Advanced Medical Solutions Group plc
Annual Report and Accounts 2009
Stockcode: AMS

Building for Success

Advanced Medical Solutions Group plc

Advanced Medical Solutions is a UK-based company developing and providing leading edge technology for the global medical device market.

Contents

Highlights

Group revenue	Profit from operations (pre-exceptional items[ii])	Profit before taxation (pre-exceptional items[ii])	Basic earnings per share (pre-exceptional items[ii])
up 19%	up 51%	up 39%	up 34%
at £24.1m	at £4.1m	at £4.1m	at 3.1p
(2008: £20.3m)	(2008: £2.7m)	(2008: £2.9m)	(2008: 2.3p)

Business Highlights

- New world-class facility within budget and on schedule to open by end 2010
- First US sales of LiquiBand®
- Cardinal Health signed as part of multi-partner distribution strategy for penetrating US tissue adhesive market
- SilverCel* Non-Adherent launched by Systagenix
- ActivHeal® offering receives strong endorsement from University College London Hospital
- Acquisition of Corpura BV completed

Financial Highlights

- Strong second half delivering full year market expectations
- Revenue increased by 19% to £24.1 million (2008: £20.3 million)
  Revenue increased 15% to £23.4 million at constant currency[i]
- Profit from operations (pre-exceptional items)[ii] up 51% to £4.1 million (2008: £2.7 million)
  Profit from operations (post-exceptional items) was £2.4 million (2008: £2.7 million)
- Following investments in new facility and acquisitions, net funds[iii] at year-end were £1.7 million (2008: £7.3 million) with strong operating cash inflow of £3.7 million (pre-exceptional items) (2008: £2.8 million)
  Net cash inflow from operations after exceptional items £2.1 million (2008: £2.8 million)
- Basic earnings per share (pre-exceptional items) up 34% to 3.1p (2008: 2.3p)
  Basic earnings per share (post-exceptional items) was 1.9p (2008: 2.3p)

[i] Constant currency removes the effect of currency movements by retranslating the current year's performance at the previous year's exchange rates.
[ii] Exceptional costs of £0.8 million were incurred on an aborted acquisition and £0.9 million related to the new Winsford facility.
[iii] Net funds is defined as cash and cash equivalents plus short-term investments less financial liabilities.

Delivering full year market expectations

Overview

I am pleased to inform shareholders that, as anticipated, despite the difficult first half year, the Group achieved a strong second half which resulted in the business trading in line with expectations for the full year 2009 and maintaining its excellent year on year growth.

Further major steps have been taken in positioning the Group to exploit its significant growth opportunities:

- key strategic new markets entered;
- new partners added;
- innovative new products launched; and
- further regulatory approvals received.

In particular, initiation of sales of LiquiBand® into the US market is a major milestone for the Group. The acquisition of Corpura BV, our foam technology platform provider, was completed in September 2009 and integration is essentially complete. The construction and fit-out of the new facility in Winsford progresses within budget and on schedule. Manufacturing at the new facility is under way and our first products have already been shipped. This facility is on target to be completed and fully operational by the end of 2010.

Financial Highlights

Group revenue at £24.1 million (2008: £20.3 million) was up 19% with profit from operations before exceptional items up 51% at £4.1 million (2008: £2.7 million). This was an excellent performance in a difficult economic environment.

Profit from operations post-exceptional items was £2.4 million (2008: £2.7 million).

The business continues to generate cash at the operational level with net cash inflow from operations before exceptional items of £3.7 million (2008: £2.8 million). Net cash inflow from operations after exceptional items was £2.1 million.

Following investments in the new facility, plant and equipment and acquisitions, net funds at year-end were £1.7 million (2008: £7.3 million).

Organic Growth

The Group continues to make good progress in delivering the building blocks for continued growth.

Pictured: Tissue adhesives are ideally suited to closing trauma wounds in the face.

In advanced woundcare, revenue was up 18% on last year, with the silver alginate range of products up 27% year on year. In wound closure and sealants, revenue was up 20% with European and ROW sales up 40%.

InteguSeal† Skin Sealant grew 28% and we believe that Kimberly-Clark Health Care's acquisition of I-Flow together with further publication of clinical studies will continue to drive growth.

Completion of the acquisition of Corpura BV strengthens our position in polyurethane foam, the largest, fastest growing segment in advanced woundcare.

The positive endorsement of our ActivHeal® offering by University College London Hospital (UCLH) is significant given the cost pressures facing the NHS.

The new facility at Winsford provides AMS with a world-class medical device facility with capacity to support its future growth plans.

Entry into the $200 million US tissue adhesive market with our LiquiBand® products is a major step forward. With two products introduced in December 2009 and the recent approval announced on 15 April 2010, we have access to around 90% of the market. Cardinal Health provides us with a powerful distribution partner for commercialising our tissue adhesive technology in this key strategic market. We are encouraged by the initial activities of their substantial sales team and by the response from clinicians to our products.

The launch of SILVERCEL* Non-Adherent by Systagenix is another key event for broadening our presence in the dynamic silver alginate market.

Licensing and Acquisitions

The Group continues to look at suitable licensing and acquisition opportunities to expand the business and accelerate growth.

The two principal areas that the Board has been considering are new material technologies that leverage existing distribution outlets and opportunities that will broaden the Group's direct sales presence for its wound closure range of products.

Chairman's Statement continued

One potential acquisition opportunity was seriously considered during Q1 2009. However, in the market conditions prevailing at the time, acceptable terms could not be agreed and discussions ended.

The joint venture, under which AMS acquired an interest in Corpura BV in May 2008, progressed to full acquisition in September 2009 and is starting to deliver the strategic rationale behind this investment whereby the Group is looking to utilise polyurethane foam as a platform technology for incorporating additives as part of its R&D programme. The 510(k) approval for silver polyurethane foam received in August 2009 underlines this approach.

Dividend Policy

In 2007, AMS conducted a capital reorganisation enabling the Board to pay dividends. The Board continually reviews the Company's dividend policy to ensure it is appropriate for the stage of the Company's development and, to date, the Board has not recommended the payment of a dividend. While the focus remains on growing the business and delivering capital growth, with the major investment in the new facility project coming to an end during 2010 and given the cash generation in the business, the Board's intention is to recommend a maiden final dividend for the year ended 31 December 2010, which will be payable in 2011, and to follow a progressive dividend policy thereafter.

Board

As part of strengthening the Board going forward, I am pleased to welcome Penny Freer to AMS as Senior Independent Non-Executive Director and I am also pleased to see Chris Meredith's progression through to Chief Operating Officer.

Steve Harris has indicated that he wishes to step down as a non-executive director at the next AGM. I would like to thank Steve for his significant contribution to the development of the business over the past nine years.

Employees

On behalf of the Board and all our shareholders, I thank all AMS employees for their considerable efforts in delivering our 2009 results. I would also like to formally welcome all the Corpura BV employees to the AMS Group.

Offer Period

On 26 February 2010, and again on 2 March 2010, Consort Medical plc announced that it had made an approach to AMS, which may or may not lead to an offer being made for the Group. On 26 February 2010, AMS announced a confirmation of the approach and that the Board and its advisers had rejected it. On 18 March 2010, Consort Medical plc announced that it had terminated all discussions with AMS.

Outlook

The strong trading seen in the second half of 2009 has continued into 2010 with the Group order book substantially ahead compared to this time last year. While it is anticipated that trading will be more weighted to the second half as in the previous year, the weighting is expected to be more balanced.

The Board remains very optimistic about the prospects for the business in 2010 and beyond. Over the past few years, the management team have been putting in place a number of key building blocks to achieve the Board's strategic objectives and in the past few months these have been coming to fruition, including:

- a new facility to provide additional capacity and deliver operational efficiencies from late 2010 and beyond;
- the launch of new innovative products such as SilverCel* Non-Adherent, which was launched by Systagenix in October 2009. Initial indications on this product have been very positive;
- the introduction of LiquiBand® into the US in December 2009 with 2010 being the first full year of sales into this key strategic market. Initial orders have been in line with

Pictured: The ActivHeal® range of dressings offer significant cost savings for the NHS.

expectations and are growing in line with the underlying expected demand. Furthermore, initial responses from clinicians in the US have been very positive;

- the first major US distribution partner for LiquiBand®, Cardinal Health, was announced in January 2010 and has now begun selling product through its substantial sales force. Further distribution agreements are expected to be signed in 2010;
- the endorsement of the cost saving potential of ActivHeal® is likely to stimulate demand from the NHS, given the recent and anticipated cost pressures facing the UK health system;
- the strengthening of the Group's position in the polyurethane foam market which is the largest, fastest growing segment in advanced woundcare; and
- the maintenance of a strong pipeline of new products and regulatory approvals.

Given these developments and the organic growth the Group is anticipating from its existing products, the outlook for 2010 remains very positive and accordingly, as mentioned earlier, the Board is intending to introduce a maiden dividend for the full 2010 financial year, payable in 2011.

Dr Geoffrey N Vernon
Chairman
21 April 2010

* Trademark of Systagenix Wound Management
† Trademark of Kimberly-Clark Worldwide, Inc ©2007 KCWW

Pictured: The warehouse in the new facility is now fully operational.

Pictured: LiquiBand® is routinely used by the Emergency Services.

Pictured: One of the cleanrooms at Plymouth, Devon.

Advanced Woundcare

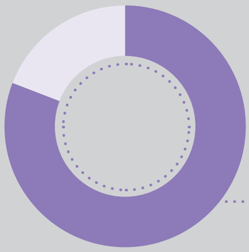
AMS provides a full range of advanced woundcare products for sale in hospital, nursing home and community care markets. The main indications are for chronic wounds such as ulcers and pressure sores.

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.

Revenue

£19.4m

2008: £16.4m
2007: £12.8m



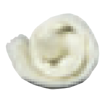
81% of total Group revenue

2008: 81%

06

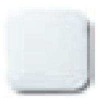
Technology Platforms

Broad range of material technologies with strong Intellectual Property.

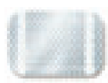


Alginate

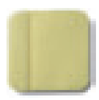
Silver alginate



Foam



Film



Hydrocolloid

Hydrogel

AMS has a multi-product portfolio backed up by strong IP, know-how and regulatory approvals

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.

Revenue

£4.7m

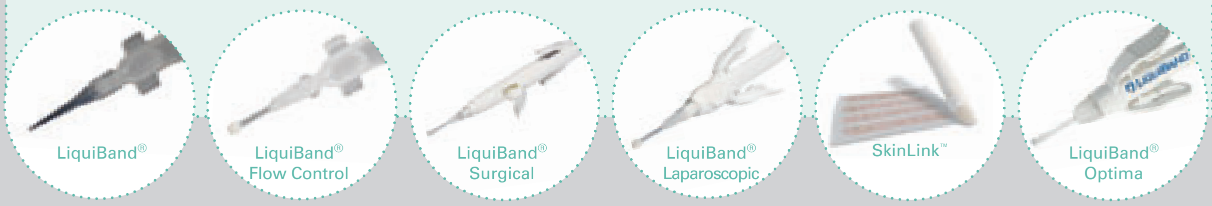
2008: £3.9m
2007: £4.1m

19% of total Group revenue

2008: 19%

Technology Platforms

A technology leader in tissue adhesives and applicator design.



Facilities:

Advanced woundcare
Winsford.

Wound closure and sealants
Plymouth.

Advanced woundcare
Etten Leur.

ROUTES TO MARKET

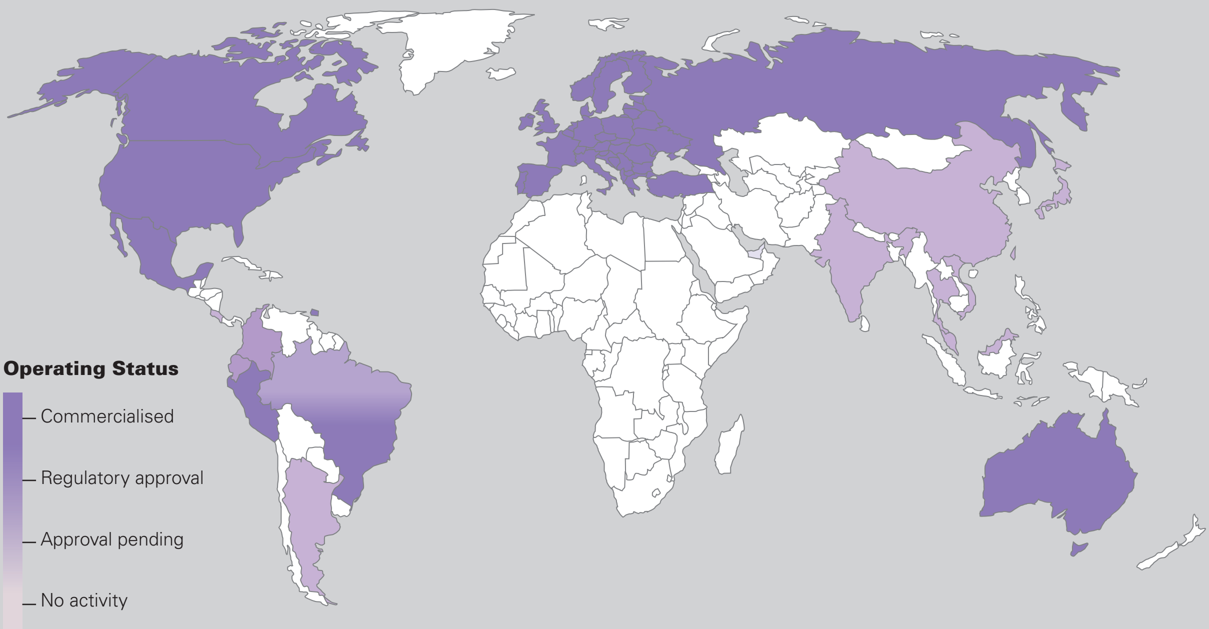
Advanced Woundcare

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

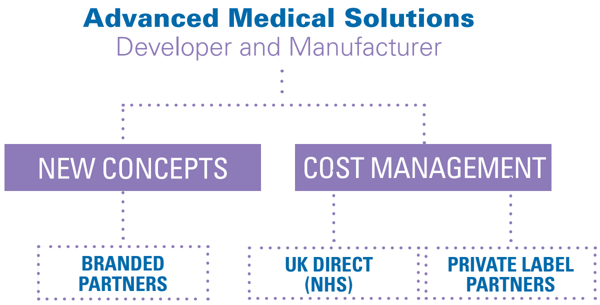
Branded Partners — The Group believes that the most effective way of rapidly commercialising new technologies/concepts on a global basis is through strategic partnerships with major branded companies.

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.



Routes to market:
Advanced Woundcare

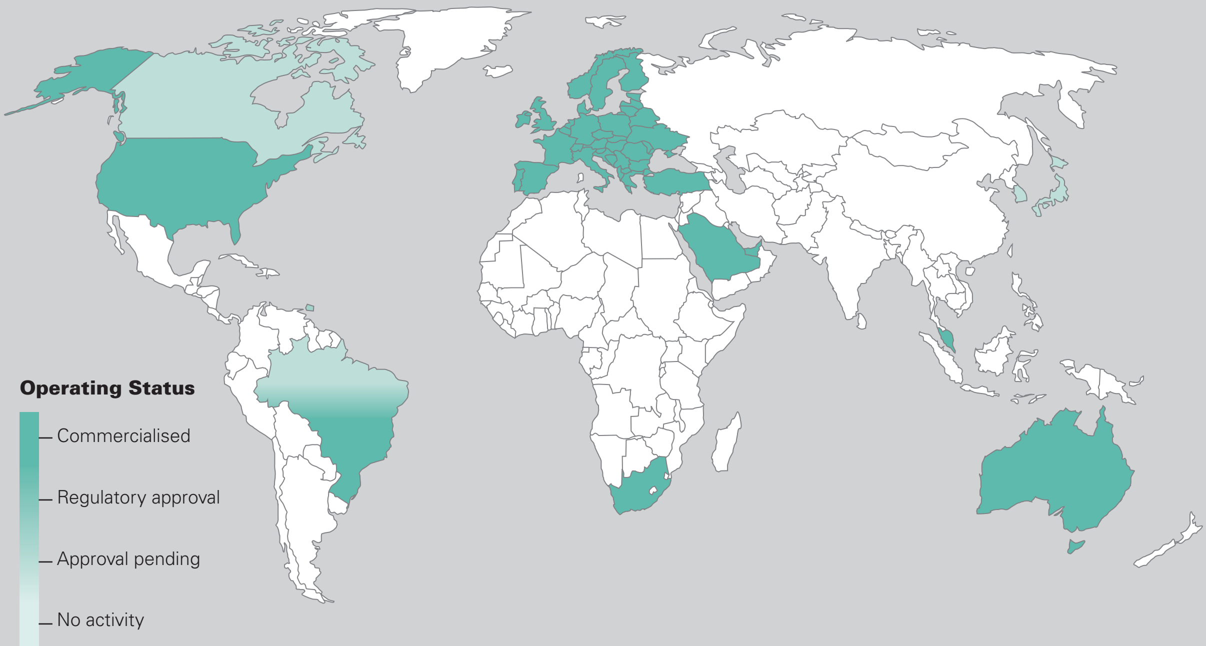


	SIZE	GROWTH RATE
Advanced Woundcare	$3.2bn	6%
Global silver alginate	$300m	8%
Global foam market	$900m	12%
NHS	£120m	5%

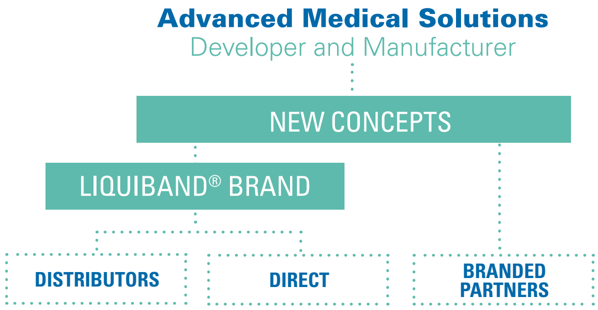
ROUTES TO MARKET

Wound Closure and Sealants

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. Approval to market LiquiBand® in the US was received in 2009. LiquiBand® will now be sold in the US in partnership with major US companies.



Routes to market:
Wound Closure and Sealants



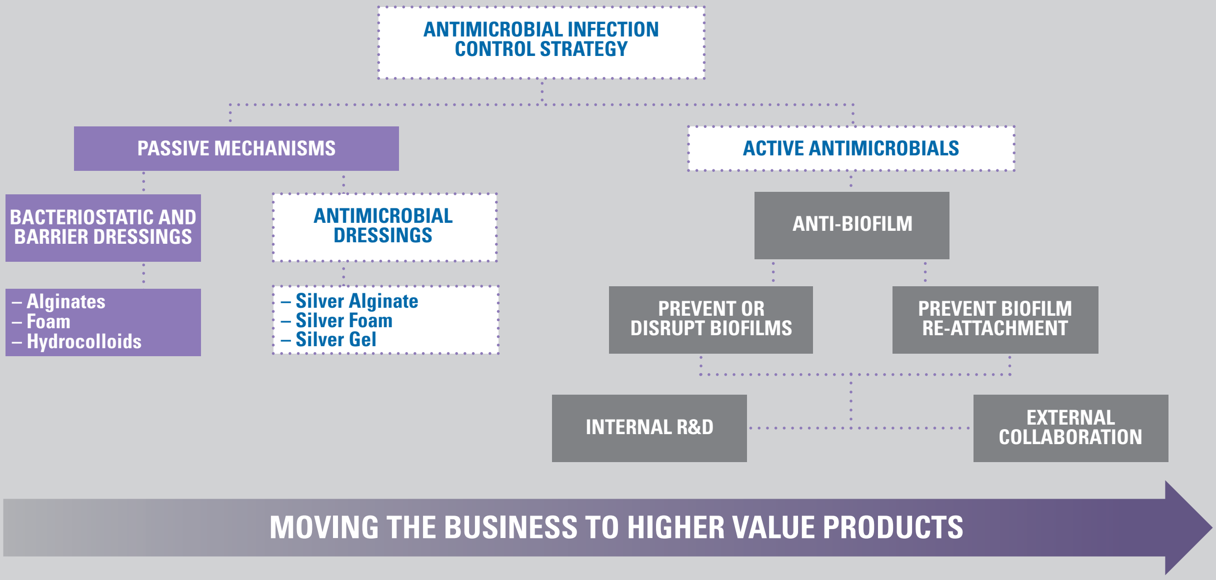
" GLUE" CLOSURE	SIZE	GROWTH RATE
US	$200m	15%
UK	£4m	7%
Europe	£14m	6%
ROW	£5m	7%

Group Strategy

- Develop and provide leading edge technology for the global medical device market.
- Work with strategic partners and major brands to commercialise our products worldwide.

Advanced Woundcare

- Continue to broaden product range:
  - Higher performance dressings.
  - Actives / anti-microbials.
  - Technologies that accelerate wound healing.
- Support new and existing global blue chip partner base with product development, technical, regulatory and clinical support.
- Review licensing and acquisition opportunities for accessing new material technologies such as actives and anti-biofilm products to leverage existing routes to market.



AMS continues to invest to provide a strong pipeline of new products to fuel future growth

- Supply and develop our own branded solutions to the NHS in the UK.
- Create shareholder value by expanding the business organically and through acquisition.

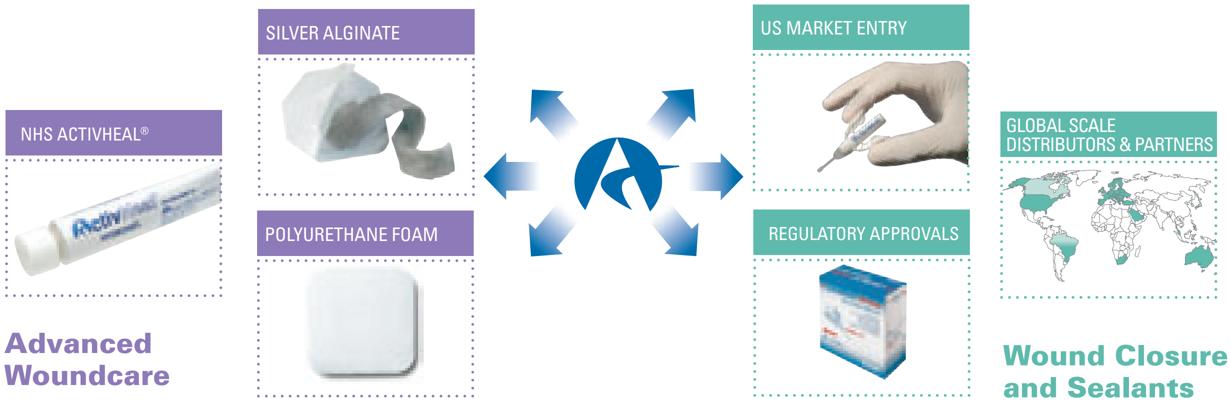
Wound Closure and Sealants

- Maintain a leadership position in tissue adhesives and applicator design.
- Enter internal adhesives market initially with an implantable adhesive for fixation of surgical materials.
- Broaden global reach through multiple marketing and distribution partners.
- Improve penetration of US tissue adhesive market.
- Evaluate licensing and acquisition opportunities for accessing new material technologies and that broaden direct sales presence.

Four key strengths underpin our strategy

- Broad portfolio of materials technology, supported by strong intellectual property and patents.
- Track record of commercialising R&D and forming strategic relationships with blue-chip partners.
- Multiple routes to market.
- Experienced management team who have consistently delivered results.

Key Organic Growth Drivers



Dr Don Evans, Chris Meredith and Mary Tavener

Delivering strongly on strategy



In 2009, AMS continued to make excellent progress in building a successful, innovative medical device company. Focused on the advanced woundcare and wound closure and sealants markets, the Group employs 241 people across three locations, Winsford and Plymouth in the UK and Etten Leur in the Netherlands, including a field-based commercial team supporting its key global markets of Europe and USA.

Advanced Woundcare

AMS has a unique position in the advanced woundcare market. Its comprehensive range of material technologies with strong IP supported by a core competency in R&D allow AMS to provide its global woundcare partners with a breadth of product applications second to none.

A multiple route to market strategy, covering major branded partners, private label distributors and a direct offering to the NHS in the UK, allows the Group to address the $3.2 billion global advanced woundcare market, which is growing at around 6% p.a.. Driven by favourable demographics within this market AMS currently has a particular focus on the $300 million silver alginate market, the $900 million foam market and the £120 million NHS advanced woundcare market. These focus areas have been the key drivers of the 18% growth in the advanced woundcare business segment reported in 2009.

Silver alginate

Silver alginate sales were up 27% allowing the Group to further strengthen its position in this dynamic market which continues to expand at around 8%. In October 2009 AMS announced the launch of SilverCel™ Non-Adherent by its global marketing and distribution partner, Systagenix. This product upgrade was launched in the US in Q4 2009 and has been rolled out across Europe in Q1 2010.

Silver is widely recognised as a safe and effective broad-spectrum anti-microbial agent for infection control. In 2003, AMS developed a range of wound dressings whereby silver fibres were incorporated into its proprietary calcium alginate technology which allows a controlled and sustained release of silver into the wound without compromising the performance of the base alginate — a natural wound dressing derived from seaweed. Following regulatory approvals, these products were launched under the SILVERCEL* brand and are sold by Systagenix in all the key advanced woundcare markets worldwide.

SILVERCEL* Non-Adherent is a dressing with the unique benefit of a perforated film on both sides of the existing SILVERCEL* dressing. Suitable for use on moderately to heavily exuding infected wounds and effective against a broad range of micro-organisms, it is specifically designed for easy

Pictured: Packaging cleanroom at Winsford.

Pictured: Ionic silver alginate dressing.

removal thus minimising the trauma associated with dressing changes.

Initial response to this upgraded silver fibre product by customers has been very positive, and together with the continued success of our ionic silver technology, commercialised with multiple partners worldwide, we expect to maintain our momentum in this dynamic market.

Polyurethane foam

In October 2009 the Group strengthened its position in hydrophilic polyurethane foam, a market growing at 12% per year, by acquiring the remaining 50.6% of the shares in Corpura BV, its Joint Venture business in Etten Leur, the Netherlands.

The strategic rationale behind entering the Joint Venture and for completing the acquisition of Corpura is that it provides AMS with another platform technology for delivering actives/anti-microbials to prevent infection and help accelerate wound healing utilising the Group's R&D capability and intellectual property portfolio.

A number of such developments are currently under way and in August 2009 the Group announced that it had received 510(k) clearance from the FDA to market a silver polyurethane anti-bacterial foam dressing in the US. This product is indicated for the management of light to moderate exuding, partial to full thickness wounds. This includes pressure sores, diabetic ulcers, leg ulcers, graft and donor sites, lacerations and abrasions, first and second degree burns, trauma wounds and post-operative surgical wounds. AMS is working to identify a suitable partner to commercialise these products in the US. Approval for these products will take longer in Europe than in the US and the full benefits of commercialisation will be realised when European approval has been obtained, which is expected towards the end of 2010.

NHS ActivHeal®

ActivHeal® is a value range of products provided directly to the NHS by AMS as a first line therapy for routine wounds. These complement the use of AMS's new technologies such as silver alginate, which are sold through strategic partners for treating more difficult wounds.

The ActivHeal® range offers equivalent technical and clinical performance to similar branded products but at a substantially reduced cost, thereby delivering real and immediate savings to the NHS. This potential saving is estimated to be of the order of £25 million per year in the UK which helps to balance budgets and afford new technologies for problematic cases. ActivHeal® products are currently used in around half of the NHS Foundation and Acute Hospital Trusts in the UK. Hospital usage represents around 25% of the current £100m NHS spend on advanced woundcare dressings with the majority being in the Community.

In December 2009 AMS announced that ActivHeal® had delivered annualised cost savings of 54% to University College London Hospitals' NHS Foundation Trust (UCLH), whilst maintaining a high standard of clinical care.

These findings were reported in an article entitled "Using ActivHeal® dressings in a London teaching hospital: a cost analysis" published in a recent edition of the British Journal of Nursing 2009 (Tissue Viability Supplement) Vol. 18 No. 20, by Sarah Lewis, Tissue Viability Nurse UCLH.

In this study, the ActivHeal® range of dressings, consisting of foams, films, alginates, gels and hydrocolloids, were substituted for "branded" dressings over a three-month period in 2007 during which time dressing cost and clinical effectiveness were assessed. The result was an equivalent yearly cost saving of £55,221 (54%) with retention of performance standards across the dressing range.

The study added: "Two years after the trial, wards in University College London Hospitals NHS Foundation Trust continue to benefit from significant annual cost savings on dressings by using the ActivHeal® range of products, while maintaining a high standard of clinical care."

Pictured: Polyurethane foam dressing.

Pictured: Exhibiting at Arab Health, Dubai.

Wound closure and sealants

AMS has continued to strengthen its technology position in topical tissue adhesives and applicator design for products which offer significant benefits over traditional ways of closing wounds following trauma or surgery.

Compared to sutures, staples and adhesive strips, tissue adhesives are simple to use, non-invasive, can reduce the risk of infection, minimize trauma and improve clinical and cosmetic outcomes.

The Group has developed a range of products that enable it to address the $230 million global topical tissue adhesives market currently growing at around 13%.

Europe and Rest of World

Continued good progress was made in penetrating the European wound closure market with LiquiBand® tissue adhesive and a particularly strong presence has been built in the Emergency Room (ER) for the use of topical adhesives for the closure of minor trauma wounds. A comprehensive range of tissue adhesive products is now available throughout Europe sold under the Group's LiquiBand® brand direct in the UK and via distributors in the rest of Europe. As well as the ER products, the range contains specific adhesives and applicators for closing small and large surgical wounds in the Operating Room (OR).

In July 2009 the Group announced a global partnership with the Stryker Corporation (Stryker) for exclusive marketing and distribution of its LiquiBand® products for use in cranio-maxillofacial (CMF) surgical procedures.

Stryker is one of the largest players in the $35.6 billion worldwide orthopaedic market with products sold in more than 120 countries. The CMF segment represents $900 million of this market with Stryker being globally recognised as the leader in this specialist field which involves surgical procedures resulting from fracture repair and deformity correction in the head and face.

US Market entry

Given that the US, at around $200 million and growing at 15%, constitutes the major part of the worldwide topical tissue adhesives market, regulatory approval and entry into this market has been a key focus for the Group. This was achieved during 2009.

In February 2009 FDA clearance was obtained for an initial product based on the tissue adhesive used routinely in Europe. This product offering was further developed during the year, unveiled at the American College of Emergency Physicians in Boston, 5–8 October 2009, and at the American Academy of Pediatrics National Conference and Exposition in Washington DC, 17–20 October 2009, and formally launched as LiquiBand® and LiquiBand® Flow Control in December.

In January 2010 AMS announced Cardinal Health as a marketing and distribution partner for its LiquiBand® range in the US.

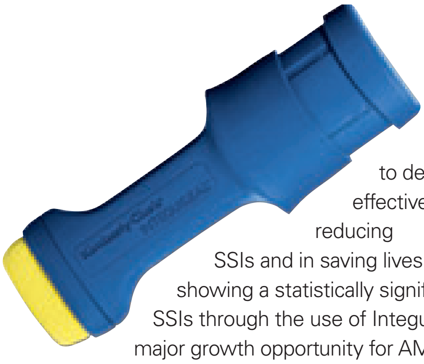
A major US healthcare services company, Cardinal Health has a substantial US sales force, including surgical speciality, acute care and ambulatory care. These sales people will provide broad access to the Acute Care segment of the US tissue adhesives market comprising over 3,000 hospitals and attached care centres, representing around 80% of this market. The remaining 20% of the market is Alternate Site, comprising over 320 surgery centres and 6,000 Alternate Site settings. The Group's strategy is to partner with companies with the presence, focus and experience to provide access to all parts of this key market for commercialising its novel tissue adhesive technology.

Surgical skin sealant

The Group's InteguSeal* Surgical Skin Sealant product continues to attract significant attention with surgical site infections (SSIs) a major source of concern to surgeons and healthcare providers worldwide.

Pictured: Exhibiting at Medica, Dusseldorf.

Pictured: Plymouth manufacturing process.



Independent studies are starting to demonstrate the effectiveness of InteguSeal* in reducing SSIs and in saving lives. Clinical evidence showing a statistically significant reduction in SSIs through the use of InteguSeal* will open up a major growth opportunity for AMS in the surgical arena.

In May 2009 AMS announced that in two clinical papers presented at a meeting of the European Society of Cardiovascular Surgery (ESCVS) in Warsaw, Poland, InteguSeal* microbial sealant was shown to significantly reduce surgical site infection after cardiac surgery.

In the first study involving 291 patients, the authors concluded that the use of InteguSeal*, in addition to standard pre-operative preparation, provides a statistically significant reduction in the risk of SSIs in high risk patients undergoing cardiac surgery. The clinical end point showed a decrease of SSIs in the InteguSeal* group to 2.5% compared with the control group of 7.6%.

In the second study involving 684 cardiac patients, the prevalence of SSIs was reduced from 4.18% to 1.6% and mortality due to SSIs reduced from 35.3% to zero with the use of InteguSeal*.

The Group's global exclusive marketing and distribution partner, Kimberly-Clark Health Care, continues to make good progress with InteguSeal*, with sales up 28% in the year. Their acquisition of the I-Flow business has brought a strong OR-focused sales team that should expedite their strategy of increased sales focus on this product.

Kimberly-Clark Health has also completed a multi-centre clinical study which has been submitted for publication during 2010 to support the independent studies being published separately.

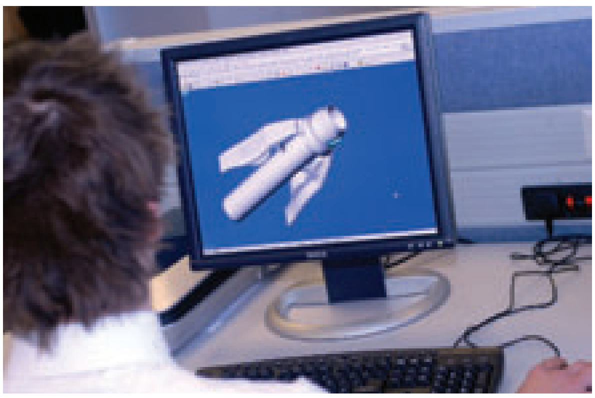
Research and Development

The Group has continued to invest in a strategically aligned and focused R&D programme to deliver future profitable growth, with a R&D spend of 7% of sales in the year.

In advanced woundcare, the focus remains on developing higher performance dressings and incorporating active/ anti-microbial technologies that can accelerate healing of chronic wounds. An area of particular interest is in technologies that prevent or disrupt the formation of bio-films, a bacterial film that is associated with delayed healing. A number of lead candidates have been identified via in-house activity and academic collaboration with a number of leading universities and these are currently progressing through the development and regulatory pathway.

In wound closure and sealants, good progress has been made in developing an implantable adhesive for the fixation of surgical materials via a laparoscopic procedure with initial clinical studies expected to commence by the end of 2010. This project will allow initial entry into the high value internal adhesives and sealants market, estimated at around $600 million per year.

Pictured: Receiving the Medical Design Excellence award for LiquiBand® Optima.



Pictured: Innovative applicator design is key to success.

Pictured: Wound dressing manufacturing process at Winsford.

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, which will allow rationalisation of AMS's two existing facilities in Winsford into the new building, will create additional capacity to support future growth, ensure continued compliance with the ever increasing quality demands from regulatory agencies and deliver efficiency gains when fully operational.

The project is proceeding well. Phase I fit-out covering the warehouse, laboratories, offices and initial manufacturing clean rooms is complete. Equipment is being installed and regulatory approval has been received from BSI, our notified body, which now allows us to ship product from the new site. Phase II fit-out covering the remainder of the manufacturing clean rooms is well under way, and the entire project remains within budget and on track for completion by the end of 2010 as planned. Product is already being manufactured and shipped from the new facility and one of the original sites has now been vacated.

With the completion of this world class facility the Group is well positioned to maintain its progress in building a succesful, leading edge medical device company.

Financial Review

Revenue for the Group grew 19% to £24.1 million (2008: £20.3 million). Adjusting for constant currency, the underlying growth was 15%.

Advanced woundcare sales increased 18% to £19.4 million (2008: £16.4 million). The advanced woundcare business includes three months' revenue from the Corpura acquisition, which was completed on 30 September 2009. This contributed £0.7 million to revenues. Strong growth was seen in the silver alginate range of products which grew 27% compared with last year and are now approximately 40% of the advanced woundcare business. Sales of ActivHeal®, the Group's value range of woundcare products for the NHS market, increased 5%.

Pictured: The customer service team, Winsford.

The wound closure and sealants business grew 20% to £4.7 million (2008: £3.9 million). Good growth of just over 40% was seen from our European and ROW distributors as increased sales penetration is seen in these markets. Sales of InteguSeal†, our surgical skin sealant product licensed to Kimberly-Clark Health Care, increased by 28%.

Gross margin across the Group was 48% (2008: 48%). Excluding the Corpura acquisition, the existing business would have delivered a gross margin of 49%. Adjusting for constant currency, the underlying gross margin was 48%.

Profit from operations pre-exceptional items increased by 51% to £4.1 million (2008: £2.7 million) and operating margin (pre-exceptional items) increased to 17% from 13% in 2008. Administration costs increased to £7.8 million pre-exceptional items (2008: £7.7 million). Investment was made in sales and marketing ahead of supporting the launch of LiquiBand™ into the US and has been maintained at 11% of revenue (2008: 11%). Spend on Research and Development across the Group is 6.7% of Group revenue (2008: 7%) split fairly evenly across the businesses. Other administration costs include the Group's continuing property costs, plc costs and administrative functions. The Group benefited from the reversal of marking currency hedging derivatives to market through the income statement which, net of other foreign exchange differences, was a benefit of £0.1 million (2008: loss of £0.1 million). The acquisition of Corpura BV contributed £nil to profit from operations.

The Group incurred £1.7 million of exceptional costs in the year. The Group is well advanced in moving from its two existing manufacturing sites in Winsford into a new building that will accommodate manufacturing, warehousing, laboratories and offices. There are costs associated with this project such as the transfer and re-validation of manufacturing equipment, additional rent and staff dedicated to the project which are deemed exceptional; £0.9 million of such costs were incurred in the period. As previously indicated, the Group is budgeting a further £1 million of costs to be incurred in 2010. The majority of these costs are expected to be incurred in the first six months.

The Group also incurred £0.8 million of costs on an aborted acquisition that had reached an advanced stage of discussion. These costs are also classified as exceptional.

Profit from operations post-exceptional items was £2.4 million, a decrease of 11% compared with 2008 (2008: £2.7 million).

The Group continues to work with existing and new partners on development projects and earns income through these projects. £0.5 million of other income was earned in the period (2008: £0.7 million).

The Group achieved pre-exceptional profit before tax of £4.1 million in the period, an increase of 39% compared with 2008 (£2.9 million). Post-exceptional profit before tax was £2.4 million (2008: £2.9 million).

The Group recognised a tax credit of £0.4 million resulting from deferred tax (2008: £0.4 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 £2.4 million (2008: £2.0 million). The Group additionally has a further £24.0 million (2008: £25.0 million) of tax losses that have not been recognised.

Profit after tax but before exceptional items for the period was £4.5 million (2008: £3.3 million). On this basis, basic earnings per share was 3.09p (2008: 2.31p) and fully diluted earnings per share was 2.87p (2008: 2.16p). The Group profit after tax and exceptional items was £2.8 million (2008: £3.3 million) resulting in a basic earnings per share of 1.93p (2008: 2.31p) and fully diluted earnings per share of 1.79p (2008: 2.16p).

Cash flow

The Group had a cash inflow from operating activities and before exceptional items of £3.7 million (2008: £2.8 million) and £2.1 million after exceptional items of £1.7 million. Working capital increased in the period by £1.6 million. Inventory increased by £0.8 million in line with the factory move and would be expected to reduce at the end of 2010

Pictured: Analytical testing in Winsford laboratory.

Pictured: New facility, Winsford.

when the factory move is completed. Trade and other receivables increased by £1.6 million reflecting the increased sales within the Group. Debtor days were 54 (2008: 53). Trade and other payables increased £0.8 million reflecting the growth of the Group.

The Group invested £4.5 million in the fit-out of the new facility in line with the budgeted spend and spent a further £2.2 million in capital equipment for the Group.

On 30 September 2009 the Group acquired the remaining 50.6% of the shares of Corpura BV from Recticel for a total of €2.3 million. Part of this payment was deferred and is included in trade and other payables on the balance sheet. As a result of this investment the Group had net funds of £1.7 million at the end of the year (2008: £7.3 million).

The Group entered into a three-year Revolving Credit Facility with Lloyds TSB Bank for £5 million which includes a £1 million overdraft facility at market rate in August 2009. The Group anticipates that it will draw down on this facility during 2010 but it is not forecast to be fully utilised at any point over the next three years.

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 forecast for the next 12 months and have reached a conclusion that the Group is well placed to manage its business risks in the current economic environment as is more fully described on page 34.

Don Evans
Chief Executive Officer

Chris Meredith
Chief Operating Officer

Mary Tavener
Group Finance Director
21 April 2010

Pictured: Manufacturing process, Winsford.

Key Performance Indicators

KPI	Target	Result	
Revenue Growth	Better than market growth rate – estimated to be 6%.	**19%**	(2008: 21%)
Operating Margin (pre-exceptional)	20% by 2012.	**16.9%**	(2008: 13.3%)
Earnings per share (fully diluted, pre-exceptional)	To deliver 20% growth per annum	**33%**	(2008: 47%)
Percentage of sales from products launched in the last five years	30%	**30%**	(2008: 38%)
Customer Service	OTIF (on time, in full) of 90%	**93%**	(2008: 87%)

Directors and Advisers

Pictured:
Back row: Dr Don W Evans, Penelope A Freer, Stephen G Bellamy, A Chris Meredith,
Front row: Dr Geoffrey N Vernon, R Stephen Harris, Mary G Tavener

Advisers

Financial Adviser 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 Limited
Northern House, Woodsome Park,
Fenay Bridge, Huddersfield,
West Yorkshire, HD8 0LA

Bankers
Lloyds TSB
Norfolk House, 7 Norfolk Street,
Manchester, M2 1DW

Patent Attorneys
Marks & Clerk
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
Tavistock Communications
131 Finsbury Pavement,
London, EC2A 1NT

Corporate governance standing committees

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

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

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

Company Secretary
M G Tavener

Registered Office
Premier Park, 33 Road One,
Winsford Industrial Estate,
Winsford, Cheshire, CW7 3RT

Registered Number
2867684

A Chris Meredith BSc (Hons)

Chief Operating Officer, Age 43

Mr Meredith joined AMS as Group Commercial Director in July 2005. He was appointed Managing Director of Advanced Woundcare in February 2008 and in January 2010, he became Chief Operating Officer for the Group. He began his career in sales for Beecham Pharmaceuticals and has continued to hold commercial roles within the healthcare industry ever since. His experience covers contract manufacturing, product development, clinical research and branded product sales, all within the medical device, pharmaceutical or consumer healthcare markets. Mr Meredith has previously held senior commercial positions at Cardinal Health, Banner Pharmacaps, Aster Cephac and Smiths Industries.

Dr Don W Evans BChemEng, MASc, PhD

Chief Executive Officer, Age 61

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.

Mary G Tavener ACMA, MCT, BA (Hons) Chem (Oxon)

Finance Director, Age 48

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 Ltd and Parker Hannifin, a US Engineering Corporation. Prior to BTP plc, she was the Finance Director of Churchill Tableware Ltd.

Dr Geoffrey N Vernon BPharm, PhD, MBA, Ch.Dir.

Non-executive Chairman, Age 57

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 healthcare 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.

R Stephen Harris BPharm, FRPharmS

Non-executive Director, Age 67

Mr Harris was appointed as a non-executive director of AMS in January 2001. His career has been in both prescription and consumer healthcare 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 healthcare companies. Mr Harris has indicated that he wishes to step down from the Board at the next AGM.

Stephen G Bellamy BCom & ACA (NZ)

Non-executive Director, Age 50

Mr Bellamy was appointed as director of AMS on 20 February 2007. He is currently CEO and a founding partner of Accretion Capital LLP (provider of strategic capital to emerging European technology companies) and Chairman of The First Close Technology Fund (which invests in early stage UK technology companies). 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 including Budgens plc, a UK food retailer and Dr. Foster Limited, a provider of information services to the UK health industry. He is a New Zealand qualified chartered accountant.

Penelope A Freer

Senior Independent non-executive Director, Age 49

Ms Freer was appointed as senior independent non-executive director of AMS on 1 March 2010. She is currently the senior indepedent non-executive director of Sinclair Pharma plc and a non-executive director of Empresaria Group plc. She is a co-founder and director of Capital Markets Group, an FSA authorised advisory business. With 25 years' experience in investment banking, she was formerly Head of Equities for Robert W Baird in London and prior to this held senior positions at Credit Lyonnais and Nat West Markets.

Senior Management

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

Aged 49, 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 (Hons), EMSMOT
Vice-President Strategic Marketing

Aged 37, Jeff joined AMS in October 2005 as Vice President Business Development, Americas, where he managed the US base of business.

Jeff graduated with a degree in Biomedical Engineering from the University of Florida in 1996 and completed a Master's programme in Management of Technology at Georgia Institute of Technology in 2001. He spent ten years with Kimberly-Clark Health Care in R&D, Product Development, 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 Manager of Licensing and Business Development supporting the medical nutritional and consumer products division.

Ed Surman BSc (Hons)
Operations Manager, Advanced Medical Solutions Ltd

Aged 48, Ed was appointed Operations Manager in June 2005, and has responsibility for Manufacturing, Engineering, Quality and Supply Chain for the 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 Trespaphan and EPL Technologies, Ed returned to university and completed the Fellowship in Manufacturing Management programme at Cranfield University. Ed subsequently became Production Manager at Wockhardt UK, a pharmaceutical manufacturing company, prior to joining AMS.

Richard Smith ACA
Group Financial Controller

Aged 42, Richard joined AMS in January 2009 having qualified as a chartered accountant in 1996.

After periods in banking and private practice, Richard joined Astra Zeneca 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, which accessed and secured assets for Astra Zeneca's pipeline.

Pictured: Dr Nick Frampton (centre) with members of European Sales and Marketing Team.

Pictured: Richard Smith with Corporate Finance Manager.

Richard Stenton
General Manager, Wound Closure and Sealants

Aged 58, 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.

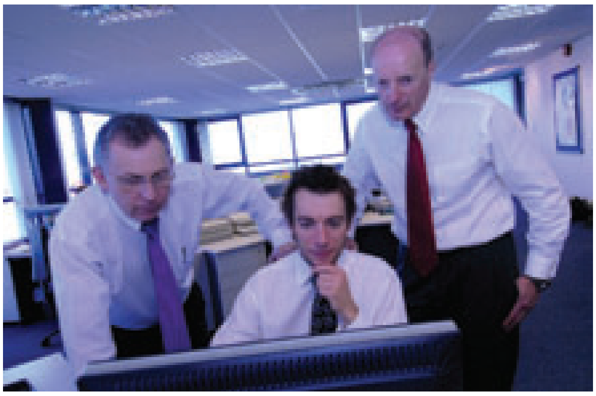
Richard spent 14 years in engineering and manufacturing with CR Bard Ltd, 3 years as a Project Director installing medical device manufacturing processes in Europe, South Africa and the Far East before joining HG Wallace – Smiths Industries Medical Systems in 1989 as Manufacturing Manager covering 6 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 their tissue adhesives business.

Pieter van Hoof MEng
General Manager, Corpura

Aged 37, Pieter joined Corpura BV in November 2009. Having completed a Master's degree in Engineering in Chemistry and Biochemistry at the Katholieke Universiteit Leuven (Belgium), Pieter joined Janssen Pharmaceutica working as a production supervisor in the manufacturing unit for sterile injectable products before joining the DuPont Engineering Polymers business in September 1999. At DuPont Engineering Polymers Pieter worked in a number of business process improvement roles in Supply Chain certifying as a 6 Sigma Master Black Belt before moving into Sales & Marketing, gathering experience in account management and business development. Before joining Corpura BV Pieter held the position of European Customer Services Manager for DuPont Engineering Polymers.

Ian Vickery BA (Hons), MCIPD
Group HR Manager

Aged 42, Ian was appointed Group HR Manager in April 2009. After graduating in Geography from Leeds University, Ian completed a Postgraduate Diploma in Personnel Management in 1989, and a Diploma in Safety Management in 1995. An HR specialist with 20 years' experience within automotive, engineering, manufacturing and pharmaceuticals, 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.



Pictured: Richard Stenton (right) with Wound Closure and Sealants design engineers.

Pictured: Jeff Willis (standing) with Advanced Woundcare R&D team.

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal activities, trading review and future developments

The Group is primarily involved in the 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 pages 2 to 5, and the Business Review on pages 12 to 19.

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 Healthcare 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 Healthcare 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 effected 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 for medical devices, and receives regular inspection by regulatory authorities.

The Group has identified a need to increase its capacity and as a result 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. To date, this project is well advanced without any significant overruns.

Financial Risk

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

- *Currency.* The Group's main currency exposure is to the US dollar with around 20% of the Group's sales denominated in US dollars. The Group's policy is to hedge significant transaction exposure (50%–80% of the sales for 12 months) to the dollar by using forward contracts and options. In 2009, if the average dollar had depreciated against sterling by 10% more, the average rate would have had a £0.5 million (2008: £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. The Group entered into a three-year revolving credit facility with Lloyds TSB Bank including a £1 million overdraft facility at market rate in August 2009. The Group considered this to be prudent financial planning and allows greater flexibility in funding the growth of the business.
- *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 2009 and the Group was unable to pass the increases on there would have been a negative impact of £0.2 million (2008 £0.2 million) to the cost and the gross margin would have been reduced by 1 percentage point.

Going concern

After making enquiries and on the basis 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 2009 of £2.8 million (2008: 3.3 million). The directors do not recommend the payment of a dividend (2008: nil) and the whole of the gain will be transferred to reserves. The Board is intending to recommend that a maiden final dividend for the year ended 31 December 2010 will be payable in 2011.

Research and Development

The Group has expensed to the income statement £1,613k in the year ended 31 December 2009 (2008: £1,534k) on research and development. In accordance with International Accounting Standards a further £301k (2008: £343k) has been capitalised. Further details on the Group's research and development are included in the Business Review on pages 12 to 19.

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 Group's trade creditors at 31 December 2009 represented approximately 72 days of purchases (2008: 76 days).

Charitable and political contributions

The Group did not make any charitable or political contributions during the year (2008: £nil).

Share capital and issue of ordinary shares

The authorised and issued share capital of the Company is set out in Note 33 to the accounts on page 68.

Substantial shareholdings

The Company's major shareholders at 8 April 2010 are:

	No. of Ordinary Shares	Per cent
Axa Framlington Investment Management	16,446,554	10.72
Hargreave Hale	10,544,300	6.88
Legal & General Investment Mgmt	10,213,303	6.66
Invesco Perpetual	8,294,524	5.41
Schroder Investment Management	6,100,000	3.98
Artemis Fund Managers	5,757,352	3.75
Aerion Fund Management	5,677,972	3.70
Cavendish Asset Management	5,257,100	3.43

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 the 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 29 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.

The Company will soon no longer satisfy the requirements for granting tax efficient options under its EMI scheme. The Board will therefore be asking Shareholders at the next Annual General Meeting (AGM) to approve the adoption of a new Company Share Option Plan (CSOP). This will be a discretionary plan for the grant of approved options (subject to HMRC approval). Resolution 7 proposes the acceptance of such a scheme. Summary details of the Scheme are included in the accompanying note from the Chairman.

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. The new facility in Winsford incorporates a solar wall, a renewable energy source that features perforated cladding to capture the sun's warmth and supplement the building's heating system. Building management systems have been installed in the offices and manufacturing areas to assist in controlling energy usage. The lighting is activated by movement sensors to reduce wastage. Prior to the site being constructed, resident great crested newts were relocated to a nearby nature reserve. Protective measures have remained in place throughout to prevent a return to site. Monitoring was carried out by environmental specialists.

Directors and their interests

The directors of the Company at 31 December 2009 and their interests, all of which are beneficially held, in the share capital of the Company were:

	Ordinary shares of 5p each 31 December 2009			Ordinary shares of 5p each 31 December 2008		
	Shares	Options	LTIPs	Shares	Options	LTIPs
G Vernon	1,000,000	—	—	1,000,000	—	—
D Evans	869,591	616,666	3,295,016	793,709	616,666	3,001,173
M Tavener	246,130	300,000	2,407,979	183,778	300,000	2,214,571
S Harris	202,127	—	—	122,857	—	—
A C Meredith	111,890	—	1,797,234	74,538	—	1,208,000
S G Bellamy	100,000	—	—	100,000	—	—

On 22 March 2010, Don Evans, Mary Tavener and Chris Meredith, following the achievement of certain performance criteria and the release of preliminary results, exercised options and LTIPs. Shares were sold at 35p to meet the costs of exercise and taxes payable. The resultant holdings after this exercise are as follows:

	Ordinary shares of 5p each 31 March 2010		
	Shares	Options	LTIPs
D Evans	3,183,715	—	293,843
M Tavener	2,069,041	—	193,408
A C Meredith	1,101,889	—	589,234

Further details of the directors' remuneration and benefits are included in the Remuneration Report on pages 29 to 32.

Reappointment

At the forthcoming Annual General Meeting, Don Evans and Mary Tavener 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, also retires and is proposed for re-election each year. Penny Freer, who was appointed to the Board as Senior Independent non-executive director on 1 March 2010 retires and formally offers herself for reappointment. Steve Harris has indicated that he wishes to retire as a non-executive director at the AGM. Details of the current directors of the Company are shown on page 21.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' responsibilities statement continued

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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 Company's 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

Each of the persons who is a director at the date of approval of this annual 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 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 S418 of the Companies Act 2006.

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.

Special business at the Annual General Meeting

The effect of Resolution 9, to be proposed at the meeting would be to disapply the statutory pre-emption rights conferred by S570 of the 2006 Act.

The effect of Resolution 10 proposes the deletion of the provisions currently set out in the Company's Memorandum of Association and the adoption of the new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the implementation of the last parts of the Companies Act 2006. Futher details are provided on page 84 of the Notice of Meeting.

Annual General Meeting

The Annual General Meeting will be held at 12.00 pm, on Wednesday 2 June 2010 at Cranage Hall, Byley Lane, Cranage, Holmes Chapel, CW4 8EW. Details of the notice of the Annual General Meeting are given on pages 81 to 84. 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. There will be an opportunity after the Annual General Meeting to visit the new facility in Winsford.

On behalf of the Board

M G Tavener
Company Secretary
21 April 2010

Remuneration Report

As an AIM quoted company, Advanced Medical Solutions Group plc is not required to comply with the Directors' Remuneration Report Regulations 2002. 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 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. Options are 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. Full details of these are included in note 36 on pages 70 to 73.

The Company's Unapproved Executive Share Option Scheme was adopted on 29 June 1999 and in accordance with the rules of the scheme terminated on 28 June 2009. The Advanced Medical Solutions Group plc 2009 Executive Share Options Scheme was approved on 3 June 2009 and adopted 29 June 2009.

As the Company continues to grow it soon will no longer be able to satisfy the requirements for granting tax efficient options under its EMI scheme. The Board is therefore proposing to set up an HMRC-approved Company Share Option Scheme (CSOP). This will allow relevant employees to benefit in the growth of the value of shares, subject to a £30,000 limit by reference to the market value of AMS shares on the grant date. Summary details of the Scheme are included in the accompanying note from the Chairman. Resolution 7 to adopt this scheme, subject to HMRC approval, will be proposed at the forthcoming Annual General Meeting.

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 other key 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 employees prior to the introduction of the LTIP will still be exercisable subject to the relevant performance criteria being met. The objectives of the 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. 50% of the Award will be determined based on the performance of the Company compared with 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 the last 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. 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 align 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 2010.

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 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 2009 £'000**	Total year ending 2008 £'000
Executive							
Don Evans	196	76	**15**	20	—	**307**	295
Mary Tavener	131	51	**1**	13	—	**196**	189
Chris Meredith	131	51	—	13	—	**195**	186
Non-executive							
Geoffrey Vernon	—	—	—	—	49	**49**	47
Steve Harris	—	—	—	—	30	**30**	28
Steve Bellamy	—	—	—	—	31	**31**	29
	458	178	**16**	46	110	**808**	774

The annual bonuses paid to the executive directors are in respect of 2008 financial year. Bonuses to the directors are not determined until the financial results have been audited and approved by the Board.

The opening share price for the year was 33.50p and the closing price on the last trading day of 2009 (31 December) was 32.25p.

The range during the year was 37.25p (high) and 23p (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 2008	Lapsed in the year	**As at 31 Dec 2009**	Exercise Price (p)	Date of Grant
Don Evans	616,666	—	**616,666**	9.00	15 July 2004
Mary 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. On 22 March 2010, Don Evans and Mary Tavener exercised their options under this scheme.

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:

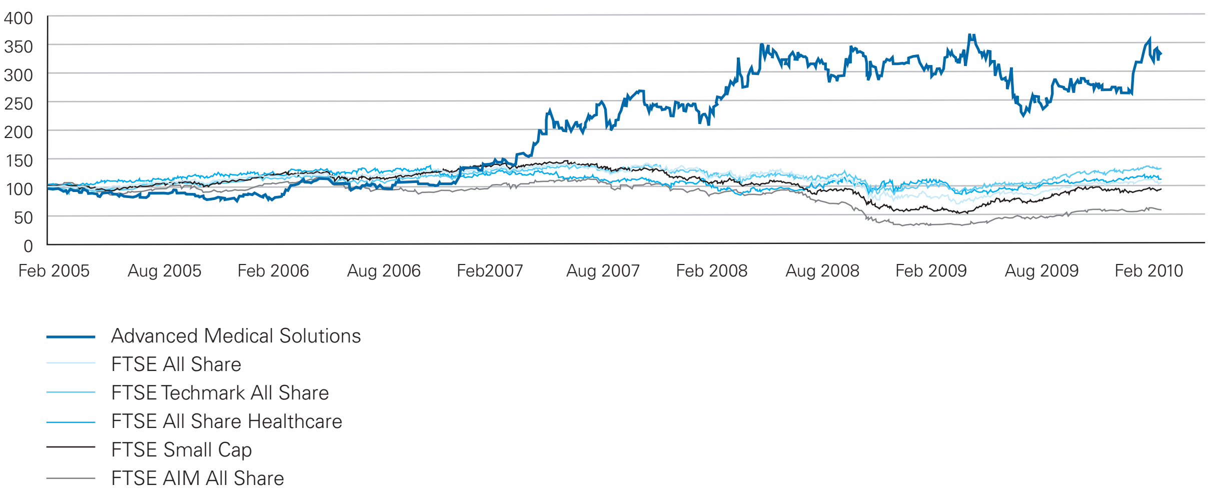
	As at 31 December 2008	Granted in the year	As at 31 December 2009	Market price at date of grant (p)	First vesting date
D W Evans	1,865,173	—	**1,865,173**	8.75	12 October 2008
	1,136,000	—	**1,136,000**	16.75	12 March 2010
	—	293,843	**293,843**	33.30	23 April 2012
M G Tavener	1,348,571	—	**1,348,571**	8.75	12 October 2008
	866,000	—	**866,000**	16.75	12 March 2010
	—	193,408	**193,408**	33.30	23 April 2012
A C Meredith	500,000	—	**500,000**	8.75	12 October 2008
	708,000	—	**708,000**	16.75	12 March 2010
	—	589,234	**589,234**	33.30	23 April 2012

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on page 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 have advised that AMS's TSR was in the top quartile of performance against the comparator group and that consequently 100% of the award will vest. PKF (UK) LLP have confirmed that AMS's TSR performance for the LTIPs granted in 2007 was in the top quartile of performance against the comparator group and that consequently 100% of the award have vested. The Remuneration Committee recommended to the Board and the Board accepted the recommendation that the vesting date of the April 2007 LTIPs be brought forward one month.

Awards made have no performance retesting facility.

Five-Year Share Performance

For the five year period ended 1 February 2009, Advanced Medical Solutions Group plc share price has outperformed the FTSE All Share by 202%, FTSE Techmark by 147%, FTSE Health Care by 187%, the FTSE Small Cap Index by 239% and AIM by 431%.



Mary Tavener
Company Secretary
21 April 2010

Corporate Governance

The Board is committed to the principles of corporate governance and although, as an AIM listed company, is not bound by corporate governance rules and codes, the directors have applied them 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 seven times in 2009. 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, and 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.

In 2009 the Board consisted 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. 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. Penny Freer will be standing for re-election at the next AGM.

Board Committees

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

The Board receives regular feedback from its advisors, investors and analysts. As a result of formal feedback the Board has decided to appoint a Senior Independent Director (SID) and Penny Freer was appointed to the Board as SID on 1 March 2010. The Audit Committee is chaired by Steve Bellamy and met four times in 2009. 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 meets with them regularly.

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

- A review of non-audit services provided to the Group and related fees. These were higher than normal in the year due to the costs involved in the aborted acquisition.
- 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 the both audit and non-audit services during the year which is set out in note 7 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 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 Group's Long Term Incentive Plan (LTIP). The Remuneration Committee met five times in 2009. Its report is included on pages 29 to 32.

The Nominations Committee nominates and recommends the appointment of new directors to the Board and reviews succession planning. 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 twice in 2009.

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 of the Group's products and technology.

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), TUV Product Service and Lloyd's Quality Register Assurance on a regular basis.

Going Concern

In carrying out their duties in respect of going concern, the directors have carried out a view 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 £2.0 million. The Group also has in place a revolving credit facility of £5 million inclusive of £1 million overdraft which expires in July 2012.

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
21 April 2010

Independent Auditors' Report to the members of Advanced Medical Solutions Group plc

We have audited the financial statements of Advanced Medical Solutions Group plc for the year ended 31 December 2009, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow and the Company Balance Sheet, the related consolidated notes 1 to 38 and the related Company notes 1 to 8. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

William Smith (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, United Kingdom
21 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 Before exceptional items £'000	Exceptional items (note 6) £'000	Total £'000	Year ended 31 December 2008 £'000
Revenue	3	24,091	—	24,091	20,316
Cost of sales		(12,482)	—	(12,482)	(10,562)
Gross profit		11,609	—	11,609	9,754
Distribution costs		(157)	—	(157)	(160)
Administrative costs		(7,799)	(1,672)	(9,471)	(7,666)
Profit on disposal of property, plant & equipment		—	—	—	35
Other income	4	488	—	488	656
Share of results of joint venture		(66)	—	(66)	80
Profit from operations	5	4,075	(1,672)	2,403	2,699
Finance income	11	21	—	21	265
Finance costs	12	(30)	—	(30)	(37)
Profit before taxation		4,066	(1,672)	2,394	2,927
Income tax	13	390	—	390	382
Profit for the year attributable to equity holders of the parent		4,456	(1,672)	2,784	3,309
Earnings per share					
Basic	15	3.09p	(1.16)p	1.93p	2.31p
Diluted	15	2.87p	(1.08)p	1.79p	2.16p

The above results relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit for the year	2,784	3,309
Exchange differences on translating foreign operations	(153)	427
Loss arising on cash flow hedges	(26)	—
Other comprehensive income for the year, net of tax	(179)	427
Total comprehensive income for the year attributable to equity holders of the parent	2,605	3,736

Consolidated Statement of Financial Position

At 31 December 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	16	1,230	1,398
Software intangibles	16	34	40
Development costs	16	725	520
Goodwill	21	2,978	—
Property, plant and equipment	17	10,284	3,199
Deferred tax assets	18	1,632	1,266
Investment in joint venture	19	—	1,749
Loans and receivables	20	—	662
Trade and other receivables	23	6	209
		16,889	9,043
Current assets			
Inventories	22	3,179	2,231
Trade and other receivables	23	6,945	4,894
Deferred tax assets	18	790	779
Investments	25	—	5,730
Cash and cash equivalents	25	1,992	1,882
		12,906	15,516
Total assets		29,795	24,559
Liabilities			
Current liabilities			
Trade and other payables	26	5,887	4,008
Other taxes payable		463	308
Financial liabilities	27	18	17
Obligations under finance leases	27	16	14
		6,384	4,347
Non-current liabilities			
Trade and other payables	26	278	—
Financial liabilities	28	244	262
Obligations under finance leases	28	39	58
		561	320
Total liabilities		6,945	4,667
Net assets		22,850	19,892
Equity			
Share capital	33	7,248	7,169
Share premium		99	23
Share-based payments reserve		502	300
Investment in own shares	34	(27)	(18)
Share-based payments deferred tax reserve		576	571
Other reserve	34	1,531	1,531
Translation reserve		248	427
Retained earnings		12,673	9,889
Equity attributable to equity holders of the parent		22,850	19,892

The financial statements on pages 36 to 79 were approved by the Board of directors and authorised for issue on 21 April 2010 and were signed on its behalf by:

Dr D W Evans
Chief Executive Officer
21 April 2010

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 reserve £'000	Translation £'000	Retained earnings £'000	Total £'000
At 1 January 2009	7,169	300	(18)	571	23	1,531	427	9,889	19,892
Share-based payments	—	202	—	5	—	—	—	—	207
Issue of share capital	8	—	—	—	—	—	—	—	8
Share options exercised	71	—	—	—	76	—	—	—	147
Shares purchased by EBT	—	—	(114)	—	—	—	—	—	(114)
Shares sold by EBT	—	—	105	—	—	—	—	—	105
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(153)	—	(153)
Movement on cash flow hedges	—	—	—	—	—	—	(26)	—	(26)
Consolidated profit for the year to 31 December 2009	—	—	—	—	—	—	—	2,784	2,784
At 31 December 2009	7,248	502	(27)	576	99	1,531	248	12,673	22,850

	Share capital £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Share premium £'000	Other reserve £'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	—	251	—	—	—	—	397
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

Consolidated Statement of Cash Flow

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Cash flows from operating activities			
Profit from operations		2,403	2,699
Adjustments for:			
Share of results of joint venture		66	(80)
Depreciation		678	673
Amortisation — intellectual property rights		168	168
— development costs		96	160
— software intangibles		26	24
Profit on sale of non-current assets		—	(35)
Increase in inventories		(826)	(505)
Increase in trade and other receivables		(1,583)	(1,613)
Increase in trade and other payables		826	1,140
Share-based payments expense		202	146
Net cash inflow from operating activities		2,056	2,777
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		—	56
Purchase of software		(20)	(19)
Capitalised research and development		(301)	(343)
Purchases of property, plant and equipment		(6,735)	(894)
Movements in investments in money market deposits		5,730	924
Interest received		74	487
Investment in joint venture		—	(1,376)
Acquisition of subsidiary	35	(69)	—
Movement in loans and receivables		(711)	(531)
Net cash used in investing activities		(2,032)	(1,696)
Cash flows from financing activities			
Capital element of finance lease repayments		(17)	(17)
Repayment of secured loan		(17)	(29)
Issue of equity shares		155	13
Shares purchased by EBT		(114)	(89)
Shares sold by EBT		105	84
Interest paid		(30)	(37)
Net cash from/(used in) financing activities		82	(75)
Net increase in cash and cash equivalents		106	1,006
Cash and cash equivalents at the beginning of the year		1,882	876
Effect of foreign exchange rate changes		4	—
Cash and cash equivalents at the end of the year		1,992	1,882

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 Premier Park, 33 Road One, Winsford Industrial Estate, Cheshire, CW7 3RT.

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 2009 comprise the Company and its subsidiaries (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 on the basis 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.

The Group has applied IAS 1 'Presentation of Financial Statements (revised 2007)' which has introduced a small number of presentation and disclosure changes (including titles for the financial statements). The revised standard has had no impact on the Group's profit for the period, net assets or cash flows.

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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value.

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 Theorem valuation technique. This technique requires 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 obsolete or slow-moving. This provision is established on each individual stock keeping unit (SKU) 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.

2. **Accounting policies** continued

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.

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 obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements on the basis of acquisition 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Revenue recognition

Revenue represents the fair value of sales of the Group's products to external customers at amounts excluding 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 up-front licence payments received for the grant of rights for the development and marketing of products, 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 of each project.

2. Accounting Policies continued

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.

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

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 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. Exchange differences arising on consolidation are recognised in equity.

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 based on tax laws enacted or substantively enacted by the reporting date.

2. Accounting Policies continued

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.

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 and direct labour less accumulated amortisation.

Where development expenditure results in new or substantially improved products or processes and it is probable that recovery will take place, it is capitalised and amortised on a straight-line basis over the product's useful life starting from the date on which serial production commences which is between one and ten years. 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 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 was 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 and improvements — 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.

2. **Accounting Policies** continued

Impairment of tangible and intangible assets excluding goodwill

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 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 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 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, management's experience and its assessment of the present value of estimated future cash flows.

Financial instruments

Classification of financial instruments

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

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 at bank and 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 and which are readily convertible to a known amount of cash. Cash held in accounts with more than 90 days' notice that are not required to meet sort-term cash commitments are shown as an investment.

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. Any premium on issue is taken to the share premium account.

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 29.

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 29 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. The resulting gain or loss is recognised in profit or loss (administrative costs) immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group currently designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). 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.

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

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 2 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 Theorem model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Capital management

For the years ended 31 December 2008 and 31 December 2009, 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, translation reserve and retained earnings reserve. There are no externally imposed capital requirements on the Group.

Exceptional items

Exceptional items are those items that are unusual because of their size, nature or incidence, or that the directors consider should be disclosed separately to enable a full understanding of the Group's results. This includes non-recurring transaction abort costs and site reduction costs (see note 6). Exceptional items have been presented separately on the face of the income statement. The directors consider that this presentation gives a fairer presentation of the results of the Group.

Employee Benefit Trusts

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

2. **Accounting Policies** continued

Employee Benefit Trusts continued

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 assets and liabilities of the Trust as its own.

In compliance with IAS 32 'Financial Instruments: Presentation', 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 27 'Consolidated and separate financial statements' – Revision. The main amendments relate to the accounting for minority interests and the loss of control of a subsidiary. The revision is effective from 1 January 2010 (periods commencing on or after 1 July 2009) and 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 the 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 Group business combinations on or after 1 January 2010.

Unless otherwise listed above, no other standard, amendment or interpretation is likely to have a material effect on the Group's results of operations or financial position.

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. These are the measures reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

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.

Year ended 31 December 2009	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Revenue				
External sales	19,391	4,700	—	24,091
Inter-segment sales	43	—	(43)	—
Total revenue	19,434	4,700	(43)	24,091

Inter-segment sales are charged at prevailing market prices.

Result				
Segment result	3,492	801	—	4,293
Unallocated expenses				(1,890)
Profit from operations				2,403
Finance income				21
Finance costs				(30)
Profit before tax				2,394
Tax				390
Profit for the year				2,784

Exceptional costs are allocated as follows: site move expenditure (£909,000) is included in Advanced Woundcare's result and, aborted transaction costs (£763,000) are included in unallocated expenses.

At 31 December 2009 Other information	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Capital additions:			
Software intangibles	10	10	20
Research & development	297	4	301
Property, plant and equipment	6,570	165	6,735
Depreciation and amortisation	626	342	968
Balance sheet			
Assets			
Segment assets	22,868	5,710	28,578
Unallocated assets			1,217
Consolidated total assets			29,795
Liabilities			
Segment liabilities	4,413	988	5,401
Unallocated liabilities			1,544
Consolidated total liabilities			6,945

Advanced Woundcare's assets include the goodwill recognised on acquisition of Corpura BV of £2,978,000.

3. Segment information continued

Year ended 31 December 2008	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'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

Advanced woundcare includes £35,000 of exceptional costs relating to profit on disposal of property, plant and equipment.

At 31 December 2008 Other information	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'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 at 31 December 2008 are assets (£1,749,000) and results (£80,000) in respect of Corpura BV, the Group's joint venture.

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 2009 £'000	Year ended 31 Dec 2008 £'000
United Kingdom	7,268	7,023
Europe excluding United Kingdom	10,269	7,991
United States of America	5,888	4,810
Rest of World	666	492
	24,091	20,316

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 2009 £'000	Year ended 31 Dec 2008 £'000
Development fees	381	586
Other	107	70
	488	656

For the year ended 31 December 2009 total revenue per IAS 18 'Revenue', which includes sales of goods, other income and finance income, was £24,600,000 (2008: £21,237,000).

5. Profit from operations

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Profit from operations is arrived at after charging/(crediting):		
Profit on sale of non-current assets	—	(35)
Depreciation of property, plant and equipment	678	673
Amortisation of:		
— acquired intellectual property rights	168	168
— software intangibles	26	24
— development costs	96	160
Operating lease rentals — plant and machinery	131	90
— land and buildings	575	315
Research and development costs expensed to the income statement	1,613	1,534
Cost of inventories recognised as expense	11,646	9,993
Staff costs	8,467	6,929
Fair value (gain)/loss on derivative financial instruments	(599)	599
Net foreign exchange loss/(gain)	513	(474)

6. **Exceptional items**

The Group is in the process of rationalising its two existing sites in Winsford into a new facility. During the year ended 31 December 2009 expenditure of £909,000 was incurred in respect of the site move.

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 had now been terminated. The costs incurred in the year ended 31 December 2009 in respect of this aborted transaction amounted to £763,000.

During the year ended 31 December 2008, profit of £35,000 was recognised on disposal of property, plant and equipment.

7. **Auditors' remuneration**

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

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Audit services		
— Statutory audit of parent and consolidated financial statements	11	10
— Statutory audit of subsidiary companies	30	30
— Review of condensed consolidated financial statements	10	—
Tax services		
— Compliance services	10	10
Other services		
— Corporate finance services	368	8
	429	58

Fees payable to the Company's auditor, Deloitte LLP and its associates, for services other than the statutory audit of the Company are not disclosed in subsidiaries' accounts because the consolidated accounts of the subsidiaries' parents, AMS Group plc, are 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 safe guarded when non-audit services are provided by the auditor.

8. Employees

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

	Year ended 31 Dec 2009 Number	Year ended 31 Dec 2008 Number
Production	157	119
Research and development	18	15
Sales and marketing	38	30
Administration	28	25
	241	189

Sales and marketing includes 2 people (2008: 2) employed in the United States.

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Staff costs for all employees, including executive directors, consists of:		
Wages and salaries	7,264	5,933
Social Security costs	705	617
Pension costs	296	233
Share-based payments (see note 36)	202	146
	8,467	6,929

9. Directors' emoluments

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Remuneration for management services	652	625
Pension	46	45
Amounts paid to third parties	110	104
	808	774
Retirement benefits are accruing to the following number of directors under money purchase schemes	3	3

10. Key Management

The key management 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 (including directors)

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Salaries and short-term employee benefits	1,215	919
Pension	71	59
	1,286	978

Directors

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Salaries and short-term employee benefits	652	625
Pension	46	45
Share-based payments	89	76
	787	746

Highest paid director

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Salaries and short-term employee benefits	287	276
Pension	20	19
	307	295

11. Finance Income

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Bank interest	21	257
Rent deposit interest	—	8
	21	265

12. Finance costs

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Finance leases	5	12
Other loan interest	24	25
Bank interest	1	—
	30	37

13. Taxation

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
a) Analysis of credit for the year		
Current tax:		
Corporation tax	18	—
Capital gains tax	—	9
Deferred tax	372	373
Taxation	390	382
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 (28%) as explained below:		
Profit before taxation	2,394	2,927
Profit multiplied by the standard rate of corporation tax in the UK of 28.0% (2008: 28.5%) as explained below	670	834
Effects of:		
Expenses not deductible for tax purposes	49	20
Depreciation for period (less)/more than capital allowances	(76)	13
Utilisation and recognition of trading losses	(641)	(999)
Research and development relief	(336)	(200)
Capital gains tax	—	(9)
Share-based payments	(56)	(41)
Taxation	(390)	(382)

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 2009 and the 28% rate applied to profits arising after that date.

The 2008 disclosure has been updated to better reflect the nature of specific factors affecting the tax for the year.

14. Dividends

No dividends were paid or proposed in 2009 (2008: Nil).

15. Earnings per share

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

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent:		
— Pre-exceptional items	**4,456**	3,274
— Post-exceptional items	**2,784**	3,309
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**144,166**	143,284
Effect of dilutive potential ordinary shares: share options, deferred share bonus, LTIPs	**11,200**	9,979
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**155,366**	153,263

16. Acquired intellectual property rights, software intangibles and development costs

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000
2009			
Cost			
At beginning of year	2,518	175	701
Additions	—	20	301
At end of year	2,518	195	1,002
Amortisation			
At beginning of year	1,120	135	181
Charged in the year	168	26	96
At end of year	1,288	161	277
Net book value			
At 31 Dec 2009	**1,230**	**34**	**725**
At 31 Dec 2008	1,398	40	520

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

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

16. Acquired intellectual property rights, software intangibles and development costs continued

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000
2008			
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

17. Property, plant and equipment

	Freehold land, property and improvements £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
2009							
Cost							
At beginning of year	1,063	450	9,271	182	44	641	11,651
On acquisition of subsidiary	—	—	1,104	—	—	—	1,104
Additions	—	—	348	10	—	6,408	6,766
Transfer of assets into use	—	—	1,110	—	—	(1,110)	—
Disposals	—	—	(132)	—	—	—	(132)
Exchange adjustments	—	—	(30)	—	—	—	(30)
At end of year	1,063	450	11,671	192	44	5,939	19,359
Depreciation							
At beginning of year	16	445	7,794	153	44	—	8,452
Provided for the year	4	1	668	5	—	—	678
Disposals	—	—	(55)	—	—	—	(55)
Exchange adustments	—	—	—	—	—	—	—
At end of year	20	446	8,407	158	44	—	9,075
Net book value							
At 31 Dec 2009	**1,043**	**4**	**3,264**	**34**	**–**	**5,939**	**10,284**
At 31 Dec 2008	1,047	5	1,477	29	—	641	3,199

17. Property, plant and equipment continued

At 31 December 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2,659,000 (2008: £476,000).

The net book value of plant and equipment includes £56,000 of plant and machinery (2008: £118,000) held under finance leases. The related depreciation charge for the year was £17,000 for plant and machinery (2008: £32,000).

	Freehold land, property and improvements £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
2008							
Cost							
At beginning of year	1,055	450	9,002	174	44	118	10,843
Additions	8	—	176	8	—	786	978
Transfer of assets into use	—	—	263	—	—	(263)	—
Disposals	—	—	(170)	—	—	—	(170)
At end of year	1,063	450	9,271	182	44	641	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 Dec 2008	1,047	5	1,477	29	—	641	3,199
At 31 Dec 2007	1,043	25	1,698	26	—	118	2,910

18. 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 Jan 2008	(74)	363	1,132	1,421
Charge to income	—	41	332	373
Charge to equity	—	251	—	251
At 31 Dec 2008	(74)	655	1,464	2,045
Charge to income	—	56	316	372
Charge to equity	—	5	—	5
At 31 Dec 2009	(74)	716	1,780	2,422

Maturity of the deferred tax asset is as follows:

	2009 £'000	2008 £'000
Less than one year	790	779
Greater than one year	1,632	1,266
	2,422	2,045

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:

	2009 £'000	2008 £'000
Deferred tax liabilities	(74)	(74)
Deferred tax assets	2,496	2,119
	2,422	2,045

At the balance sheet date, the Group has unused tax losses of £29.1 million (2008: £30.3 million) available for offset against future profits. A deferred tax asset of £1.8 million (2008: £1.5 million) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining £24.0 million (2008: £25.0 million) of such losses due to the difficulty in making reliable predictions of future profit streams.

19. Investment in joint venture

On 30 September 2009 the Group purchased Recticel's share of the joint venture relating to Corpura BV, which represented 50.6% of issued share capital. See note 35 for further information regarding this transaction.

	2009 £'000	2008 £'000
Amounts relating to investment in joint venture		
Total assets	—	2,556
Total liabilities	—	(1,811)
Net assets	—	745
Profit	—	186

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

	2009 £'000	2008 £'000
Operating profit	(47)	214
Less: interest	(32)	(82)
Less: tax	—	(40)
	(79)	92
Less: provision for unrealised profit	13	(12)
Share of results of joint venture	(66)	80

Net book value of interest in joint venture

	£'000
At 1 Jan 2009	1,749
Addition	—
Movement in interest in associate	(79)
On acquisition of 50.6% of Corpura BV (see note 35)	(1,573)
Exchange	(97)
At 31 Dec 2009	—

20. Loan receivable

	2009 £'000	2008 £'000
Loan receivable carried at amortised cost: Loans to related parties	—	662

At 31 December 2008 the Group had provided its joint venture with a long-term loan at 2 percentage points over 3 month EURIBOR. At 31 December 2009 all balances have been eliminated on consolidation.

21. Goodwill

	£'000
Cost	
At 1 Jan 2009	—
Recognised on acquisition of a subsidiary	3,062
Exchange differences	(84)
At 31 Dec 2009	**2,978**
Accumulated impairment losses	
At 1 Jan 2009 and 31 Dec 2009	—
Carrying amount	
At 31 Dec 2009	**2,978**
At 31 Dec 2008	—

22. Inventories

	2009 £'000	2008 £'000
Raw materials	1,419	1,068
Work in progress	1,465	689
Finished goods	295	474
	3,179	2,231

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 £4,000 (2008: £19,000) carried at net realisable value.

	2009 £'000	2008 £'000
Total gross inventories	3,613	2,552
Inventory impairment	(434)	(321)
Net inventory	3,179	2,231

Inventory impairment	2009 £'000	2008 £'000
At beginning of year	(321)	(410)
Income statement charge	(179)	(38)
Provision released	12	22
Provision utilised	54	105
At end of year	(434)	(321)

23. Trade and other receivables

	2009 £'000	2008 £'000
Due within one year		
Trade receivables	5,604	3,736
Other receivables	752	276
Prepayments and accrued income	589	882
	6,945	4,894

	2009 £'000	2008 £'000
Amount receivable for the sale of goods	7,035	4,904
Provision for impairment	(90)	(10)
	6,945	4,894

The trade and other receivable due after more than one year is principally the leasehold rental deposit held with the Group's 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 54 days (2008: 53 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. 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.

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

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
31 to 60 days overdue	145	235
61 to 90 days overdue	45	106
Total	190	341

Movement in provision for impairment

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
Balance at the beginning of the year	10	11
Impairment losses recognised	103	8
Amounts written off as uncollectable	(13)	(3)
Amounts recovered during the year	(10)	(6)
Balance at the end of the year	90	10

24. Analysis of customers

Year ended 31 Dec 2009

	Revenue £'000	% of total revenue %
Customers accounting for more than 10% of revenue		
— Customer 1	3,439	14.3
— Customer 2	3,386	14.1
— Customer 3	2,477	10.3

Year ended 31 Dec 2008

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

Ageing of impaired trade receivables

	Year ended 31 Dec 2009 £'000	Year ended 31 Dec 2008 £'000
31 to 60 days overdue	—	1
61 to 90 days overdue	—	—
Over 90 days overdue	90	9
Total	90	10

25. Investments, cash and cash equivalents

	2009 £'000	2008 £'000
Investments	—	5,730
Cash and cash equivalents	1,992	1,882
	1,992	7,612

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.

26. Trade and other payables

	2009 £'000	2008 £'000
Current liabilities		
Trade payables	2,468	1,938
Other payables	347	201
Derivative financial instruments	26	599
Accruals and deferred income	3,046	1,270
	5,887	4,008
Non-current liabilities		
Other payables	278	—

Other financial liabilities

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. At 31 December 2009, accruals and deferred income included deferred consideration of £1,265,000 relating to the acquisition of Corpura BV (see note 35). The average credit period taken for trade purchases is 72 days (2008: 76 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.

27. Current financial liabilities

	2009 £'000	2008 £'000
Obligations under finance leases (see note 30)	16	14
Other loans	18	17
	34	31

28. Non-current financial liabilities

	2009 £'000	2008 £'000
Obligations under finance leases (see note 30)	39	58
Other loans	244	262
	283	320

The loan is secured by a fixed charge on the freehold property. It is repayable in monthly instalments and interest is payable at 8½% fixed rate. The maturity by currency of finance leases and other loans is given in note 29.

29. 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), 'Derivative instruments in designated hedge accounting relationships (cash flow hedges)' 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	
	2009 £'000	2008 £'000
Financial assets		
Held-to-maturity investments	—	5,730
Loans and receivables (including cash and cash equivalents)	8,943	6,985
Financial liabilities		
Fair value through profit and loss (FVTPL) — Designated as FVTPL	—	599
Derivative instruments in designated hedge accounting relationships	26	—
Amortised cost	6,456	3,760

Page 25 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.

29. Financial instruments continued

(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 financial liabilities £'000	Interest rate %
2009						
Trade and other payables	5,861	16	48	214	6,139	—
Other loans	18	20	70	154	262	8.5
Finance lease creditors	16	16	23	—	55	8.2
Derivative financial instruments	26	—	—	—	26	—
At 31 Dec 2009	**5,921**	**52**	**141**	**368**	**6,482**	

	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 financial liabilities £'000	Interest rate %
2008						
Trade and other payables	3,409	—	—	—	3,409	—
Other loans	17	18	64	180	279	8.5
Finance lease creditors	14	16	42	—	72	11.1
Derivative financial instruments	599	—	—	—	599	—
At 31 Dec 2008	4,039	34	106	180	4,359	

	2009		2008	
	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	10	—	11	—
Finance lease creditors	4	—	4	—

29. Financial instruments continued

(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

At 31 December 2009	Total £'000	Floating £'000	Fixed £'000	Non-interest bearing £'000	Fixed rate weighted average interest rate %
Currency					
Sterling	1,214	1,214	—	—	—
US dollar	521	—	—	521	—
Euro	257	—	—	257	—
At 31 Dec 2009	**1,992**	**1,214**	**–**	**778**	**–**

At 31 December 2008	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 Dec 2008	7,612	4,348	2,479	785	5.4

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

Trade and other receivables

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

	2009 £'000	2008 £'000
Sterling	5,006	3,262
Euro	526	218
US dollar	1,413	1,414
	6,945	4,894

The financial assets all mature within one year.

29. Financial instruments continued

(c) Currency exposures

At 31 December 2009 the Group had unhedged US dollar currency exposures of £1,689,000 (2008: £1,440,000) and unhedged euro currency exposures of £140,000 (2008: £734,000).

Risk sensitivity

See Report of the directors (page 25) 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.

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

Outstanding Contracts	Average exchange rate 2009 USD:£1	Average exchange rate 2008 USD:£1	Foreign currency 2009 USD'000	Foreign currency 2008 USD'000	Contract value 2009 £'000	Contract value 2008 £'000	Fair value 2009 £'000	Fair value 2008 £'000
FVTPL								
Sell US dollars								
Less than 3 months	—	1.767	—	800	—	453	—	104
3 to 6 months	—	1.714	—	1,450	—	849	—	161
7 to 12 months	—	1.655	—	3,750	—	2,278	—	334
			—	6,000	—	3,580	—	599
Cash flow hedges								
Sell US dollars								
Less than 3 months	1.660	—	1,200	—	723	—	11	—
3 to 6 months	1.669	—	300	—	180	—	4	—
7 to 12 months	1.645	—	2,970	—	1,805	—	11	—
			4,470	—	2,708	—	26	—

The fair value amounts presented above are based on the market value of equivalent instruments at the balance sheet date. Gains of £599,000 are included in operating profit in the year (2008: £599,000 loss) in respect of FVTPL contracts. The loss of £26,000 in respect of cash flow hedges has been taken to reserves.

30. Obligations under finance leases

	Minimum lease payments 2009 £'000	Minimum lease payments 2008 £'000	Present value of lease payments 2009 £'000	Present value of lease payments 2008 £'000
Amounts payable under finance leases:				
Within one year	21	22	16	14
In the second to fifth years inclusive	44	68	39	58
After five years	—	—	—	—
Less: future finance charges	(10)	(18)		
Present value of lease obligations	55	72	55	72
Less: Amount due for settlement within 12 months (shown under current financial liabilities)			16	14
Amount due for settlement after 12 months			39	58

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is four years. For the year ended 31 December 2009, the average effective borrowing rate was 8.2% (2008: 11.1%). 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.

31. 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.

32. Foreign exchange rates

The following rates were used in the translation of the Group's foreign currency transactions and balances:

	Average rate 2009	Average rate 2008	Closing rate 2009	Closing rate 2008	Percentage change Average	Percentage change Closing
Currency						
US dollar	1.567	1.853	1.615	1.438	(15)	(12)
Euro	1.123	1.259	1.126	1.034	(11)	(9)

33. Share capital

Number of ordinary shares of 5p each

	Authorised '000	Allotted, called up and fully paid '000
At 1 Jan 2008	206,447	143,141
New issues in the year	—	113
Share options exercised	—	144
At 31 Dec 2008	206,447	143,398
New issues in the year	—	162
Share options exercised	—	1,405
At 31 Dec 2009	**206,447**	**144,965**

The following share movements occurred during the year:

During the year, employees exercised share options of 1,405,000 shares at a range of option prices from 8.75p to 16.75p. On 30 April 2009 162,000 shares were issued under the Deferred Share Bonus Scheme at the nominal value of 5p per share. 510,000 of shares are retained by the Scheme to meet the matching requirements of the scheme.

The following share movements occurred during the year:

Ordinary shares of 5p each

	Authorised £'000	Allotted, called up and fully paid £'000
At 1 Jan 2008	10,322	7,157
At 31 Dec 2008	10,322	7,169
New issues in the year	—	8
Share options exercised	—	71
At 31 Dec 2009	**10,322**	**7,248**

34. 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

This represents Advanced Medical Solutions Limited's share premium account arising from merger accounting.

35. Acquisition of subsidiary

On 30 September 2009 the Group acquired the remaining 50.6% of the issued share capital of Corpura BV, having acquired 49.4% on 30 May 2008. Corpura BV develops and produces hydrophilic polyurethane foams in Etten Leur, the Netherlands. This transaction has been accounted for by the purchase method of accounting.

	Book value £'000	Fair value £'000
Net assets acquired		
Intellectual property	137	—
Property, plant and equipment	1,278	1,104
Inventories	214	122
Trade and other receivables	272	272
Cash and cash equivalents	169	169
Trade and other payables	(202)	(202)
Loans	(1,403)	(1,403)
	465	62
Goodwill		3,062
Total consideration		3,124

Goodwill is denominated in euros in line with Corpura's functional currency. Retranslation of the goodwill at the closing euro rate on 31 December 2009 led to a reduction in the goodwill recorded on the balance sheet to £2,978,000. This translation difference of £84,000 is recognised within the Group's translation reserve.

Satisfied by:

	£'000
Cash	1,687
Deferred consideration	1,302
Directly attributable costs	135
	3,124

The above consideration includes amounts paid in 2008 in respect of the formation of the joint venture totalling £1,376,000 (cash of £1,276,000; directly attributable costs £100,000) together with exchange on these euro-denominated transactions at 30 September 2009 amounting to £277,000. Retranslation of the deferred consideration, which is denominated in euros, on 31 December 2009 led to a reduction in the amount recorded on the balance sheet to £1,265,000. The translation difference of £37,000 is recognised within the Group's translation reserve.

Net cash flow arising on acquisition

	£'000
Cash consideration, including directly attributable costs	238
Cash acquired	(169)
	69

The goodwill arising on the acquisition of Corpura BV is attributable to the anticipated improved profitability of the Company and the development of new products utilising the Company's platform material for delivering new technologies that can help accelerate wound healing, neither of which relates to separately identifiable assets.

Corpura BV contributed £701,000 to revenue and £21,000 to profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Corpura BV had been completed on the first day of the financial year, Group revenues for the period would have been £25,468,000 and the Group profit attributable to equity holders of the parent would have been £2,711,000.

36. Share-based payments

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

	2009 £'000	2008 £'000
Unapproved Executive Share Option Scheme and Enterprise Management Incentive Scheme	29	23
Long-term Incentive Plan	101	72
Deferred Share Bonus Scheme	72	51
	202	146

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	15/7/04	16/7/04	16/9/04	21/3/05	12/9/05	15/3/06
Share price at grant date	8.75p	11.5p	9p	9p	9p	10.2p	9.25p	10.75p
Exercise price	8.75p	11.5p	9p	9p	9p	10.2p	9.25p	10.75p
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
Contractual life	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%	4.5%	4.5%	4.5%
Expected volatility	30%	30%	30%	30%	30%	30%	30%	30%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of options 1p		1p	2p	1p	1p	1p	1p	2p

Grant date	6/4/06	21/9/06	12/04/07	26/09/07	16/4/08	15/10/08	20/4/09	05/10/09
Share price at grant date	10.75p	11.25p	16.75p	26.75p	32.25p	31.75p	33.75p	28.75p
Exercise price	10.75p	11.25p	16.75p	26.75p	32.25p	31.75p	33.75p	28.75p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	4.5%	4.5%	5.0%	5.0%	5.0%	5.0%	2.37%	2.37%
Expected volatility	30%	30%	27%	27%	38%	38%	34%	34%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of options	1p	1p	2p	4p	8p	8p	6p	5p

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 historical volatility of the Group's share price over the previous three years.

36. **Share-based payments** continued

Unapproved Executive Share Option Scheme and Enterprise Management Incentive Scheme continued

Options have been granted over the following number of ordinary shares which were outstanding at 31 December 2009:

Date of grant	Option price (p)	Weighted average price at exercise (p)	No. of options as at 1 Jan 2009	Remaining life 1 Jan 2009	Issued	Lapsed	Exercised	No. of options as at 31 Dec 2009	Remaining life 31 Dec 2009
Unapproved Executive Share Option Scheme									
15/07/04	9.00	—	234,722	5.5	—	—	—	234,722	4.5
12/09/05	9.25	29.0	100,000	6.7	—	—	100,000	–	5.7
12/04/07	16.75	—	50,000	8.3	—	—	—	50,000	7.3
20/04/09	33.75	—	—	—	70,000	—	—	70,000	9.3
Enterprise Management Incentive Scheme									
14/04/03	8.75	36.50	30,000	4.3	—	—	30,000	–	3.3
07/10/03	11.50	34.00	15,000	4.8	—	—	15,000	–	3.8
15/07/04	9.00	27.84	812,851	5.5	—	2,500	33,950	776,401	4.5
16/07/04	9.00	—	7,324	5.5	—	—	—	7,324	4.5
16/09/04	9.00	27.00	30,000	5.7	—	—	30,000	–	4.7
21/03/05	10.20	—	16,000	6.2	—	—	—	16,000	5.2
12/09/05	09.25	33.47	461,000	6.7	—	—	450,000	11,000	5.7
15/03/06	10.75	34.69	1,397,000	7.2	—	1,000	747,000	649,000	6.2
06/04/06	10.75	—	150,000	7.3	—	—	—	150,000	6.3
21/09/06	11.25	—	22,000	7.7	—	—	—	22,000	6.7
12/04/07	16.75	27.00	1,393,303	8.3	—	60,693	50,000	1,282,610	7.3
26/09/07	26.75	—	13,000	8.7	—	—	—	13,000	7.7
16/04/08	32.25	—	197,500	9.3	—	—	—	197,500	8.3
15/10/08	31.75	—	120,000	9.8	—	75,000	—	45,000	8.8
20/04/09	33.75	—	—	—	626,500	—	—	626,500	9.3
05/10/09	28.75	—	—	—	372,500	—	—	372,500	9.8
			5,049,700		1,069,000	139,193	1,455,950	4,523,557	

The weighted average remaining contractual life of the options outstanding at 31 December 2009 was 7.0 years (2008: 7.2 years).

	2009		2008	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Outstanding at beginning of the period	5,049,700	13.29	5,167,484	12.14
Granted	1,069,000	32.00	317,500	32.06
Exercised	(1,455,950)	33.37	(144,405)	9.16
Forfeited	(139,193)	24.65	(290,879)	15.39
Expired	—	—	—	—
Outstanding at end of the period	4,523,557	18.34	5,049,700	13.29
Exercisable at end of period	1,866,447	9.79	1,706,897	9.11

36. Share-based payments continued

Long Term Incentive Plan (LTIP)

The fair value of the LTIP is calculated based on a Binominal Theorem model assuming the inputs below:

Grant date	12/10/05	12/04/07	15/10/08	23/4/09
Share price at grant date	8.75p	16.75p	31.75p	33.30p
Exercise price	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	4.5%	5.0%	4.15%	2.37%
Expected volatility	30%	27%	32.5%	34.43%
Expected dividend yield	0%	0%	0%	0%
Probability of performance conditions	40.4%	42.5%	100.0%	43%
Fair value of option	2p	4p	31.7p	14.5p

The expected volatility was determined by calculating the historical 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 page 30. 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 January 2009	Remaining life 1 January 2009 (years)	Issued	Lapsed	Number of LTIPs 31 Dec 2009	Remaining life 31 Dec 2009 (years)
Long-term Incentive Plan							
12/10/05	8.75	3,713,744	6.8	—	—	3,713,744	5.8
12/04/07	16.75	2,710,000	8.3	—	—	2,710,000	7.3
15/10/08	31.75	600,000	9.8	—	100,000	500,000	8.8
23/4/09	33.30	—	—	1,076,485	—	1,076,485	9.3
		7,023,744		1,076,485	100,000	8,000,229	

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2009 was 7.5 years (2008: 7.6 years).

	2009 Number of LTIPs	2008 Number of LTIPs
Outstanding at beginning of the period	7,023,744	6,423,744
Granted	1,076,485	600,000
Exercised	—	—
Forfeited	(100,000)	—
Expired	—	—
Outstanding at end of the period	8,000,229	7,023,744
Exercisable at end of period	3,713,744	3,713,744

The exercise price of these options is £1 for each issue of LTIPs.

36. Share-based payments continued

Deferred Share Bonus Scheme (DSB)

The fair value of the DSB is 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	23/04/09
Share price at grant date	18.25p	18.25p	35.50p	35.50p	34.00p
Exercise price	0p	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.0 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	5.0%	5.0%	5.0%	5.0%	2.4%
Expected volatility	27%	27%	38%	38%	30%
Expected dividend yield	0%	0%	0%	0%	0%
Probability of performance conditions	100%	66.7%	100%	100%	100%
Fair value of option	14p	9p	30p	28p	29p

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

The weighted average remaining contractual life of the DSB outstanding at 31 December 2009 is 8.2 years (2008: 8.7 years). The entitlement to shares under the DSB is subject to a three 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 of the DSB are given on page 30.

Date of grant	Market price at date of grant (p)	Number of DSB matching shares at 1 January 2009	Remaining life 1 January 2009	Issued	Lapsed	Number of DSB matching shares at 31 Dec 2009	Remaining life 31 Dec 2009
Deferred Share Bonus Plan							
12/04/07	18.25	508,242	8.3	—	5,076	503,166	7.3
12/04/07	18.25	164,383	8.3	—	—	164,383	7.3
02/05/08	35.50	223,335	9.3	—	3,811	219,524	8.3
04/06/08	35.50	141,787	9.4	—	—	141,787	8.4
23/04/09	34.00	—	—	459,970	—	459,970	9.3
		1,037,747		459,970	8,887	1,488,830	

	2009 Number of DSB matching shares	2008 Number of DSB matching shares
Outstanding at beginning of the period	1,037,747	672,625
Granted	459,970	365,122
Exercised	—	—
Forfeited	(8,887)	—
Expired	—	—
Outstanding at end of the period	1,488,830	1,037,747
Exercisable at end of period	—	—

The exercise price of the matching shares is £Nil.

37. Commitments under operating leases

As at 31 December 2009, the Group had outstanding commitments under operating leases, which fall due as follows:

	2009 Land and buildings £'000	2009 Other £'000	2008 Land and buildings £'000	2008 Other £'000
Amounts payable under operating leases:				
Within one year	666	44	298	72
In two to five years	3,173	100	2,592	27
After five years	7,065	2	4,043	—
	10,904	146	6,933	99

38. 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 Group and its joint venture during the period prior to the acquisition of a controlling interest are disclosed below. Transactions between the Company and its subsidiaries and joint venture are disclosed in the Company's separate financial statements.

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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Joint venture	—	—	274	189	—	662	—	—

Purchases were made 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 remuneration of the Board of directors, who are considered key management personnel of the Group is provided in the remuneration report on pages 29 to 32.

Company Balance Sheet

At 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	3	11,631	6,924
Current assets			
Debtors — due within one year	4	484	106
— due after more than one year	4	—	200
Cash at bank and in hand		107	5,775
		591	6,081
Creditors: amounts falling due within one year	5	(1,534)	(340)
Net current assets		(943)	5,741
		10,688	12,665
Capital and reserves			
Called up share capital	6	7,248	7,169
Share-based payments reserve	7	502	300
Investment in own shares	7	(27)	(18)
Share premium account	7	99	23
Profit and loss account	7	2,866	5,191
Equity shareholders' funds		10,688	12,665

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 75 to 79 were approved by the Board of directors and authorised for issue on 21 April 2010 and were signed on its behalf by:

Dr D W Evans
Chief Executive Officer
21 April 2010

Notes to the Company Financial Statements

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. 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 of FRS 8 from disclosing transactions with other members of the Group and the exemption in FRS 29 for making disclosures relation to financial instruments.

Investments

Fixed asset investments in subsidiaries and associates 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 unvested 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 expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black–Scholes Merton model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and 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 408 of the Companies Act 2006 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 2009 of £2,325,000 (2008: £1,172,000).

The auditors' remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

The Company had no other employees. The directors' remuneration is detailed in note 9 to the consolidated financial statements.

3. Fixed asset investments

	Investments in subsidiaries £'000	Loans £'000	Joint venture £'000	Loans to joint venture £'000	Total £'000
Cost					
At 1 Jan 2009	1,970	40,304	1,364	531	44,169
Additions	202	—	—	—	202
Acquisition of subsidiary	2,868	1,310	(1,364)	(531)	2,283
Movement	—	2,141	—	—	2,141
Exchange adjustments	—	81	—	—	81
At 31 Dec 2009	**5,040**	**43,836**	**—**	**—**	**48,876**
Provisions for impairment					
At 1 Jan 2009	1,670	35,575	—	—	37,245
Written off	—	—	—	—	—
Written back	—	—	—	—	—
Disposals	—	—	—	—	—
At 31 Dec 2009	**1,670**	**35,575**	**—**	**—**	**37,245**
Net book value					
At 31 Dec 2009	**3,370**	**8,261**	**—**	**—**	**11,631**
At 31 Dec 2008	300	4,729	1,364	531	6,924

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

Notes to the Company Financial Statements
continued

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	Netherlands	100%¥	Development and manufacture of medical products

* 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.
¥ Acquired on 30 September 2009.

The above table reflects the situation at the year-end.

4. Debtors

	2009 £'000	2008 £'000
Due within one year		
Prepayments and accrued income	284	106
Other debtors — leasehold rental deposit	200	—
	484	106
Due after more than one year		
Other debtors — leasehold rental deposit	—	200

5. Creditors: amounts falling due in within one year

	2009 £'000	2008 £'000
Trade creditors	33	236
Accruals and deferred income	1,500	103
Tax payable	1	1
	1,534	340

Accruals and deferred income at 31 December 2009 included deferred consideration of £1,265,000 relating to the investment in Corpura BV (see note 35).

6. Share capital

Details on the share capital of the Company are provided in note 33 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 2009	300	(18)	23	5,191	5,496
Share-based payments	202	—	—	—	202
Share options exercised	—	—	76	—	76
Shares purchased by EBT	—	(114)	—	—	(114)
Shares sold by EBT	—	105	—	—	105
Consolidated profit for the year	—	—	—	(2,325)	(2,325)
As at 31 December 2009	502	(27)	99	2,866	3,440

8. Share-based payments

The charge for share-based payments under FRS 20 arises across the following schemes:

	2009 £'000	2008 £'000
Unapproved Executive Share Option Scheme and Enterprise Management Incentive Scheme	29	23
Long-term Incentive Plan	101	72
Deferred Share Bonus Scheme	72	51
	202	146

Details on the share-based payments of the Company are provided in note 36 to the Group's accounts.

Five Year Summary

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Consolidated income statement (Pre-exceptional)					
Revenue	**24.1**	20.3	16.9	14.3	12.9
Profit from operations	**4.1**	2.7	1.7	0.5	(0)
Finance income	**—**	0.3	0.3	0.1	0.1
Profit attributable to equity holders of the parent	**4.5**	3.3	2.2	0.7	0.3
Basic earnings per share	**3.1p**	2.3p	1.6p	0.5p	0.2p
Consolidated balance sheet					
Net assets employed					
Non-current assets	**16.9**	9.0	6.5	6.0	6.4
Current assets	**12.9**	15.5	12.7	10.0	8.3
Total liabilities	**(6.9)**	(4.6)	(3.5)	(3.0)	(2.5)
Net assets	**22.9**	19.9	15.7	13.0	12.2
Shareholders' equity					
Share capital & investment in our shares	**7.2**	7.2	7.1	11.8	11.8
Share-based payments reserve	**0.5**	0.3	0.2	—	—
Share-based payments deferred tax reserve	**0.6**	0.6	0.3	0.1	—
Share premium account	**0.1**	—	—	38.0	38.0
Other reserve	**1.5**	1.5	1.5	1.5	1.5
Translation reserve	**0.3**	0.4	—	—	—
Retained equity	**12.7**	9.9	6.6	(38.4)	(39.1)
Equity attributable to equity holders of the parent	**22.9**	19.9	15.7	13.0	12.2

Notice of Meeting

Notice is hereby given that the sixteenth Annual General Meeting of the Company will be held at 12.00 pm on 2 June 2010 at Cranage Hall, Byley Lane, Cranage, Holmes Chapel, CW4 8EW. The meeting will be followed by an optional tour of the new facility in Winsford.

As ordinary business:

1. To receive the Report of the Directors and the Financial Statements of the Company for the year ended 31 December 2009 (together with the report of the auditors thereon).

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

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

4. To re-elect Mary Tavener, (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, retires and is proposed for re-election each year) as a director of the Company.

6. To re-elect Penny Freer (who formally retires and offers herself for reappointment at the first AGM following her appointment) as a director of the Company.

As special business:

To consider and, if thought fit, to pass Resolutions 7 and 8 which will be proposed as Ordinary Resolutions and Resolution 9 and 10 which will be proposed as Special Resolutions.

7. That the directors be authorised to adopt the Advanced Medical Solutions Group plc 2010 Company Share Option Plan (CSOP) 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 which is set out in the letter from the Chairman accompanying the Annual Report and Accounts, and that the directors be authorised to make any further amendments to the rule of the CSOP required to obtain the approval of H.M. Revenue & Customs under the provisions of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003.

8. To authorise the Directors generally and unconditionally for the purposes of section 551 of the Companies Act 2006 (the '2006 Act')to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (each an allotment of "relevant securities") up to an aggregate nominal amount of £2,970,331 provided that this authority is for a period expiring upon the earlier of the date of the Company's 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 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) wholly for cash pursuant to the authority conferred by resolution 8 above as if section 561(1) of the 2006 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 £766,883 and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 15 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.

10. That with effect from the conclusion of the AGM:

    (a) The Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

    (b) The Articles of Association produced to the meeting and intialled by the Chairman for the purpose of identification only and the principal changes introduced by which are summarised in the Explanatory Notes of Principal Changes set out on page 84 accompanying this notice be and are hereby adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

Mary Tavener
Company Secretary
21 April 2010

Registered office:
Premier Park
33 Road One
Winsford Industrial Estate
Winsford
Cheshire
CW7 3RT

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 1 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. On a vote on a resolution on a show of hands at the meeting, a proxy has one vote for and one vote against if the proxy has been appointed by more than one member and the proxy has been instructed by one or more of the members to vote for the resolution and by one or more other member to vote against it.

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

6. 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. You may also deliver by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU during usual business hours.

7. 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.

8. 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 31 May 2010 shall be entitled to attend or vote at the aforesaid Annual 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 31 May 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Explanatory Notes of Principal Changes to the Company's Articles of Association

Resolution 10 of the Notice of Annual General Meeting proposes the deletion of the provisions currently set out in the Company's Memorandum of Association and the adoption of new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Current Articles') primarily to take account of the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature have not been noted below.

1 **The Memorandum of Association**

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake.

The Companies Act 2006 significantly reduces the constitutional significance of a company's Memorandum. The Companies Act 2006 provides that a Memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's Memorandum will be deemed to be contained in a company's Articles of Association but the Company can remove these provisions by special resolution.

Furthermore, the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's articles of association. Resolution 10 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders at Article 4.

2 **References to Companies Act 1985**

References to the Companies Act 1985 have been removed and replaced with references to the Companies Act 2006.

3 **Articles which duplicate statutory provisions**

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

4 **Authorised share capital and unissued shares**

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

5 **Closing of register**

The Companies Act 2006 has removed the right for companies to suspend the registration of share transfers. This power has therefore been removed from the New Articles.

6 **Chairman's casting vote**

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

7 **Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital**

Under the Companies Act 1985 a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

Advanced Medical Solutions Group plc

Registered Office:
Premier Park, 33 Road One
WInsford Industrial Estate
Winsford, Cheshire, CW7 3RT

Company Number: 2867684

Tel: +44 (0)1606 863500
Fax: +44 (0)1606 863600

e-mail: info@admedsol.com
Web: www.admedsol.com