain favourable tax or regulatory treatment for participants in the Scheme, the Company or any other company within the Group.

Tax favoured options

The Scheme will enable the grant of options which are tax favoured qualifying Enterprise Management Incentive options for so long as such options can be granted, in addition to options which are not approved for tax purposes.

The Remuneration Committee may amend the Scheme in any way as they may consider necessary or appropriate in order to permit the grant of options which benefit from other tax favourable treatment.

Issue of shares

The number of new shares which may be issued or put under option under the Scheme shall be limited to 15% of the Companys issued share capital in any 10 year period. Shares issued or capable of issue under awards granted in the relevant period under other share incentive schemes operated by the Company will count towards this limit.

Principal terms of the Trust
General

The Trust will be able to acquire shares in the Company which can then be used to satisfy awards under any current or future share incentive plans operated by the Company. This will enable the delivery of shares under plans where the participant does not have to pay anything to acquire shares (such as the Long Term Incentive Plan) and will also permit the satisfaction of awards (for payment or otherwise) with shares purchased in the market, rather than by the issue of new shares.

Beneficiaries

The class of beneficiaries of the Trust will include all employees and former employees of the Group and certain dependants of such persons. The Trust is a discretionary trust and the Trustee will be able to decide which persons within the class of beneficiaries receive benefits from the Trust. Members of the Group will be specifically excluded from benefit.

Trustee

The trustee of the Trust will be an independent professional trustee based offshore.

The power of appointing new trustees will be vested in the Company. The minimum number of trustees will be two individuals or a body corporate.

Trustees and employees of corporate trustees will be protected from liability and indemnified by the Company against any loss to the trust fund except where it is due to negligence, fraud or wilful default on the part of the trustee or employee.

Amendment

The Company acting through the directors will be able to make any amendments to the Trust other than certain proscribed amendments and certain other amendments which will require the approval of the trustee.

The above summaries of the principal terms of the Scheme and Trust do not form part of the rules of the Scheme or of the Trust and should not be taken as affecting the interpretation of their detailed terms and conditions. The directors reserve the right, up to the time of the forthcoming Annual General Meeting, to make amendments and additions to the rules of the Scheme and to the Trust that they consider necessary or appropriate, provided that any amendment may not conflict in any material aspect with the above summaries.

A copy of the rules of the Scheme will be available for inspection at the Companys registered office at Road Three, Winsford Industrial Estate, Winsford, Cheshire, CW7 3PD during normal office hours from the date of issue of the Notice of Annual General Meeting until the date of the Annual General Meeting and at the Meeting itself.

Long-term Incentives

Following feedback from shareholders, proposals for the adoption of a LTIP were introduced as the most appropriate vehicle for long-term incentivisation for executive directors and certain other employees. The Company's LTIP was approved by shareholders on 24 May 2005. Those individuals who are entitled to awards under the LTIP are no longer eligible to receive options under the Company's Executive Share Option Schemes. Any options issued to those employed prior to the introduction of the LTIP will still be exercisable subject to the relevant performance criteria being met. The objectives of the

Remuneration Report continued

LTIP are to align the interests of executives with those of shareholders by making a part of remuneration dependent on the success of management in delivering superior returns to shareholders. Fifty per cent of the Award will be determined based on the performance of the Company compared against the AIM Healthcare Share Index and 50% of the Award will be determined by the growth in the average earnings per share per year of the Company over at least a three year period.

Of the 50% of the award that is determined by reference to the AIM Healthcare Share Index, no shares will be awarded if the Company is ranked below the 50% level. If the Company is ranked in the upper quartile of the index, i.e. at 75% or above, the full 50% of the Award shall become vested. If the Company is ranked between 50% and 75%, the provision of an Award which shall become vested shall be determined on a straight-line basis between 0 and 50%.

The other 50% of the Award will be vested if the Company achieves an average of 30% or more earnings per share growth per year. No Award will be vested if the Company achieves an average of less than 10% earnings per share growth in any one year.

The proportion of the Award that shall become vested if the Company achieves an average earnings per share growth per year between 10% and 30% shall be on a straight-line basis between 0% and 50%. As with share options granted under the Company's share options plans, awards will not vest if the Company is not profitable at the end of the performance period.

Deferred Share Bonus Plan

The Company has also set up a Deferred Share Bonus Plan (the 'DSB') which is available to all employees. The DSB allows for the payment of any bonus to be made in the form of shares. It also allows for the provision of additional matching shares if the bonus shares are held for a set period. The DSB encourages employees to acquire shares in the Company and retain those shares to receive additional free shares from the Company. It acts as a valuable retention tool and aligns the employees' interests with those of shareholders. The first year that the DSB operated was in 2007. The Company intends to continue to operate the scheme in 2009.

Pension

Executive directors are entitled to become members of the Group Pension and Life Assurance Scheme, which was set up with effect from 1 February 1999. This covers all employees and requires a contribution of 3% by the employee and 6% by the Group. Executive directors may contribute up to 10%, and the Group contributes 10%. The Pension Plan is a money purchase scheme.

Service agreements

The service agreements for Don Evans, Mary Tavener and Chris Meredith are terminable by either party giving not less than 12 months' notice in writing.

Private healthcare

Executive directors are entitled to private healthcare and permanent health insurance.

Car

The Company no longer considers it to be market practice to offer company vehicles to executive directors.

Non-executive directors

The fees of the of non-executive directors are determined by the executive directors. Non-executive directors receive travel expenses but do not participate in any incentive arrangements. The non-executive directors have entered into terms of appointment. The non-executive directors' appointments are terminable by either party upon six months' notice in writing.

Directors' emoluments

	Salary & fees £'000	Annual bonus £'000	Benefits £'000	Pension £'000	Paid to third parties £'000	Total year ending 2008 £'000	Total year ending 2007 £'000
Executive							
Don Evans	189	68	19	19	—	**295**	253
Mary Tavener	127	49	—	13	—	**189**	172
Chris Meredith	126	46	1	13	—	**186**	161
Non-Executive							
Geoffrey Vernon					47	**47**	46
Steve Harris					28	**28**	27
Steve Bellamy					29	**29**	25
	442	163	20	45	104	774	684

The opening share price for the year was 24.75p and the closing price on the last trading day of 2008 (31 December) was 33.5p.

The range during the year was 35.25p (high) and 21.25p (low). (Source: daily official list of the London Stock Exchange.)

Directors' interests in share options

Unapproved Executive Share Option Scheme

	Number of Ordinary shares under option				
	As at 31 Dec 2007	Lapsed in the year	As at 31 Dec 2008	Exercise price (p)	Date of grant
D W Evans	616,666	—	**616,666**	9.00	15 July 2004
M G Tavener	300,000	—	**300,000**	9.00	15 July 2004

These options are exercisable on or after the third anniversary of the date of the grant and will lapse on the tenth anniversary of the date of the grant.

Directors' interests in the Long-Term Incentive Plan (LTIP)

The maximum number of shares to be allocated to the directors under the LTIP, in each case for an aggregate consideration of £1, are as follows:

	As at 31 December 2007	Granted in the year	As at 31 December 2008	Market Price at date of grant (p)	First vesting date
D W Evans	1,865,173	—	**1,865,173**	8.75	12 October 2008
	1,136,000	—	**1,136,000**	16.75	12 April 2010
M G Tavener	1,348,571	—	**1,348,571**	8.75	12 October 2008
	866,000	—	**866,000**	16.75	12 April 2010
A C Meredith	500,000	—	**500,000**	8.75	12 October 2008
	708,000	—	**708,000**	16.75	12 April 2010

The charge for share based payments across all schemes under IFRS 2 for the directors was £76k (2007: £64k).

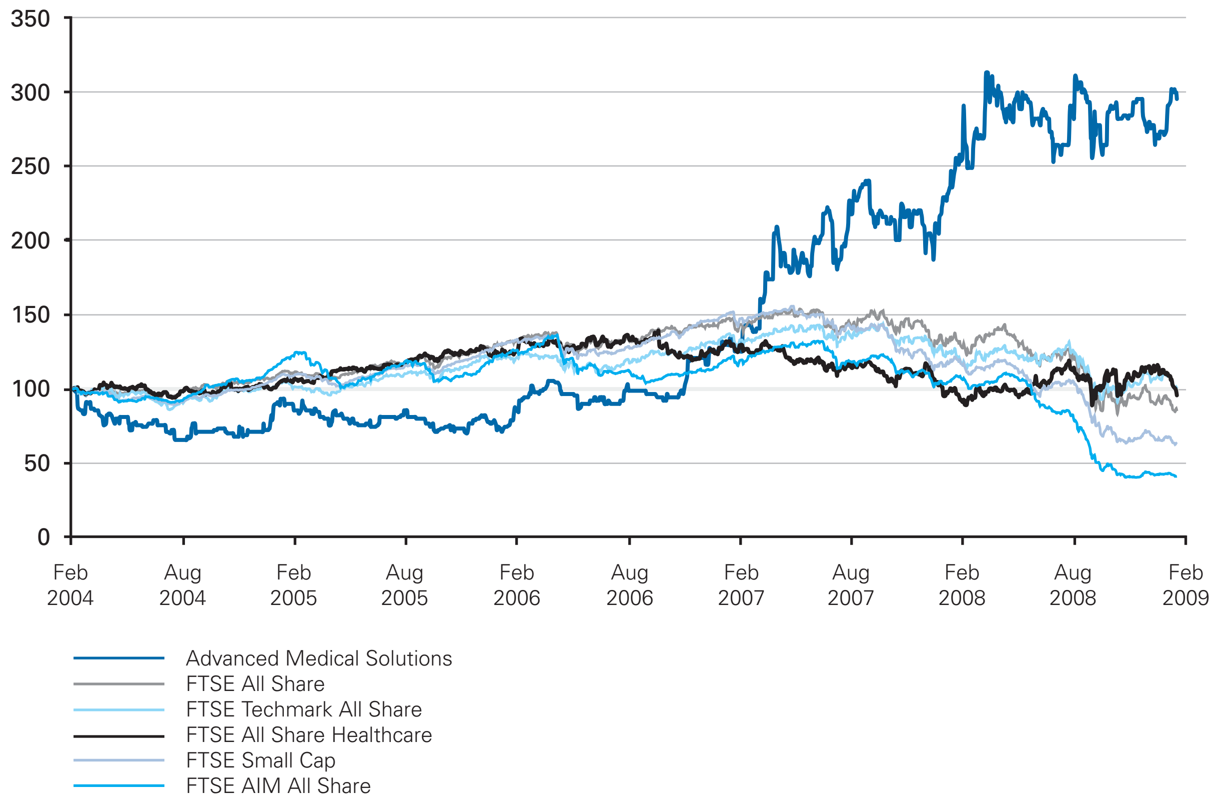
The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on pages 29 and 30. The figures shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved. New Bridge Consulting LLP have advised on the TSR performance of the Company's shares for the LTIPs granted in 2005 and vesting in October 2008, that AMS's TSR was in the top quartile of performance against the comparator group and that consequently 100% of the award will vest.

Awards made have no performance retesting facility.

Five Year Share Performance

For the five year period ending 28 February 2009, Advanced Medical Solutions Group plc share price has outperformed the FTSE All Share by 245%, FTSE Techmark by 193%, FTSE Health Care by 207% the FTSE Small Cap Index by 366% and AIM by 608 %.

Five Year Relative Share Performance (rebased to 100)



Steve Harris
Chairman of the Remuneration Committee
22 April 2009

Corporate Governance

The Board is committed to the principles of corporate governance and although, as an AIM listed company, it is not bound by the Combined Code, the directors have applied the Combined Code in a manner which it considers appropriate for the size of the Group.

The Board of Directors

The Board retains full and effective control of the Group and has a schedule of matters specifically reserved for its decision. The Board meets on a formal basis regularly, and met formally nine times in 2008. All of the directors attended all of the meetings. Prior to each Board Meeting, directors are sent an agenda including monthly management accounts and accompanying reports from the executive directors. Additionally, the Board is responsible for formulating the Group's corporate strategy, approval of budgets, monitoring financial performance, approval and review of major capital expenditure, corporate governance and risk management. Operational control is delegated to the executive directors and the executive management committee (EMC). The EMC meets monthly. All directors have access to the advice and services of the Company Secretary and can take independent professional advice, if necessary, at the Group's expense. The non-executive directors are able to contact the executive directors at any time for further information.

The Board consists of three executive directors and three non-executive directors. Whilst the Board does not meet the Combined Code requirements, in that at least half of the Board excluding the Chairman should comprise non-executive directors, the Board believes it is appropriate for the size of the Group. The Chairman is one of the non-executive directors and there is a clear division of responsibility between the Chairman and Chief Executive. All of the non-executive directors are considered to be independent and independent of the executive management. They are able to discuss matters without the executive directors present. The Board formally evaluates its performance annually. Each director completes a comprehensive questionnaire, the results are collated by the Company Secretary and discussed by the Board. The Board then acts upon the findings. Given the size of the Board, the Board does not have a Senior Independent director. All directors are required to stand for re-election at the first Annual General Meeting following their appointment and, as a minimum, every three years thereafter.

Board Committees

The Board has delegated specific authority to the Remuneration Committee, Nominations Committee and the Audit Committee. The non-executive directors and the chairman are the only members of the Remuneration and Audit Committees.

The Audit Committee is chaired by Steve Bellamy and met three times in 2008. The Committee considers the appointment and fees of the auditors and discusses the scope of the audit and its findings. It is also responsible for monitoring the Group's accounting policies, assessing the Group's internal controls and reviewing the annual and interim statements prior to their submission for approval by the Board. The Committee has the right of access to the external auditors without the attendance of the executive directors and does so regularly.

In 2008 the Audit Committee chose to review its audit requirements and following a formal tender it engaged Deloitte LLP as its auditors. At the forthcoming Annual General Meeting, Deloitte LLP will stand for re-election.

The Audit Committee also undertakes a formal assessment of the auditor's independence which includes:

- A review of non-audit services provided to the Group and related fees.
- Discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence.
- A review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner.
- Obtaining written confirmation from the auditors that, in their professional judgement, they are independent.
- An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year, which is set out in note 5 of the financial statements.

The Remuneration Committee is chaired by Steve Harris and, in consultation with the Chief Executive, determines the Group's policy on executive remuneration, employment conditions, succession planning and the individual remuneration packages of executive directors and senior management earning in excess of £75,000 per annum. It approves all new incentive schemes, the grants of options under the Group's Share Option Schemes, and the grant of shares under the Groups Long Term Incentive Plan (LTIP). The Remuneration Committee met three times in 2008. Its report is included on pages 27 to 32.

The Nominations Committee nominates and recommends the appointment of new directors to the Board. In making recommendations, the Committee takes into account the balance of skill, knowledge and experience of the Board. The Committee is chaired by the Chairman of the Group and comprises the non-executive directors and the Chief Executive. The Nominations Committee met once in 2008.

Corporate Governance continued

Investor Relations

The Group maintains a regular dialogue with its shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year. The views of shareholders are sought through direct contact and from feedback from advisers and are communicated to the Board as a whole. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which is sent to shareholders at least 20 working days before the meeting. The AMS website 'www.admedsol.com' is regularly updated and provides additional information on the Group including information on the Group's products and technology.

General Meeting

The Company proposes separate resolutions for each separate issue and specifically relating to the reports and accounts. The Company ensures all proxy votes are counted and indicates the level of proxies on each resolution along with the abstentions after it has been dealt with on a show of hands.

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In the context of the Group's business any such system can only reasonably be expected to manage rather than eliminate risks arising from its operations. It can therefore only provide reasonable and not absolute assurance against material loss or misstatement.

Key features of the internal control system are as follows:

- The Group has an organisational structure with clearly established responsibilities and lines of accountability. The Group promotes the values of integrity and professionalism. The members of the Board are available to hear, in confidence, any individual's concerns about improprieties.
- The Board has a schedule of matters expressly reserved for its consideration. This schedule includes acquisitions, major capital projects, treasury, risk management policies and approval of budgets and health and safety.
- An ongoing risk management process has been implemented which identifies the key business risks facing the Group including both financial and operational risks. This process and the key business risks are reviewed by the Board at least once a year.
- The controls in place to minimise the occurrence of the risk are documented and analysed for effectiveness. These include procedures for the approval of major expenditure or commitment of resources.
- The Board monitors the activities of the Group through the management accounts, monthly forecasts and other reports on current activities and plans. The executive management regularly monitors financial and operational performance in detail and takes any necessary corrective action.
- The Group operates a 'whistle-blowing' policy enabling any individual with a concern to approach the non-executives in confidence.

The Board reviews and continues to review the effectiveness of the Group's procedures in managing risk and, therefore, believes it meets the requirements of the Guidance.

The Audit Committee has considered the need for internal audit. It is of the opinion that, given the size and nature of the Group's operations and the other controls in place, it would not be appropriate at the present time. The matter is formally reviewed at least annually. The Group does call on the services of external bodies to review the controls in certain areas of the Group. The quality assurance systems are reviewed by the Group's notified bodies, the British Standards Institute (BSI) and TUV Product Service on a regular basis. The British Safety Council also reviews and reports on the Health and Safety Systems in the Group each year.

Going Concern

In carrying out their duties in respect of going concern, the directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment. With regards to the Group's financial position, it had cash and cash equivalents at the year end of £1.9 million and investments totalling £5.7 million with a maturity not exceeding three months, while having no reliance on banking facilities.

While the current economic environment is uncertain, AMS operates in a market whose demographics are extremely favourable, underpinned by an increasing need for products to treat chronic and acute wounds. Consequently, strong market growth is predicted. The Group has a number of long-term contracts with customers across different geographic regions and also with substantial financial resources, ranging from government agencies through to global healthcare companies.

Having taken the above into consideration the Directors have reached a conclusion that the Group is well-placed to manage its business risks despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

By order of the Board
Mary G Tavener
Company Secretary
22 April 2009

Independent Auditors' Report

to the members of Advanced Medical Solutions Group plc

We have audited the Group and Parent Company financial statements (the financial statements) of Advanced Medical Solutions Group plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes on pages 38 to 82. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent Company financial statements and the directors Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Business Review that is cross-referenced from the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Highlights, At a Glance, Our Strategy, the Chairman's Statement, the Business Review, Directors and Advisers, the Report of the Directors, the Remuneration Report, and Corporate Governance sections. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report continued

to the members of Advanced Medical Solutions Group plc

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Groups affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2008;
- the parent Company financial statements and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom
22 April 2009

Financial statements

Consolidated Income Statement

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Revenue	3	20,316	16,856
Cost of sales		(10,562)	(9,431)
Gross profit		9,754	7,425
Distribution costs		(160)	(130)
Administration costs		(7,666)	(6,158)
Profit on disposal of property, plant & equipment		35	3
Other income	4	656	512
Share of results of joint venture		80	—
Profit from operations		2,699	1,652
Finance income	9	265	282
Finance costs	10	(37)	(29)
Profit before taxation		2,927	1,905
Income tax		382	331
Profit for the year attributable to equity holders of the parent		3,309	2,236
Earnings per share			
Basic	13	2.31p	1.57p
Diluted	13	2.16p	1.48p

The above results relate to continuing operations.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	14	1,398	1,566
Software intangibles	14	40	45
Development costs	14	520	342
Property, plant and equipment	15	3,199	2,910
Deferred tax assets	16	2,045	1,421
Investment in joint venture	17	1,749	—
Loans and receivables	18	662	—
Trade and other receivables	20	209	200
		9,822	6,484
Current assets			
Inventories	19	2,231	1,726
Trade and other receivables	20	4,894	3,504
Investments	22	5,730	6,654
Cash and cash equivalents	22	1,882	876
		14,737	12,760
Total assets		24,559	19,244
Liabilities			
Current liabilities			
Trade and other payables	23	4,008	2,909
Other taxes payable		308	276
Financial liabilities	24	17	15
Obligations under finance leases	27	14	5
		4,347	3,205
Non-current liabilities			
Financial liabilities	25	262	279
Obligations under finance leases	27	58	14
		320	293
Total liabilities		4,667	3,498
Net assets		19,892	15,746
Equity			
Share capital	30	7,169	7,157
Share based payments reserve		300	154
Investment in own shares	31	(18)	(13)
Share based payments deferred tax reserve		571	320
Share premium		23	17
Other reserve	31	1,531	1,531
Translation reserve		427	—
Retained earnings		9,889	6,580
Equity attributable to equity holders of the parent		19,892	15,746

The financial statements on pages 38 to 82 were approved by the Board of directors and authorised for issue on 22 April 2009 and were signed on its behalf by:

Dr D W Evans
Chief Executive Officer
22 April 2009

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Group

	Share capital £'000	Share based payments £'000	Investment in own shares £'000	Share based payments deferred tax £'000	Share premium £'000	Other reserves £'000	Translation £'000	Retained earnings £'000	Total £'000
At 1 January 2008	7,157	154	(13)	320	17	1,531	—	6,580	15,746
Share based payments	—	146	—	—	—	—	—	—	146
Share based payments									
— deferred tax	—	—	—	251	—	—	—	—	251
Issue of share capital	5	—	—	—	—	—	—	—	5
Share options exercised	7	—	—	—	6	—	—	—	13
Shares purchased by EBT	—	—	(89)	—	—	—	—	—	(89)
Shares sold by EBT	—	—	84	—	—	—	—	—	84
Exchange differences									
on translation									
of foreign operations	—	—	—	—	—	—	427	—	427
Consolidated profit for the									
year to 31 December 2008	—	—	—	—	—	—	—	3,309	3,309
At 31 December 2008	7,169	300	(18)	571	23	1,531	427	9,889	19,892

	Share capital £'000	Share based payments £'000	Investment in own shares £'000	Share based payments deferred tax £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2007	11,782	60	—	67	37,978	1,531	(38,369)	13,049
Share based payments	—	94	—	—	—	—	—	94
Share based payments								
— deferred tax	—	—	—	253	—	—	—	253
Issue of share capital	34	—	—	—	—	—	—	34
Share options exercised	19	—	—	—	17	—	—	36
Cancellation of deferred								
Shares	(4,678)	—	—	—	—	—	4,678	—
Cancellation of share								
Premium account	—	—	—	—	(37,978)	—	37,978	—
Shares purchased by EBT	—	—	(34)	—	—	—	—	(34)
Shares sold by EBT	—	—	21	—	—	—	—	21
Surplus on EBT	—	—	—	—	—	—	57	57
Consolidated profit for the year								
to 31 December 2007	—	—	—	—	—	—	2,236	2,236
At 31 December 2007	7,157	154	(13)	320	17	1,531	6,580	15,746

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Cash flows from operating activities		
Profit from operations	2,699	1,652
Adjustments for:		
Share of results of joint venture	(80)	—
Depreciation	673	686
Amortisation — intellectual property rights	168	168
— development costs	160	16
— software intangibles	24	19
Profit on sale of non-current assets	(35)	(3)
(Increase)/decrease in inventories	(505)	60
(Increase)/decrease in trade and other receivables	(1,613)	396
Increase in trade and other payables	1,140	603
Share based payments expense	146	94
Net cash inflow from operating activities	2,777	3,691
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	56	3
Purchase of software	(19)	(35)
Capitalised research and development	(343)	(294)
Purchases of property, plant and equipment	(894)	(502)
Taxation	—	9
Movements in investments in money market deposits	924	(2,704)
Interest received	487	101
Investment in joint venture	(1,376)	—
Movement in loans and receivables	(531)	—
Net cash used in investing activities	(1,696)	(3,422)
Cash flows from financing activities		
Finance lease	(17)	(8)
Repayment of secured loan	(29)	(15)
Issue of equity shares	13	70
Shares purchased by EBT	(89)	(34)
Shares sold by EBT	84	21
Interest paid	(37)	(29)
Net cash (used in)/from financing activities	(75)	5
Net increase in cash and cash equivalents	1,006	274
Cash and cash equivalents at the beginning of the year	876	602
Cash and cash equivalents at the end of the year	1,882	876

Notes Forming Part of the Consolidated Financial Statements

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 financial statements of the Company for the 12 months ended 31 December 2008 comprise the Company and its subsidiaries and joint venture (together referred to as the "Group").

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 closing and sealing tissue, for sale into the global medical device market.

Basis of preparation

The Group accounts have been prepared under International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

The individual financial statements for each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

After making enquiries and based on the assumptions outlined in the corporate governance section on page 34, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the accounts.

2 Accounting policies

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.

Classification of leases

The Group utilises assets subject to operating and finance leases. The classification of these leases is based on a number of factors such as risk and reward, length of use and the fair value of minimum lease payments. Lease classification is made at the inception of the lease.

Share based payment

The charge to the income statement in relation to options and incentive plans is based on the Black–Scholes Merton or the Binominal Tree valuation technique. These techniques require a number of assumptions to be made such as those in relation to share price volatility, movement in interest rates, dividend yields and staff behavioural patterns.

Inventory impairment provisions

The Group makes provisions for inventory deemed to be irrecoverable. This provision is established on each individual stock keeping unit (SKU's) based on the age of the stock, the forward order book, management's experience and its assessment of the present value of estimated future cash flows.

Receivables impairment provisions

The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the present value of estimated future cash flows.

Deferred tax

A deferred tax asset is recognised when it is judged probable that the Group will generate taxable profits which can be offset against tax losses.

2 Accounting policies continued

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 of the subsidiaries are included in the consolidated financial statements on the basis of both acquisition and merger accounting, from the date that control commences until the date that control ceases.

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, the equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using the equity method of accounting where it is considered that the Group is able to exercise joint control over the operating and financial decisions of the investee.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is recognised as part of the investment and reviewed for impairment when there is objective evidence of impairment.

Revenue recognition

Revenue represents the fair value of sales of the Group's products to external customers at amounts less value added tax, and is recognised when the products have been delivered and title has passed. 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.

Revenue from royalty income receivable under licence agreements from external customers at amounts less value added tax is recognised as the products under licence are sold and the revenue can be reliably measured.

Other income

This 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, and other sundry income. The income is recognised in the income statement, over the life of each development project, in proportion to the stage of completion for each project.

Finance income

Finance income relates to interest earned on cash, cash equivalents and investments. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Notes Forming Part of the Consolidated Financial Statements continued

2 Accounting policies continued

Finance costs

Finance costs relate to finance payments associated with financial liabilities. They are recognised in the income statement as they accrue using the effective interest method.

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.

Foreign currencies

The presentation currency for the consolidated financial statements 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.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The exchange differences arising are dealt with in reserves. The revenue and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates at the dates of the transactions.

Taxation

Taxation expense includes the amount of current income tax payable and the charge for the year in respect of deferred taxation.

The income tax payable is based on an estimation of the amount due on the taxable profit for the year. Taxable profit is different from profit before tax as reported in the income statement because it excludes items of income or expenditure which are not taxable or deductible in the year as a result of either the nature of the item or the fact that it is taxable or deductible in another period. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for on a basis of temporary differences, except to the extent where it arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case it is dealt with within equity. It is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Intangible assets

Acquired intellectual property rights

Intellectual property rights that are acquired in a business combination are initially recognised at their fair value. Intellectual property rights purchased outright are initially recognised at cost. Intellectual property rights are capitalised and amortised over their estimated useful economic lives, usually not exceeding 18 years. In determining the useful economic life each asset is reviewed separately and consideration given to the period over which the Group expects to derive economic benefit from the asset.

2 Accounting policies continued

Development costs

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, that the development costs of the asset can be measured reliably 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, which is between one and ten years, starting from the date on which serial production commences.

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.

Software intangibles

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.

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 in respect of land and buildings at the date of transition to IFRS. Fair value has been calculated by reference to their existing use at the date of transition.

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

Property, plant and equipment in the course of construction for production are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

No depreciation is provided on freehold land.

Notes Forming Part of the Consolidated Financial Statements continued

2 Accounting policies continued

Impairment

The carrying amount of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit, being applied to goodwill first, then property, plant and equipment and intangibles on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows. As the Group's receivables are of short duration they are not discounted.

Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventory

Inventory is valued at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, based on normal levels of activity, that have been incurred in bringing the inventories to their present location and condition.

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

The Group makes provision for inventory deemed to be irrecoverable or where the net realisable value is lower than cost. This provision is established on a stock keeping unit (SKU) basis by reference to the age of the stock, the forward order book and management's experience.

Financial instruments

Classification of financial instruments

Financial instruments are classified as financial assets, financial liabilities or equity instruments.

Following the adoption of IAS 32 'Financial Instruments: Presentation', financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the Group to deliver cash or other financial assets that are potentially unfavourable to the Group; and
- Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

2 Accounting policies continued

Recognition and valuation of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash deposits and amounts under short term guarantees usually 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 which are readily convertible to a known amount of cash.

Investments

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. 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.

Under IAS 39 "Financial instruments; recognition and measurement", such investments are classified as loans and receivables and are recognised at fair value on initial recognition and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. An impairment is made when it is likely that the balance will not be recovered in full. The recoverable amount is calculated as the present value of estimated future cash flows. Estimated future cash flows are not discounted due to the relatively short period of time between recognition of trade receivables and receipt of cash.

Recognition and valuation of equity instruments

Equity instruments are stated at par value. Premiums on issue are taken to the share premium reserve.

Ordinary share capital

Equity instruments are recorded initially at fair value. For ordinary share capital, the par value is recognised in share capital and the premium in the share premium reserve.

Recognition and valuation of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Other loans

Other loans are initially recognised at fair value and are subsequently recognised at amortised cost.

Financial liabilities at fair value through profit or loss (FVTPL)

A derivative that is not designated and effective as a hedging instrument is classified as held for trading. Financial liabilities are classified as at FVTPL where the financial liabilities are held for trading.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 26.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 26 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives with remaining maturity of less than 12 months are presented as current assets or current liabilities.

Notes Forming Part of the Consolidated Financial Statements continued

2 Accounting policies continued

Leased 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 on 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.

Pensions

The Group operates 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 income statement represents the contributions payable to the scheme in respect of the accounting period.

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 options that will eventually vest.

Fair value is measured by use of a Black–Scholes Merton or a Binomial Tree model. The expected life used in the models have been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Capital management

For the years ended 31 December 2007 and 31 December 2008, the Group has had net funds with minimal borrowings. Capital is managed by maximising retained profits. Working capital is managed in order to generate maximum conversion of these profits into cash and cash equivalents thereby maintaining capital.

Capital includes share capital, share premium, investment in own shares, share based payments reserve, share based payments deferred tax reserve, other reserve and retained earnings reserve. There are no externally imposed capital requirements on the Group.

2 Accounting policies continued

Cash flow

Cash and cash equivalents comprise cash at bank 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 day's notice that are not required to meet short term cash commitments are shown as an investment.

Employee Benefit Trusts

The Group operates an Employee Benefit Trust (EBT): 'Advanced Medical Solutions Group plc UK Employee Benefit Trust'.

The Group has de facto control of the assets, liabilities and shares held by the Trust and bear their benefits and risks. The Group records certain assets and liabilities of the Trust as its own.

In compliance with Standing Interpretations Committee 12 (SIC 12) 'Consolidation — Special Purpose Entities', Group shares held by the EBT are included in the consolidated balance sheet as a reduction in equity. Gains and losses on Group shares are recognised directly in reserves.

IFRS not yet effective and not adopted early

The following IFRSs have been issued but have not been adopted by the Group in these financial statements as they are not yet effective:

- IAS 1 'Presentation of financial statements' — Revision. This revision aims to assist users in their ability to analyse and compare the information given in the financial statements. Changes include changes to titles of some of the financial statements and changes to the components of financial statements. The revision is effective for periods commencing on or after 1 January 2009.
- IAS 23 'Borrowing costs' — Revision. This revision eliminates the option to expense borrowing costs to the income statement as incurred and is effective for periods commencing on or after 1 January 2009.
- IAS 27 'Consolidated and separate financial statements' — Revision. The revision is part of the second phase of the business combinations project between the International Accounting Standards Board and the US Financial Accounting Standards Board. The main amendments relate to the accounting for minority interests and the loss of control of a subsidiary. The revision is effective for periods commencing on or after 1 July 2009. The directors do not believe the adoption of this revision will have a significant impact on the business.
- IFRS 3 'Business Combinations' — Revision. The main amendments are:
  - Costs incurred to effect a business combination are to be expensed.
  - Any pre-existing equity interest in the entity acquired will be remeasured at fair value, with any resulting gain or loss being recognised in profit or loss.
  - Any non-controlling interest will be measured at either fair value or at its proportionate share of net identifiable assets of the entity acquired.
  - Contingent consideration will be measured at fair value, with any subsequent changes to this fair value being recognised in profit or loss.

  The revision is effective for business combinations on or after 1 January 2010.

Notes Forming Part of the Consolidated Financial Statements continued

3 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 segment information.

Inter-segment 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 use as wound dressings.

The principal activities of the wound closure and sealants business unit is the research, development, manufacture and distribution of medical adhesives and products for closing and sealing tissue.

3 **Segment information** continued

Segment information about these businesses is presented below.

2008	Advanced woundcare year ended 31 Dec 2008 £'000	Wound closure & sealants year ended 31 Dec 2008 £'000	Eliminations year ended 31 Dec 2008 £'000	Consolidated year ended 31 Dec 2008 £'000
Revenue				
External sales	16,415	3,901	—	20,316
Inter-segment sales	33	—	(33)	—
Total revenue	16,448	3,901	(33)	20,316

Inter-segment sales are charged at prevailing market prices.

Result				
Segment result	3,036	848	—	3,884
Unallocated expenses				(1,185)
Profit from operations				2,699
Finance income				265
Finance costs				(37)
Profit before tax				2,927
Tax				382
Profit for the year				3,309

Other information	Advanced woundcare year ended 31 Dec 2008 £'000	Wound closure and sealants year ended 31 Dec 2008 £'000	Eliminations year ended 31 Dec 2008 £'000	Consolidated year ended 31 Dec 2008 £'000
Capital additions:				
Software intangibles	15	4	—	19
Research & development	294	49	—	343
Property, plant and equipment	727	251	—	978
Depreciation and amortisation	721	304	—	1,025
Balance sheet				
Assets				
Segment assets	10,596	5,019	—	15,615
Unallocated assets				8,944
Consolidated total assets				24,559
Liabilities				
Segment liabilities	2,847	1,079	—	3,926
Unallocated liabilities				741
Consolidated total liabilities				4,667

Included in the advanced woundcare segment are assets (£1,749k) and results (£80k) in respect of Corpura BV, the Group's joint venture.

Notes Forming Part of the Consolidated Financial Statements continued

3 Segment information continued

2007	Advanced woundcare year ended 31 Dec 2007 £'000	Wound closure and sealants year ended 31 Dec 2007 £'000	Eliminations year ended 31 Dec 2007 £'000	Consolidated year ended 31 Dec 2007 £'000
Revenue				
External sales	12,799	4,057	—	16,856
Inter-segment sales	28	—	(28)	—
Total revenue	12,827	4,057	(28)	16,856
Inter-segment sales are charged at prevailing market prices.				
Result				
Segment result	1,363	715	—	2,078
Unallocated expenses				(426)
Profit from operations				1,652
Finance income				282
Finance costs				(29)
Profit before tax				1,905
Tax				331
Profit for the year				2,236

Other information	Advanced woundcare year ended 31 Dec 2007 £'000	Wound closure and sealants year ended 31 Dec 2007 £'000	Eliminations year ended 31 Dec 2007 £'000	Consolidated year ended 31 Dec 2007 £'000
Capital additions:				
Software intangibles	33	2	—	35
Research & development	187	107	—	294
Property, plant and equipment	335	167	—	502
Depreciation and amortisation	645	244	—	889
Balance sheet				
Assets				
Segment assets	7,084	4,377	—	11,461
Unallocated assets				7,783
Consolidated total assets				19,244
Liabilities				
Segment liabilities	2,213	1,061	—	3,274
Unallocated liabilities				224
Consolidated total liabilities				3,498

3 **Segment information** continued

Geographical segments

The advanced woundcare and wound closure and sealants segments 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.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services, based upon location of the Group's customers:

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
United Kingdom	7,023	5,731
Europe excluding United Kingdom	7,991	6,686
United States of America	4,810	4,217
Rest of World	492	222
	20,316	16,856

All assets are classified as under the United Kingdom due to the immateriality of the carrying value of all assets held in the United States of America.

4 Other income

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Development fees	586	512
Other	70	—
	656	512

Notes Forming Part of the Consolidated Financial Statements continued

5 Profit from operations

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Profit from operations is arrived at after charging/(crediting):		
Profit on sale of non-current assets	(35)	(3)
Depreciation of property, plant and equipment	673	686
Amortisation of:		
— acquired intellectual property rights	168	168
— software intangibles	24	19
— development costs	160	16
Operating lease rentals — plant and machinery	90	90
— land and buildings	315	294
Research and development costs expensed to the income statement	1,534	784
Cost of inventories recognised as expense	9,993	9,119
Staff costs	6,929	5,900
Fair value loss on derivative financial instruments	599	—
Net foreign exchange gains	(474)	(36)

Auditors' remuneration

The analysis of auditors' remuneration is as follows:

Amounts payable to Deloitte LLP and their associates in respect of both audit and non-audit services:

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Audit services		
— Statutory audit of parent and consolidated financial statements	10	—
— Statutory audit of subsidiary companies	30	—
Tax services		
— Compliance services	10	—
Other services		
— Other costs	8	—
	58	—

5 Profit from operations continued

Auditors' remuneration continued

Fees payable to the Company's auditors, Deloitte LLP and its associates for services other than the statutory audit of the Company is not disclosed in subsidiaries' accounts because the consolidated accounts of the subsidiaries' parent, AMS Group plc, is required to disclose such fees on a consolidated basis.

A description of the work of the Audit Committee is set out in the Corporate Governance section of the annual report which includes explanations of how the audit objectivity and independence is safeguarded when non-audit services are provided by the auditor.

Amounts payable to Baker Tilly UK LLP and their associates in respect of both audit and non-audit services:

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Audit services		
— Statutory audit of parent and consolidated financial statements	8	21
— Statutory audit of subsidiary companies	—	30
Tax services		
— Compliance services	9	6
— Advisory services	—	48
Other services		
— Other costs	—	6
	17	111

6 Employees

The average monthly number of employees of the Group during the year, including executive directors, was as follows:

	Year ended 31 Dec 2008 Number	Year ended 31 Dec 2007 Number
Production	119	117
Research and development	15	16
Sales and marketing	30	26
Administration	25	20
	189	179

Sales and marketing includes 2 people (2007: 1) employed in the United States.

Notes Forming Part of the Consolidated Financial Statements continued

6 Employees continued

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Staff costs for all employees, including executive directors, consists of:		
Wages and salaries	5,933	5,115
Social Security costs	617	491
Pension costs	233	200
Share based payments (see note 32)	146	94
	6,929	5,900

7 Directors' emoluments

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Remuneration for management services	625	546
Pension	45	40
Amounts paid to third parties	104	98
	774	684
Retirement benefits are accruing to the following number of directors under money purchase schemes	3	3

8 Key management

The key management personnel of the Group comprises the executive directors of the Group together with senior members of the management team. Their aggregate compensation is shown below:

Key management compensation

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Salaries and short-term employee benefits	919	821
Pension	59	54
	978	875

Directors

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Salaries and short-term employee benefits	625	546
Pension	45	40
	670	586

8 Key management continued

Highest paid director

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Salaries and short-term employee benefits	276	236
Pension	19	17
	295	253

9 Finance income

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Bank interest	257	274
Rent deposit interest	8	8
	265	282

10 Finance costs

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Finance leases	12	2
Other loan interest	25	27
	37	29

Notes Forming Part of the Consolidated Financial Statements continued

11 Taxation

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
a) Analysis of credit for the year		
Current tax:		
UK corporation tax	—	—
Capital gains tax	9	(9)
Deferred tax	373	340
Taxation	382	331
b) Factors affecting tax credit for the year		
The tax assessed for the year is lower than the standard		
rate of corporation tax in the UK of 28.5% (2007: 30%) as explained below:		
Profit before taxation	2,927	1,905
Profit multiplied by the standard rate of corporation		
tax in the UK of 28.5% (2007: 30%) as explained below:	834	572
Effects of:		
Expenses not deductible for tax purposes	20	207
Fixed asset timing differences	13	(68)
Profit on disposal of property, plant and equipment	—	(1)
Expensive leased cars disallowed costs	—	6
Trading losses carried forward	—	17
Trading losses utilised	(667)	(733)
Research and development relief	(200)	—
Capital gains tax	(9)	9
Deferred taxation	(373)	(340)
Taxation	(382)	(331)

The rate of UK corporation tax reduced from 30% to 28% on 1 April 2008 following enactment of the Finance Act 2007. The 30% rate applied to profits arising before 1 April 2008 and the 28% rate applied to profits arising after that date.

12 Dividends

No dividends were paid or proposed in 2008 (2007: Nil).

13 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Earnings for the purposes of basic and diluted earnings per share		
being net profit attributable to equity holders of the parent	3,309	2,236
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes		
of basic earnings per share	143,284	142,535
Effect of dilutive potential ordinary shares:		
share options, deferred share bonus, LTIPs	9,979	8,684
Weighted average number of ordinary shares for the		
purposes of diluted earnings per share	153,263	151,219

14 Acquired intellectual property rights, software intangibles and development costs

2008	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000
Cost			
At beginning of year	2,518	158	363
Additions	—	19	343
Disposals	—	(2)	(5)
At end of year	2,518	175	701
Amortisation			
At beginning of year	952	113	21
Charged in the year	168	24	160
Disposals	—	(2)	—
At end of year	1,120	135	181
Net book value			
At 31 Dec 2008	**1,398**	**40**	**520**
At 31 Dec 2007	1,566	45	342

Intangible assets are amortised on a straight-line basis and the amortisation is recognised within administration costs.

Acquired intellectual property rights were initially recognised on the acquisition of MedLogic Global Limited and represent patents held by the Company.

Notes Forming Part of the Consolidated Financial Statements continued

14 Acquired intellectual property rights, software intangibles and development costs continued

2007	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000
Cost			
At beginning of year	2,518	123	69
Additions	—	35	294
At end of year	2,518	158	363
Amortisation			
At beginning of year	784	94	5
Charged in the year	168	19	16
At end of year	952	113	21
Net book value			
At 31 December 2007	1,566	45	342
At 31 December 2006	1,734	29	64

15 Property, plant and equipment

2008	Freehold land, property and improvements £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
At beginning of year	1,055	450	9,120	174	44	10,843
Additions	8	—	962	8	—	978
Disposals	—	—	(170)	—	—	(170)
At end of year	1,063	450	9,912	182	44	11,651
Depreciation						
At beginning of year	12	425	7,304	148	44	7,933
Provided for the year	4	20	644	5	—	673
Disposals	—	—	(154)	—	—	(154)
At end of year	16	445	7,794	153	44	8,452
Net book value						
At 31 December 2008	1,047	5	2,118	29	—	3,199
At 31 December 2007	1,043	25	1,816	26	—	2,910

At 31 December 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £476k (2007: £389k).

At 31 December 2008, the Group had expended £641k (2007: £118k) in respect of property, plant and equipment in the course of construction.

The net book value of property, plant and equipment includes £118k of plant and machinery (2007: £103k) held under finance leases. The related depreciation charge for the year was £32k for plant and machinery (2007: £38k).

15 Property, plant and equipment continued

2007	Freehold land, property and improvements £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
At beginning of year	1,055	450	8,691	150	44	10,390
Additions	—	—	478	24	—	502
Disposals	—	—	(49)	—	—	(49)
At end of year	1,055	450	9,120	174	44	10,843
Depreciation						
At beginning of year	8	403	6,696	145	44	7,296
Provided for the year	4	22	657	3	—	686
Disposals	—	—	(49)	—	—	(49)
At end of year	12	425	7,304	148	44	7,933
Net book value						
At 31 December 2007	1,043	25	1,816	26	—	2,910
At 31 December 2006	1,047	47	1,995	5	—	3,094

Notes Forming Part of the Consolidated Financial Statements continued

16 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Revaluation of building £'000	Share-based payment £'000	Tax losses £'000	Total £'000
At 1 January 2007	(74)	85	817	828
Charge to income	—	25	315	340
Charge to equity	—	253	—	253
At 31 December 2007	(74)	363	1,132	1,421
Charge to income	—	41	332	373
Charge to equity	—	251	—	251
At 31 December 2008	**(74)**	**655**	**1,464**	**2,045**

Maturity of the deferred tax asset is as follows:

	2008 £'000	2007 £'000
Less than one year	**779**	467
Greater than one year	**1,266**	954
	2,045	1,421

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2008 £'000	2007 £'000
Deferred tax liabilities	**(74)**	(74)
Deferred tax assets	**2,119**	1,495
	2,045	1,421

At the balance sheet date, the Group has unused tax losses of £30.3 million (2007: £32.5 million) available for offset against future profits. A deferred tax asset of £1.5 million (2007: £1.1 million) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining £25.0 million (2007: £28.5 million) of such losses due to the unpredictability of future profit streams.

17 Investment in joint venture

On 30 May 2008 the Group and Recticel formed a joint venture relating to Corpura BV, Recticel's fully owned subsidiary. The Group acquired 49.4% of the issued share capital of Corpura BV for £1.4 million and has provided funding of £0.7 million for the joint venture. Corpura BV develops hydrophilic polyurethane foams in Etten Leur, the Netherlands.

	£'000
Fair value and book value of net assets acquired	**270**
Goodwill	**1,106**
Consideration	**1,376**

The joint venture has been accounted for under the equity method.

17 Investment in joint venture continued

	2008 £'000	2007 £'000
Amounts relating to investment in joint venture		
Total assets	2,556	—
Total liabilities	(1,811)	—
Net assets	745	—
Profit	186	—

Further information regarding the investment in joint venture is given in note 3 to the Company's separate financial statements.

Amounts recognised in the income statement and in the balance sheet are as follows:

	2008 £'000	2007 £'000
Operating profit	214	—
Less: interest	(82)	—
Less: tax	(40)	—
	92	—
Less: provision for unrealised profit	(12)	—
Share of results of joint venture	80	—

Net book value of interest in joint venture

	£'000
At 1 January 2008	—
Addition	1,376
Share of results of joint venture	80
Exchange	293
At 31 December 2008	1,749

18 Loan receivable

	2008 £'000	2007 £'000
Loan receivable carried at amortised cost: Loans to related parties	662	—

The Group has provided its joint venture with a long-term loan at 2 percentage points over 3 months EURIBOR. There are no contractural plans for repayment of the capital amount.

19 Inventories

	2008 £'000	2007 £'000
Raw materials	1,068	769
Work in progress	689	483
Finished goods	474	474
	2,231	1,726

There is no material difference between the replacement cost of stock and the amount at which it is stated in the financial statements.

Included above are finished goods of £19k (2007: £nil) carried at net realisable value.

Notes Forming Part of the Consolidated Financial Statements continued

19 Inventories continued

	2008 £'000	2007 £'000
Total gross inventories	2,552	2,136
Provision for inventory impairment	(321)	(410)
Net inventory	2,231	1,726

Provision for inventory impairment:	2008 £'000	2007 £'000
At beginning of year	(410)	(484)
Income statement charge	(38)	(194)
Provision released	22	38
Provision utilised	105	230
At end of year	(321)	(410)

20 Trade and other receivables

	2008 £'000	2007 £'000
Due within one year		
Trade receivables	3,736	2,601
Other receivables	276	393
Prepayments and accrued income	882	510
	4,894	3,504

Trade and other receivables

	2008 £'000	2007 £'000
Amount receivable for the sale of goods	4,904	3,515
Provision for impairment	(10)	(11)
	4,894	3,504

The trade and other receivable due after more than one year is the leasehold rental deposit held with the landlord.

The Group's principal financial assets are cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables.

The average credit period taken on sales of goods is 53 days (2007: 52 days). No interest is charged on the receivables within the contracted credit period. Thereafter, interest may be charged at 2% per month on the outstanding balance. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the Group's large and unrelated customer base. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairments.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits are reviewed on an ongoing basis and reflect current payment history.

20 Trade and other receivables continued

Included in the Group's trade receivable balance are debtors which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances. The carrying amount and ageing of these debtors are summarised below:

Ageing of overdue but not impaired receivables

	2008 £'000	2007 £'000
31 to 60 days overdue	235	242
61 to 90 days overdue	106	40
Total	341	282

Movement in provision for impairment

	2008 £'000	2007 £'000
Balance at the beginning of the year	11	44
Impairment losses recognised	8	8
Amounts written off as uncollectible	(3)	(41)
Amounts recovered during the year	(6)	—
Balance at the end of the year	10	11

21 Analysis of customers

31 December 2008	Revenue £'000	% of total revenue
Customers accounting for more than 10% of revenue		
— Customer 1	3,295	16.2

31 December 2007	Revenue £'000	% of total revenue
Customers accounting for more than 10% of revenue		
— Customer 1	2,669	15.8
— Customer 2	1,862	11.0

Ageing of impaired trade receivables

	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
31 to 60 days overdue	1	—
61 to 90 days overdue	—	—
Over 90 days overdue	9	11
Total	10	11

Notes Forming Part of the Consolidated Financial Statements continued

22 Investments, cash and cash equivalents

	2008 £'000	2007 £'000
Investments	5,730	6,654
Cash and cash equivalents	1,882	876
	7,612	7,530

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

23 Trade and other payables

	2008 £'000	2007 £'000
Trade payables	1,938	1,466
Other payables	201	230
Derivative financial instruments	599	—
Accruals and deferred income	1,270	1,213
	4,008	2,909

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 76 days (2007: 70 days). No interest is charged on trade payables that are within pre-agreed credit terms. Thereafter, interest may be charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

24 Current financial liabilities

	2008 £'000	2007 £'000
Other loans	17	15
	17	15

25 Non-current financial liabilities

	2008 £'000	2007 £'000
Obligations under finance leases (see note 27)	58	14
Other loans	262	279
	320	293

The loan is secured by a fixed charge on the freehold property. It is repayable in monthly instalments and interest is payable at 8 % fixed rate. The maturity by currency of finance leases and other loans is given in note 26.

26 Financial instruments

Categories of financial instruments

All financial instruments held by the Group, as detailed in this note, are classified as "Loans and Receivables" (trade and other receivables, cash and cash equivalents), "Held to maturity investments" (short term investments), "Financial Liabilities Measured at Amortised Cost" (trade and other payables, financial liabilities and obligations under finance leases) and "Fair value through profit and loss (FVTPL)" (derivative financial instruments) under IAS 39 'Financial Instruments: Recognition and Measurement' and finance leases under IAS 17 ' Leases'.

	Carrying value	
	2008 £'000	2007 £'000
Financial assets		
Held-to-maturity investments	5,730	6,654
Loans and receivables (including cash and cash equivalents)	6,985	4,580
Financial liabilities		
Fair value through profit and loss (FVTPL)		
Designated as FVTPL	599	—
Amortised cost	3,760	3,222

Page 23 of the Report of the Directors provides an explanation of the financial risks faced by the Group and the objectives and policies for managing those risks. The information below deals with the financial assets and liabilities.

(a) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, of which other loans and finance lease obligations are at fixed rates and denominated in sterling whilst derivative financial instruments are non-interest bearing is as follows:

	On demand or within one year £'000	Between one and two years £'000	Between two and five years £'000	Five years or more £'000	Total medium/ long-term £'000	Total financial liabilities £'000	Interest rate %
2008							
Trade and other payables	3,409	—	—	—	—	3,409	—
Other loans	17	18	64	180	262	279	8.5
Finance lease creditors	14	16	42	—	58	72	11.1
Forward foreign exchange contract (payment)	599	—	—	—	—	599	—
At 31 December 2008	4,039	34	106	180	320	4,359	—
2007							
Trade and other payables	2,909	—	—	—	—	2,909	—
Other loans	15	17	59	203	279	294	8.5
Finance lease creditors	5	5	9	—	14	19	13.7
Forward foreign exchange contract (payment)	—	—	—	—	—	—	—
At 31 December 2007	2,929	22	68	203	293	3,222	—

Notes Forming Part of the Consolidated Financial Statements continued

26 Financial instruments continued

	2008		2007	
	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Fixed rate financial liabilities	Financial liabilities on which no interest is paid
	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years
Other loans	11	—	12	—
Finance lease creditors	4	—	4	—

(b) Interest rate and currency of financial assets

The currency and interest rate profile of the financial assets of the Group is as follows:

Investments and cash and cash equivalents

	Total £'000	Floating £'000	Fixed £'000	Non-interest bearing £'000	Fixed rate weighted average interest rate %
Currency					
Sterling	6,827	4,348	2,479	—	5.4
US Dollar	167	—	—	167	—
Euro	618	—	—	618	—
At 31 December 2008	7,612	4,348	2,479	785	5.4

	Total £'000	Floating £'000	Fixed £'000	Non-interest bearing £'000	Fixed rate weighted average interest rate %
Currency					
Sterling	7,425	642	6,783	—	6.1
US dollar	74	—	—	74	—
Euro	31	—	—	31	—
At 31 December 2007	7,530	642	6,783	105	6.1

The floating rate financial assets comprise bank deposits bearing interest at commercial rates.

26 Financial instruments continued

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2008 £'000	2007 £'000
Sterling	3,262	2,557
Euro	218	76
US dollar	1,414	871
	4,894	3,504

Wherever possible, sales contracts with customers include clauses that provide for interest to be charged on overdue receivables.

The financial assets all mature within one year.

(c) Currency exposures

At 31 December 2008 the Group had unhedged US dollar currency exposures of £1,440k (2007: £912k) and unhedged euro currency exposures of £734k (2007: £71k)

Risk sensitivity

See Report of the Directors (page 23) for risk sensitivities in respect of US dollar denominated revenue and material prices.

The Group is able to mitigate its exposure to the euro by sourcing raw materials from Europe.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

Notes Forming Part of the Consolidated Financial Statements continued

26 Financial instruments continued

The following table details the forward foreign currency contracts outstanding as at the year end:

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008 USD: £1	2007 USD: £1	2008 USD '000	2007 USD '000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash flow hedges								
Sell US dollars								
Less than 3 months	1.767	2.030	800	500	453	246	104	—
3 to 6 months	1.714	2.025	1,450	1,000	849	494	161	—
7 to 12 months	1.655	2.013	3,750	1,800	2,278	895	334	—
			6,000	3,300	3,580	1,635	599	—

The fair value amounts presented above are based on the market value of equivalent instruments at the balance sheet date. Losses of £599k are included in operating profit in the year (2007: nil loss or gain).

27 Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000	Year ended 31 Dec 2008 £'000	Year ended 31 Dec 2007 £'000
Amounts payable under finance leases:				
Within one year	22	7	14	5
In the second to fifth years inclusive	68	17	58	14
After five years	—	—	—	—
Less: future finance charges	(18)	(5)	—	—
Present value of lease obligations	72	19	72	19
Less: Amount due for settlement within 12 months (shown under current financial liabilities)			14	5
Amount due for settlement after 12 months			58	14

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 years. For the year ended 31 December 2008, the average effective borrowing rate was 11.1% (2007: 13.7%). Interest rates are fixed at the contract date.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates their carrying amount.

28 Fair value of financial assets and liabilities

The directors consider that the fair value of the Group's financial instruments do not differ significantly from their book values.

29 Foreign exchange rates

	Average rate		Closing rate		Percentage change	
	2008	2007	**2008**	2007	Average %	Closing %
Currency						
US Dollar	**1.853**	2.000	**1.438**	1.990	(7)	(28)
Euro	**1.259**	1.462	**1.034**	1.362	(14)	(24)

30 Share capital

Number of ordinary shares of 5p each

	Authorised Number	Allotted, called up and fully paid Number
At 1 January 2007	206,447	142,083
New issues in the year	—	683
Share options exercised	—	375
At 31 December 2007	206,447	143,141
New issues in the year	—	113
Share options exercised	—	144
At 31 December 2008	**206,447**	**143,398**

The following share movements occurred during the year:

During the year, employees exercised share options of 144k shares at a range of option prices from 9p to 10p.

On 2 May 2008 and 4 June 2008 a total of 113k shares were issued under the Deferred Share Bonus Scheme at the nominal value of 5p per share. 363k shares are retained by the Scheme to meet the matching requirements of the scheme.

Notes Forming Part of the Consolidated Financial Statements continued

30 Share capital continued

The following share movements occurred during the year:

Ordinary shares of 5p each

	Authorised £'000	Allotted, called up and fully paid £'000
At 1 January 2007	10,322	7,104
At 31 December 2007	10,322	7,157
New issues in the year	—	5
Share options exercised	—	7
At 31 December 2008	**10,322**	**7,169**

31 Reserves

Investment in own shares

This is the nominal value of the shares held in trust on behalf of employees in respect of the DSB scheme.

Other reserve

Represents Advance Medical Solutions Limited's share premium account arising from merger accounting.

32 Share based payments

The charge for share based payments under IFRS 2 arises across the following schemes:

	2008 £'000	2007 £'000
Unapproved Executive Share Option Scheme	—	1
Enterprise Management Incentive Scheme	23	21
Long Term Incentive Plan	72	53
Deferred Share Bonus Scheme	51	18
	146	94

Unapproved Executive Share Option Scheme and Enterprise Management Incentive Scheme

The fair value of the executive options is calculated based on a Black–Scholes Merton model assuming the inputs below:

Grant Date	14/4/03	7/10/03	7/4/04	15/7/04	16/7/04	16/9/04
Share price at grant date	8.75p	11.5p	10p	9p	9p	9p
Exercise price	8.75p	11.5p	10p	9p	9p	9p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Expected volatility	30%	30%	30%	30%	30%	30%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Fair value of options	1p	2p	1p	1p	1p	1p

32 Share based payments continued

Grant Date	21/3/05	12/9/05	15/3/06	6/4/06	21/9/06	12/04/07	26/09/07	16/4/08	15/10/08
Share price at grant date	10.2p	9.25p	10.75p	10.75p	11.25p	16.75p	26.75p	32.25p	31.75p
Exercise price	10.2p	9.25p	10.75p	10.75p	11.25p	16.75p	26.75p	32.25p	31.75p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	4.5%	4.5%	4.5%	4.5%	4.5%	5.0%	5.0%	5.0%	5.0%
Expected volatility	30%	30%	30%	30%	30%	27%	27%	38%	38%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of options	1p	2p	1p	1p	1p	2p	4p	8p	8p

Under the terms of the Company's Share Option Schemes, approved by shareholders in 1999 and amended in 2001 and 2002, the Board may offer options to purchase ordinary shares in the Company to all employees of the Company at the market price on a date to be determined prior to the date of the offer. Since 2005, individuals who are entitled to awards under the LTIP are no longer eligible to receive options under the Company's Share Option Schemes.

Performance targets are assessed over a three-year period from the date of grant. Once options have vested they can be exercised during the period up to ten years from the date of grant.

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous three years.

Shares to be issued

Options have been granted over the following number of ordinary shares which were outstanding at 31 December 2008.

Date of grant	Option price (p)	Weighted average price at exercise (p)	No of options as at 1 Jan 2008	Remaining life 1 Jan 2008 (years)	Issued	Lapsed	Exercised	No. of options as at 31 Dec 2008	Remaining life 31 Dec 2008 (years)
Unapproved Executive Share Option Scheme									
15.07.04	9.00	—	234,722	6.5	—	—	—	234,722	5.5
12.09.05	9.25	—	100,000	7.7	—	—	—	100,000	6.7
12.04.07	16.75	—	50,000	9.3	—	—	—	50,000	8.3
Enterprise Management Incentive Scheme									
14.04.03	8.75	17.00	30,000	5.3	—	—	—	30,000	4.3
07.10.03	11.50	18.96	15,000	5.8	—		—	15,000	4.8
07.04.04	10.00	23.36	16,000	6.3	—	1,000	15,000	—	5.3
15.07.04	9.00	26.67	911,256	6.5	—	—	98,405	812,851	5.5
16.07.04	9.00	—	7,324	6.5	—	—	—	7,324	5.5
16.09.04	9.00	24.50	31,000	6.7	—	—	1,000	30,000	5.7
21.03.05	10.20	—	16,000	7.2	—	—	—	16,000	6.2
12.09.05	9.25	—	491,000	7.7	—	—	30,000	461,000	6.7
15.03.06	10.75	—	1,470,000	8.2	—	73,000	—	1,397,000	7.2
06.04.06	10.75	—	150,000	8.3	—	—	—	150,000	7.3
21.09.06	11.25	—	22,000	8.7	—	—	—	22,000	7.7
12.04.07	16.75	—	1,605,182	9.3	—	211,879	—	1,393,303	8.3
26.09.07	26.75	—	18,000	9.7	—	5,000	—	13,000	8.7
16.04.08	32.25	—	—	—	197,500	—	—	197,500	9.3
15.10.08	31.75	—	—	—	120,000	—	—	120,000	9.8
			5,167,484		317,500	290,879	144,405	5,049,700	

The weighted average remaining contractual life of the options outstanding at 31 December 2008 was 7.2 years (2007: 8.1 years).

Notes Forming Part of the Consolidated Financial Statements continued

32 Share based payments continued

	2008 Number of options	2008 Weighted average exercise price (p)	2007 Number of options	2007 Weighted average exercise price (p)
Outstanding at beginning of the period	5,167,484	12.14	4,052,465	9.88
Granted	317,500	32.06	1,673,182	16.86
Exercised	(144,405)	9.16	(374,663)	9.51
Forfeited	(290,879)	15.39	(183,500)	10.59
Expired	—	—	—	—
Outstanding at end of the period	5,049,700	13.29	5,167,484	12.14
Exercisable at end of period	1,706,897	9.11	1,245,302	9.04

Long Term Incentive Plan (LTIP)

The fair value of the LTIPs is calculated based on a Black–Scholes Merton or a Binomial Tree model assuming the inputs below:

Grant date	12/10/05	12/04/07	15/10/08
Share price of grant date	8.75p	16.75p	31.75p
Exercise price	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs
Contractual life	10 yrs	10 yrs	10 yrs
Risk-free rate	4.5%	5.0%	4.15%
Expected volatility	30%	27%	32.5%
Expected dividend yield	0%	0%	0%
Probability of performance conditions	40.4%	42.5%	100.0%
Fair value of option	2p	4p	31.7p

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous three years.

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on pages 27 to 32. The number shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved.

Date of grant	Market price at date of grant (p)	Number of LTIPs at 1 Jan 2008	Remaining life 1 Jan 2008 (years)	Issued	Number of LTIPs 31 Dec 2008	Remaining life 31 Dec 2008 (years)
12.10.05	8.75	3,713,744	7.8	—	3,713,744	6.8
12.04.07	16.75	2,710,000	9.3	—	2,710,000	8.3
15.10.08	31.75	—	—	600,000	600,000	9.8
		6,423,744		600,000	7,023,744	

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2008 is 7.6 years (2007: 8.4 years).

32 Share based payments continued

	2008 Number of Options	2007 Number of options
Outstanding at beginning of the period	6,423,744	3,713,744
Granted	600,000	2,710,000
Outstanding at end of the period	7,023,744	6,423,744
Exercisable at end of period	—	—

The exercise price of these options is nil.

Deferred Share Bonus (DSB) Scheme

The fair value of the DSBs are calculated based on a Black–Scholes Merton model assuming the inputs below:

Grant date	12/04/07	12/04/07	02/05/08	04/06/08
Share price at grant date	18.25p	18.25p	35.50p	35.50p
Exercise price	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	5.0%	5.0%	5.0%	5.0%
Expected volatility	27%	27%	38%	38%
Expected dividend yield	0%	0%	0%	0%
Probability of performance conditions	100%	66.7%	100%	100%
Fair value of option	14p	9p	30p	28p

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous 3 years.

The weighted average remaining contractual life of the DSB shares outstanding at 31 December 2008 is 8.7 years (2007: 9.3 years). The entitlement to shares under the DSB scheme is subject to a 3 year holding period. Additionally, for certain levels of share matching, additional performance conditions also need to be achieved. The actual number of shares that will be matched will depend on these performance conditions. Details on the DSB scheme are given on pages 27 to 32.

Date of grant	Market price at date of grant (p)	Number of DSB matching shares at 1 Jan 2008	Remaining life 1 Jan 2008 (years)	Issued	Number of DSB matching shares at 31 Dec 2008	Remaining life 31 Dec 2008 (years)
12.04.07	18.25	508,242	9.3	—	508,242	8.3
12.04.07	18.25	164,383	9.3	—	164,383	8.3
02.05.08	35.50	—	—	223,335	223,335	9.3
04.06.08	35.50	—	—	141,787	141,787	9.4
		672,625		365,122	1,037,747	

Notes Forming Part of the Consolidated Financial Statements continued

32 Share based payments continued

	2008 Number of options	2007 Number of options
Outstanding at beginning of the period	672,625	—
Granted	365,122	672,625
Outstanding at end of the period	1,037,747	672,625
Exercisable at end of period	—	—

The exercise price of the matching shares is nil.

33 Commitments under operating leases

As at 31 December 2008, the Group had outstanding commitments under operating leases, which fall due as follows:

	2008 Land and buildings £'000	2008 Other £'000	2007 Land and buildings £'000	2007 Other £'000
Amounts payable under operating leases:				
Within one year	298	72	290	80
In two to five years	2,592	27	394	71
After first years	4,043	—	—	—
	6,933	99	684	151

34 Related party transaction

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries and joint venture are disclosed in the Company's separate financial statements. Transactions between the Group and its joint venture are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group.

	Sale of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Joint venture	**—**	—	**189**	—	**662**	—	**—**	—

Purchases were at arm's length and were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

The remuneration of the board of directors, who are considered key management personnel of the Group, is provided in the remuneration report on page 27 to 32.

35 Post-balance sheet events

On 9 April 2009, the Board announced that it had been pursuing an acquisition opportunity that had reached an advanced stage of discussions but which have now been terminated. The costs relating to this aborted transaction are expected to be between £700,000 and £800,000 and will be reported as an exceptional cost in 2009.

Company Balance Sheet

At 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Investments	3	6,924	6,454
Current assets			
Debtors — due within one year	4	106	277
— due after more than one year	4	200	200
Cash at bank and in hand		5,775	6,942
		6,081	7,419
Creditors: amounts falling due within one year	5	(340)	(195)
Net current asset		5,741	7,224
		12,665	13,678
Capital and reserves			
Called up share capital	6	7,169	7,157
Share based payments reserve	7	300	154
Investment in own shares	7	(18)	(13)
Share premium account	7	23	17
Profit and loss account	7	5,191	6,363
Equity shareholders' funds		12,665	13,678

The financial statements on pages 78 to 82 were approved by the Board of directors and authorised for issue on 22 April 2009 and were signed on its behalf by:

Dr Don W Evans
Chief Executive Officer
22 April 2009

Notes to the Company Financial Statements

Year ended 31 December 2008

1 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with other members of the Group and the exemption in FRS 29 for making disclosures relating to financial instruments.

Investments

Fixed asset investments in subsidiaries and joint ventures are shown at cost less provision for impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Share based payments

The Group has applied the requirements of FRS 20 Share-based Payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were invested as at 1 January 2005.

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 treated in accordance with the guidance principles of IFRIC 11 — "a parent grants rights to its equity instruments to employees of its subsidiaries". The charge is added to the cost of the investment in those subsidiaries whose employees receive the benefit of the share options.

Fair value is measured by use of a Black–Scholes Merton or a Binomial Tree model. The expected life used in the models have been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Liquid resources

Liquid resources comprise variable term deposits that are accessible with less than 12 months' notice.

2 Profit for the year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. AMS Group plc reported a loss for the financial year ended 31 December 2008 of £1,172 (2007: profit £399k).

The auditors' remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

The Company had no employees. The directors' remuneration is detailed in note 7 to the consolidated financial statements.

Notes to the Company Financial Statements

Year ended 31 December 2008

3 Fixed asset investments

	Investment in subsidiaries £'000	Loans £'000	Joint venture £'000	Loans to joint venture £'000	Total £'000
Cost					
At 1 January 2008	1,824	41,859	—	—	43,683
Additions	146	—	1,364	674	2,184
Movement	—	(1,555)	—	(143)	(1,698)
At 31 December 2008	1,970	40,304	1,364	531	44,169
Provisions for impairment					
At 1 January 2008	1,670	35,559	—	—	37,229
Written off	—	16	—	—	16
At 31 December 2008	1,670	35,575	—	—	37,245
Net book value					
At 31 December 2008	300	4,729	1,364	531	6,924
At 31 December 2007	154	6,300	—	—	6,454

Shares in Group undertakings and loans to Group undertakings have been written down to recognise losses in subsidiary companies.

3 Fixed asset investments continued

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated accounts.

Name	Country of operation	Proportion of voting rights and ordinary share capital held	Nature of business
Advanced Medical Solutions Limited	England	100%	Development and manufacture of medical products
Advanced Medical Solutions (UK) Limited	England	100%	Holding Company
Advanced Medical Solutions Trustee Company Limited	England	100%	Trustee Company
MedLogic Global Limited	England	100%	Development and manufacture of medical products
Advanced Healthcare Systems Limited	England	100%*	Dormant
Advanced Medical Solutions Group Inc.	USA	100%	Holding Company
Advanced Medical Solutions (Delaware) Inc.	USA	100%	Dissolved 28/10/08
Advanced Medical Solutions (US) Inc	USA	100%	Development and manufacture of medical products
Advanced Medical Solutions Inc	USA	100%	Dissolved 28/10/08
MedLogic Global Holdings Limited	England	100%¶	Holding Company
Innovative Technologies Limited	England	100%	Dormant
Corpura BV	The Netherlands	49.4%	Development and manufacture of foams

Notes Forming Part of the Company Financial Statements

* Held indirectly through Advanced Medical Solutions Limited.
Held indirectly through MedLogic Global Holdings Limited.
Held indirectly through Advanced Medical Solutions (UK) Limited.
§ Held indirectly through Advanced Medical Solutions Group Inc.
¶ Held indirectly through MedLogic Global Limited.

4 Debtors

	2008 £'000	2007 £'000
Due within one year		
Prepayments and accrued income	106	277
	106	277
Due after more than one year		
Other debtors — leasehold rental deposit	200	200

Notes to the Company Financial Statements

Year ended 31 December 2008

5 Creditors : amounts falling due in within one year

	2008 £'000	2007 £'000
Trade creditors	236	77
Accruals and deferred income	103	109
Tax payable	1	9
	340	195

6 Share capital

Details on the share capital of the Company are provided in note 30 on pages 71 and 72 in the notes to the Group's accounts.

7 Reserves

	Share based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2008	154	(13)	17	6,363	6,521
Share based payments	146	—	—	—	146
Share options exercised	—	—	6	—	6
Shares purchased by EBT	—	(89)	—	—	(89)
Shares sold by EBT	—	84	—	—	84
Consolidated profit for the year	—	—	—	(1,172)	(1,172)
As at 31 December 2008	300	(18)	23	5,191	5,496

Investment in own shares

This is the nominal value of the shares held in trust on behalf of employees in respect of the DSB scheme.

8 Share based payments

The credit to the share based payments reserve arises across the following schemes:

	2008 £'000	2007 £'000
Unapproved Executive Share Option Scheme	—	1
Enterprise Management Incentive Scheme	23	21
Long Term Incentive Plan	72	53
Deferred Share Bonus Scheme	51	18
	146	93

Details on the share based payments of the Company are provided in note 32 on pages 72 to 76 in the notes to the Group's accounts.

Five Year Summary

	IFRS 2008 £m	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m	UK GAAP 2004 £m
Consolidated income statement					
Revenue	**20.3**	16.9	14.3	12.9	11.0
Profit from operations	**2.6**	1.7	0.5	(0)	(1.1)
Finance income	**0.3**	0.3	0.1	0.1	0.1
Profit/(loss) attributable to equity holders of the parent	**3.3**	2.2	0.7	0.3	(0.4)
Basic earnings/(loss) per share	**2.3p**	1.6p	0.5p	0.2p	(0.3)p
Consolidated balance sheet					
Net assets employed					
Non-current assets	**9.8**	6.5	6.0	6.4	5.8
Current assets	**14.7**	12.7	10.0	8.3	6.2
Total liabilities	**(4.6)**	(3.5)	(3.0)	(2.5)	(0.4)
Net assets	**19.9**	15.7	13.0	12.2	11.6
Shareholders equity					
Share capital & investment in own shares	**7.2**	7.1	11.8	11.8	11.8
Share based payments reserve	**0.3**	0.2	—	—	—
Share based payments deferred tax reserve	**0.6**	0.3	0.1	—	—
Share premium account	**—**	—	38.0	38.0	38.0
Other reserve	**1.5**	1.5	1.5	1.5	1.5
Translation reserve	**0.4**	—	—	—	—
Retained equity	**9.9**	6.6	(38.4)	(39.1)	(39.7)
Equity attributable to equity holders of the parent	**19.9**	15.7	13.0	12.2	11.6

Notice of General Meeting

Notice is hereby given that the fifteenth Annual General Meeting of the Company will be held at 11.00 am on 3 June 2009 at Macdonald Portal Hotel, Cobblers Cross Lane, Tarporley, Cheshire CW6 0DJ.

As ordinary business:

1. To receive the Report of the directors and the Financial Statements of the Company for the year ended 31 December 2008 (together with the report of the auditors thereon).

2. To reappoint Deloitte LLP as auditors and to authorise the directors to fix their remuneration.

3. To re-elect Chris Meredith (who retires by rotation in accordance with the Articles of Association) as a director of the Company.

4. To re-elect Steve Harris (who retires by rotation in accordance with the Articles of Association) as a director of the Company.

5. To re-elect Geoffrey Vernon (who has been a non-executive director of the Company for more than ten years and will now retire and be proposed for re-election each year) as a director of the Company.

As special business:

To consider and, if thought fit, to pass Resolutions 6, 7 and 8 which will be proposed as Ordinary Resolutions and Resolution 9, which will be proposed as a Special Resolution.

6. That the directors be authorised to adopt the Advanced Medical Solutions Group Plc 2009 Executive Share Option Scheme (the Scheme) a copy of the draft rules of which has been produced to the meeting and initialled by the Chairman for the purposes of identification only and a summary of the main provisions of which is set out in the remuneration report on pages 27 to 29.

7. That the directors be authorised to adopt an employee benefit trust (the Trust) on the basis described in the remuneration report on pages 27 to 29.

8. To authorise the directors generally and unconditionally for the purposes of section 80 of the Companies Act 1985 (1985 Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £3,030,377 provided that this authority is for a period expiring upon the earlier of the date of the Companys next Annual General Meeting and fifteen months after the date of the passing of this Resolution but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.

9. Subject to the passing of resolution 8 above, to authorise the directors pursuant to section 95 of the 1985 Act to allot equity securities (within the meaning of section 94(2) of the 1985 Act) wholly for cash pursuant to the authority conferred by resolution 8 above as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £719,262;

and shall expire on the earlier of the conclusion of the next annual general meeting of the Company and fifteen months after the date of the passing of this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board

Mary G Tavener
Company Secretary
22 April 2009

Registered office:
Road Three
Winsford Industrial Estate
Winsford
Cheshire
CW7 3PD

Notes

1. A member entitled to attend and vote at the meeting convened by the notice set out above may appoint a proxy to attend, speak and, on a poll to vote in his place. A holder of more than one ordinary share may appoint different proxies in relation to each or any of those ordinary shares.

2. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy notice must be given to the Company's Registrars not later than 48 hours before the time appointed for the holding of the meeting.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out at note [l] of the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. A form of proxy is enclosed for use by members. To be effective, it must be completed and arrive not later than 48 hours before the time fixed for the Meeting at Capita Registrars, Proxies Dept, PO Box 25, Beckenham, Kent, BR3 4BR. You may also deliver by hand to The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU during usual business hours.

5. The register of directors' interests in the shares of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday (public holidays excepted) until the date of the Meeting and also on that date and at the place of the Meeting from 9.00 am until the conclusion of the Meeting.

6. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 pm on 1 June 2009 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their names at that time. Changes in the entries in the relevant register of Securities after 6.00 pm on 1 June 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

7. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:

   (i) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

   (ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

   Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — www.icsa.org.uk — for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.

Shareholder Notes

Advanced Medical Solutions Group plc

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