Advanced Medical Solutions Group plc
Interim Report 2010
Stockcode: AMS

Building for Success

Advanced Medical Solutions Group plc

Business Highlights

- Excellent initial progress with introduction of LiquiBand® into US market
  — Four distribution partners in place covering key sales channels
- Global distribution network for LiquiBand® broadened, with regulatory approval received for Japan and Canada
- Continued growth of silver alginate range worldwide
  — AMS silver products now hold number two market share position globally
- Compelling ActivHeal® proposition resonates well with NHS Trusts under budgetary pressure
- Foam strategy progressing well at all levels
  — Corpura BV fully integrated into advanced woundcare business segment and performing strongly
- Move into our new world-class facility in Winsford continues on schedule and on budget for year-end completion

Financial Highlights

- Revenue increased by 47% to £14.5 million (2009 H1: £9.9 million) at actual and constant currency[1]
  — Increase of 25% excluding the Corpura contribution
- Profit from Operations (pre-exceptional items[2]) up 136% to £2.1 million (2009 H1: £0.9 million)
  — Profit from Operations (post-exceptional items) was £1.5 million (2009 H1: loss of £0.1 million)
- Operating cash inflow of £1.4 million (pre-exceptional items) (2009 H1: nil)
  — Net cash inflow from operations after exceptional items was £0.7 million (2009 H1: outflow of £1 million)
- Following investments in the new Winsford facility and Corpura acquisition, net debt[3] at 30 June 2010 was £0.3 million (30 June 2009: net funds[3] £4.2 million)
- Basic earnings per share (pre-exceptional items) up 122% to 1.42p (2009 H1: 0.64p)
  — Basic earnings per share (post-exceptional items) were 0.99p (2009 H1: loss 0.02p)

(1) Constant currency removes the effect of currency movements by retranslating the current year's performance at the previous year's exchange rates.
(2) Exceptional costs of £0.6 million relate to the move to the new Winsford facility (2009 H1: £0.2 million on the move to the Winsford facility; and £0.8 million on an aborted acquisition).
(3) Net debt/funds is defined as cash and cash equivalents plus short-term investments less short and long-term borrowings and financial liabilities.

Cautionary Statement

This Interim Management Report ('IMR') has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Overview
I am pleased to report that AMS has made excellent progress in the first half of the year in growing the business and continues to put in place the building blocks to fuel future growth. The prospects for the business remain very positive.

Group revenue was up 47% to £14.5 million (2009 H1: £9.9 million) and profit from operations before exceptional items was up 136% at £2.1 million (2009 H1: £0.9 million). Profit from operations after exceptional items was £1.5 million (2009 H1: loss of 0.1 million). Excluding the contribution from Corpura BV, revenue grew 25%.

AMS generated cash at the operational level with net cash inflow from operations before exceptional items of £1.4 million (2009 H1: nil). Net cash inflow from operations after exceptional items was £0.7 million (2009 H1: outflow £1 million).

Following investments in the new Winsford facility, plant and equipment and deferred payments for the acquisition of Corpura BV, net debt at 30 June 2010 was £0.3 million (2009 H1: net funds of £4.2 million).

We have been very pleased with the initial progress made in the introduction of LiquiBand® into the US market. Our products are gaining excellent traction via our four US distribution partners, who between them cover all of the key distribution channels.

We continue to see good progress with our silver alginate range worldwide and with our ActivHeal® value range in the UK.

Our foam strategy is also progressing well. The Corpura BV business, in which we acquired the remaining 50.6% interest last October, is now fully integrated into our advanced woundcare business segment and performed strongly in the period. We are upgrading our foam manufacturing processes and a number of advanced foam products are moving through our R&D programme.

The move into our new world-class facility at Winsford continues on schedule and on budget for completion by the end of the year, and many products are already being routinely manufactured and shipped.

Operating Review
Advanced Woundcare
Advanced woundcare revenue was up 43% at £11.4 million. Excluding the contribution from Corpura, the base business grew 16%, well ahead of the overall market growth rate which is estimated to be around 4%.

Silver Products
Our fibre based dressings business continues to grow, driven by the continued success of our silver alginate products, with revenues up 41% in the period. Following its launch in October 2009, SilverCel™ Non-Adherent, the upgrade to our original SilverCel™ product, has now been rolled out in all major advanced woundcare markets by Systagenix, our exclusive global marketing and distribution partner for this particular silver technology. The new product, specifically designed for easy removal, thus minimising the trauma associated with dressing changes, has been well received by practitioners.

We also continue to see success with our dressings range based on ionic silver technology. This has been commercialised with multiple partners world-wide and we have been able to supply further technical and clinical support during the period to extend marketing claims and to support the activities of our partners. As a result, based on recent independent market research data, AMS silver alginate products now hold the number two share position world-wide.

Foams
The acquisition of the Corpura BV hydrophilic polyurethane foam business was intended to strengthen AMS's position in this key strategic market. Foam is the largest and fastest growing segment of the advanced woundcare dressings market with an estimated global market of US$900 million and growing at around 14% per year.

Corpura BV has been fully integrated into the AMS Group and has delivered a strong first half performance, ahead of our original expectations. With a broadening customer base, a number of new innovative foam products coming through the R&D pipeline and upgrades to the manufacturing process, we consider this area to be a key future growth driver for AMS.

ActivHeal®
Given the current pressure on NHS budgets, we have taken the opportunity to reinforce the message behind the ActivHeal® value product range, used as a first line therapy for routine wounds in the UK market.

The study from University College Hospital, London published in December 2009, which showed that the ActivHeal® range offered equivalent technical and clinical performance to similar branded product, whilst delivering 54% annualised cost savings, has resonated well within both NHS Hospital and Primary Care Trusts. ActivHeal® sales were up 21% in the period.

Wound Closure & Sealants
Wound closure & sealants revenue was up 64% to £3.1 million in the period.

The US market
Initial traction with LiquiBand® in the US, a key strategic market, has been very positive. With an estimated market size of US$210 million and growing at around 10% per annum, the US dominates the estimated US$250 million global market for topical tissue adhesives for closing and sealing wounds. Following the latest FDA approval received in April 2010, approved LiquiBand® products now cover 90% of current US market indications. The LiquiBand® product range, now available commercially, is very competitive compared with the dominant market leader in both function and price, enabling our marketing and distribution partners to enjoy early success in converting accounts.

Our US distribution strategy is well advanced and we have now established a strong partner base accessing all the key distribution channels.

The US market for topical tissue adhesives is dominated (80%) by the Acute Care segment, made up of over 3,000 hospitals. We have appointed Cardinal Health as our primary partner for this segment with their Acute Care focus providing strong pan-US breadth and marketing support for our LiquiBand® range. We have also appointed a strong and complementary regional distributor as a secondary partner to provide access to key acute accounts.

Whilst smaller at 20%, the Alternate Site segment is still a key part of the US market for wounds closed outside of the hospital setting, and includes over 300 surgery centres and over 6000 alternative site settings. We have appointed the largest pharmaceutical distributor in the US as our partner to provide access to this market segment.

In addition to these distributors, we have also appointed a specialist distributor to provide logistics capability and allow fulfilment of direct orders received from small centres and individual clinicians. In total, we have trained over 500 distributor sales representatives promoting LiquiBand® in the US.

With registration of our LiquiBand® trademark having been received for the US, we are now able to build a strong global brand for this business.

Other markets

Whilst our focus during the period has been to penetrate the US market, we have maintained our well-established market share in Europe and continue to broaden our global distribution network for LiquiBand®.

Regulatory approval for the full range has been received in both Japan and Canada. The products have been launched by a local partner in Japan and, whilst this is still a small, underdeveloped market for tissue adhesives, it gives us a foothold in one of the world's important medical device markets. We are currently reviewing options for distribution in Canada, and are considering both the use of local distributors and leveraging our US partners.

The regulatory approval process is also under way in other territories.

InteguSeal®

The Group's InteguSeal® Surgical Skin Sealant product continues to attract interest from both surgeons and healthcare providers, with our global exclusive marketing and distribution partner, Kimberly-Clark Health Care, selling this product world-wide through its operating room sales force. The product has been shown in a number of independent clinical studies to be effective in helping to reduce surgical site infections, a major source of concern following surgical procedures.

Growth Strategy

The Group continues to put in place the building blocks to drive the future growth of both the advanced woundcare and the wound closure & sealants businesses. This involves ongoing investment in strategically aligned and focused R&D programmes, supporting and broadening our global blue chip partner base and evaluating licensing and acquisition opportunities to expand the business and accelerate growth.

Advanced Woundcare

The R&D programme for advanced woundcare continues to broaden the product range with innovative new products. This involves the development of higher performance dressings, including technologies that address infection and help accelerate wound healing.

The Corpura BV polyurethane foam acquisition has provided AMS with an excellent platform technology for delivery of these new technologies. Projects are currently under way that involve incorporation of anti-microbials (both silver and non-silver) into foam, alginate and gel dressings. Wound dressings are also under development to incorporate technologies that prevent or disrupt the formation of biofilms which are bacterial films that delay healing of chronic wounds. These technologies are candidates for licensing and acquisition activity and would allow the Group to leverage its existing broad range of material technologies and its strong, global routes to market.

Wound Closure & Sealants

The key growth strategy for the wound closure & sealants business is to maintain a leadership position in tissue adhesives and applicator design to broaden global reach and, in particular, to increase penetration of the key US tissue adhesive market.

It is also the Group's stated intention to enter the internal adhesives and sealants market, currently estimated to be worth approximately US$600 million. Good progress has been made in the period with the development of the Group's first internal product, an implantable adhesive used for fixation of surgical material such as hernia mesh, applied via a laparoscopic procedure. This product is expected to enter clinical evaluation by the end of the year, with the aim of allowing commercialisation within Europe during 2011. Whilst the market for the hernia mesh application is relatively small, it demonstrates a capability with internal adhesives that the Group intends to build on.

Licensing and acquisition opportunities in this area are aimed at accessing novel material technologies and broadening the Group's direct sales presence to support increased activities in the surgical arena.

New Premises

The move into the new premises in Winsford has progressed well during the period and remains on track and on budget for completion by year-end. The offices, laboratories and warehouse have been operational since the beginning of the year. One of the two original manufacturing facilities was vacated in May 2010 and all the equipment transferred to the new facility is now fully operational and routinely supplying products.

Processes from the other original facility are currently migrating in parallel with the installation of new state-of-the-art manufacturing lines, which will result in a major upgrade of the operational capability of AMS's advanced woundcare business. With the completion of this world-class facility, the Group will be well positioned to support substantial growth and deliver operational efficiencies, whilst meeting the ever increasing demands from the regulatory authorities.

Financial Review
Summary
The Group has had a strong first half. Revenue has increased 47% to £14.5 million (2009 H1: £9.9 million) at constant currency. The integration of Corpura BV into the advanced woundcare business has been very successful and has contributed £2.2 million of sales in the first six months. Excluding the contribution from Corpura, the underlying business grew 25%.

The Group is progressing well with its site move which remains on track and on budget for completion by year-end. The Group incurred £0.6 million (2009 H1: £0.2 million) of budgeted, exceptional costs as a result of this project. These are identified as administration costs and are discussed in more detail below.

Profit from operations and before exceptional items increased 136% to £2.1 million (2009 H1: £0.9 million). Profit from operations post-exceptional items increased to £1.5 million (2009 H1: £0.1 million loss).

Basic earnings per share before exceptional items increased 122% to 1.42p (2009 H1: 0.64p). The basic earnings per share after exceptional items were 0.99p (2009 H1: loss 0.02p).

The Group had net debt of £0.3 million at the half year (2009 H1: net funds £4.2 million).

Income
The advanced woundcare business which includes the revenues from Corpura BV, increased 43% to £11.4 million (2009 H1: £8.0 million). As a result, revenues from foam contributed just under 30% of the advanced woundcare business.

The silver alginate range of products continued to show good growth. Revenues increased 41% compared with the first half of 2009 and are now approximately 35% of the advanced woundcare business. Due to the growth rate of silver dressings slowing as these products are increasingly positioned just for use on infected wounds, we do not expect to maintain our recent growth rates but still expect to perform well ahead of the market.

Sales of ActivHeal®, the Group's range of woundcare products for the NHS market, also made good progress and increased 21% compared with the first half of 2009. ActivHeal® sales currently make up less than 10% of the advanced woundcare business and present a good opportunity for the Group as the NHS faces pressures on costs.

Healthcare is typically more resilient than many other sectors in times of economic uncertainty, and we are pleased that our overall advanced woundcare revenues have experienced strong growth. Nevertheless, healthcare providers are not immune to budget pressures and there are some geographical markets, predominantly in Europe, where growth rates have been slower and where we are cautious about prospects.

The wound closure business grew 64% to £3.1 million (2009 H1: £1.9 million). This business has benefited from the launch of the range of LiquiBand® products in the USA with a number of partners. Whilst it is too early to predict exactly how successful LiquiBand® will be in this market, the initial signs are very encouraging.

The Group's reported gross margin decreased to 46% (2009 H1: 49%) as a result of a change in the mix of business. Gross margins from Corpura BV, as anticipated, are lower than for the rest of the Group. Excluding the impact of Corpura BV, the gross margin of 47% was also lower than last year (2009 H1: 49%), partly due to product mix and partly as a result of the expected, short-term transition impact of the site move.

Distribution costs have increased to £0.2 million (2009 H1: £0.1 million), reflecting the additional costs of the enlarged business, including supplying LiquiBand® into the US. Administration costs before exceptional items have increased across the Group by 14% to £4.3 million (2009 H1: £3.8 million) to support both the new foam business and to provide sales and marketing support for the LiquiBand® opportunity in the US. Administration costs, as a percentage of sales, were, however, reduced during the period to 30% (2009 H1: 39%) as resources were leveraged across the larger Group.

As previously mentioned, exceptional costs of £0.6 million (2009 H1: £0.2 million), which relate to the transfer and revalidation of manufacturing equipment, additional rent and staff dedicated to the new facility, have been incurred as a result of the site move. The Group is budgeting a total of £1.0 million of costs to be incurred in the current year as a result of completing this project. The Group expects that the benefit of the investment in the new facility will start to be seen in 2011 and anticipates a potential improvement of 2% – 3% in operating margin over the next two to three years.

The Group drew down £1 million on its Revolving Credit Facility as investment continued in the new premises and a further scheduled payment was made for the Corpura BV acquisition. Consequently, net interest of £15,000 was paid in 2010 H1 (2009 H1: net interest received £7,000). The Group also continues to recognise a tax credit as a result of the increase in the deferred tax asset. The tax credit for the period represents the movement in deferred tax on share-based payments.

Profit from operations before exceptional items increased 136% to £2.1 million (2009 H1: £0.9 million). On this basis, basic earnings per share were 1.42p (2009 H1: 0.64p) and fully diluted earnings per share were 1.40p (2009 H1: 0.60p).

Profit from operations after exceptional items increased to £1.5 million (2009 H1: £0.1 million loss), resulting in a basic earnings per share of 0.99p (2009 H1: loss 0.02p) and a fully diluted earnings per share after exceptional items of 0.98p (2009 H1: loss 0.02p).

Cash flow

The Group had a cash inflow from operating activities and before exceptional items of £1.4 million (2009 H1: Nil) and £0.7 million after exceptional items (2009 H1: outflow of £1 million). Working capital increased in the period by £2.3 million. Inventory increased by £0.3 million. Inventory has been put in place as part of the management of the factory move and would be expected to reduce at the end of 2010 as the move is completed and buffer stock levels unwind. Additionally, levels of LiquiBand® inventory have been increased to ensure that all orders from our US partners can be fulfilled promptly. We are supplying our US partners to order rather than making one large initial shipment so that we have more visibility of true underlying demand.

Trade and other receivables increased by £0.6 million partially reflecting the growth in revenues. Debtor days were 63 (2009 H1: 54) and were impacted by two customers whose payments were due at the end of June and received a few days late. Trade and other payables decreased by £1.4 million, partly as a result of a deferred payment for the Corpura BV acquisition, and partly around the timing of capital expenditure.

We have invested £2.0 million in new capital equipment during the period. On 1 October 2009 AMS 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, as a result, £0.7 million was paid in H1 2010. The final payment will be made in H2 2010.

As a result of the investments made in the first half, the Group had net debt of £0.3 million at 30 June 2010 (2009: net funds £4.2 million).

In August 2009 the Group entered into a three year Revolving Credit Facility with Lloyds TSB Bank for £5.0 million, including a £1.0 million overdraft facility at market rate. As a consequence of this, the Group's going concern position has been strengthened as is more fully described in note 12. The Group has drawn down £1.0 million of this £5.0 million facility during 2010 H1 due primarily to the investment in the new site. The Group does not, however, expect to fully utilise this facility at any point and anticipates having net funds at the end of the year.

Dividends

At the time of the Group's preliminary results reported on 9 March 2010 the Board announced its intention to pay a maiden dividend resulting from the full 2010 financial year. The Group is intent on delivering capital growth but believes that the strength of the business is such that it has sufficient funds to deliver both growth and initiate a progressive dividend policy.

The Board is now pleased to announce that, subject to any unforeseen circumstances, they anticipate proposing at the time of the preliminary announcement of our 2010 results, a full and final dividend for the year ended 31 December 2010 equivalent to approximately 10% of this year's Group profit after tax. For the avoidance of doubt, this dividend is intended to include both the interim and final dividend. No interim dividend will be paid this year. However, for future years, the Board anticipates paying both an interim and final dividend with an approximate one-third: two- thirds split. The dividend is expected to grow progressively each year.

Management

A number of Board changes have been made during the period. Chris Meredith was appointed Chief Operating Officer in January 2010 following three years as Group Commercial Director and two years as Managing Director of the Advanced Woundcare business. Penny Freer joined as Senior Independent Non-Executive Director in March 2010 and Steve Harris stepped down as non-executive director at the AGM in June 2010. The Board would like to thank Steve for his significant contribution to the development of the business over the past nine years.

In addition, to support the business going forward, the Group has strengthened the Senior Management Team reporting to Chris Meredith with the recent appointments of Clare Holden as Vice-President of Group R&D and Steve Platt as General Manager of the new Winsford facility.

Outlook

I am pleased to inform shareholders that as we report, the Group continues to trade well in the second half of the year and overall, trading continues in line with current market expectations for the full year 2010.

The Board remains optimistic about the longer term prospects for the business.

Dr G N Vernon
Chairman
8 September 2010

INDEPENDENT REVIEW REPORT TO ADVANCED MEDICAL SOLUTIONS GROUP plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flow and the related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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 for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 3, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and
Statutory Auditors
Manchester
United Kingdom
8 September 2010

	Note	(Unaudited) Six months ended 30 June 2010 Before exceptional items £'000	Exceptional items (see note 7) £'000	Total £'000	(Unaudited) Six months ended 30 June 2009 Before exceptional items £'000	Exceptional items (see note 7) £'000	Total £'000	(Unaudited) Year ended 31 December 2009 Before exceptional items £'000	Exceptional items (see note 7) £'000	Total £'000
Revenue from continuing operations	5	**14,499**	**—**	**14,499**	9,878	—	9,878	24,091	—	24,091
Cost of sales		**(7,901)**	**—**	**(7,901)**	(5,079)	—	(5,079)	(12,482)	—	(12,482)
Gross profit		**6,598**	**—**	**6,598**	4,799	—	4,799	11,609	—	11,609
Distribution costs		**(162)**	**—**	**(162)**	(78)	—	(78)	(157)	—	(157)
Administration costs		**(4,340)**	**(644)**	**(4,984)**	(3,814)	(949)	(4,763)	(7,799)	(1,672)	(9,471)
Other income		**—**	**—**	**—**	50	—	50	488	—	488
Share of result of joint venture		**—**	**—**	**—**	(68)	—	(68)	(66)	—	(66)
Profit/(loss) from operations		**2,096**	**(644)**	**1,452**	889	(949)	(60)	4,075	(1,672)	2,403
Finance income		**12**	**—**	**12**	21	—	21	21	—	21
Finance costs		**(27)**	**—**	**(27)**	(14)	—	(14)	(30)	—	(30)
Profit/(loss) before taxation		**2,081**	**(644)**	**1,437**	896	(949)	(53)	4,066	(1,672)	2,394
Income tax	8	**51**	**—**	**51**	29	—	29	390	—	390
Profit/(loss) for the period attributable to equity holders of the parent		**2,132**	**(644)**	**1,488**	925	(949)	(24)	4,456	(1,672)	2,784
Earnings/(loss) per share										
Basic	4	**1.42p**	**(0.43)p**	**0.99p**	0.64p	(0.66)p	(0.02)p	3.09p	(1.16)p	1.93p
Diluted	4	**1.40p**	**(0.42)p**	**0.98p**	0.60p	(0.62)p	(0.02)p	2.87p	(1.08)p	1.79p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Profit/(loss) for the period	**1,488**	(24)	2,784
Exchange differences on translating foreign operations	**(367)**	(280)	(153)
Loss arising on cash flow hedges	**(171)**	—	(26)
Other comprehensive income for the year, net of tax	**(538)**	(280)	(179)
Total comprehensive income for the year attributable to equity holders of the parent	**950**	(304)	2,605

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 June 2010 £'000	(Unaudited) 30 June 2009 £'000	(Audited) 31 December 2009 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	**1,146**	1,314	1,230
Software intangibles	**24**	41	34
Development costs	**724**	670	725
Goodwill	**2,744**	—	2,978
Property, plant and equipment	**11,839**	4,941	10,284
Deferred tax assets	**1,932**	1,885	2,422
Investment in joint venture	**—**	1,486	—
Loans and receivables	**—**	583	—
Trade and other receivables	**—**	200	6
	18,409	11,120	17,679
Current assets			
Inventories	**3,455**	2,658	3,179
Trade and other receivables	**7,559**	4,706	6,945
Investments	**—**	2,915	—
Cash and cash equivalents	**972**	1,596	1,992
	11,986	11,875	12,116
Total assets	**30,395**	22,995	29,795
Liabilities			
Current liabilities			
Loan	**1,000**	—	—
Trade and other payables	**4,495**	2,865	5,887
Other taxes payable	**315**	230	463
Financial liabilities	**19**	17	18
Obligations under finance leases	**17**	15	16
	5,846	3,127	6,384
Non-current liabilities			
Trade and other payables	**563**	—	278
Financial liabilities	**235**	253	244
Obligations under finance leases	**34**	47	39
	832	300	561
Total liabilities	**6,678**	3,427	6,945
Net assets	**23,717**	19,568	22,850
Equity			
Share capital	**7,727**	7,219	7,248
Share premium	**289**	59	99
Share-based payments reserve	**296**	387	502
Investment in own shares	**(32)**	(33)	(27)
Share-based payments deferred tax reserve	**35**	380	576
Other reserve	**1,531**	1,531	1,531
Translation reserve	**(290)**	147	248
Retained earnings	**14,161**	9,878	12,673
Equity attributable to equity holders of the parent	**23,717**	19,568	22,850

Attributable to equity holders of the Group

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010 (audited)	7,248	99	502	(27)	576	1,531	248	12,673	22,850
Share-based payments	—	—	135	—	—	—	—	—	135
Issue of share capital	5	—	—	—	—	—	—	—	5
Share options exercised	474	190	(341)	—	(541)	—	—	—	(218)
Shares purchased by EBT	—	—	—	(191)	—	—	—	—	(191)
Shares sold by EBT	—	—	—	186	—	—	—	—	186
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(367)	—	(367)
Movement on cash flow hedges	—	—	—	—	—	—	(171)	—	(171)
Consolidated profit for the period to 30 June 2010	—	—	—	—	—	—	—	1,488	1,488
At 30 June 2010 (unaudited)	**7,727**	**289**	**296**	**(32)**	**35**	**1,531**	**(290)**	**14,161**	**23,717**

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009 (audited)	7,169	23	300	(18)	571	1,531	427	9,889	19,892
Share-based payments	—	—	100	—	(191)	—	—	—	(91)
Issue of share capital	8	—	—	—	—	—	—	—	8
Share options exercised	42	36	(13)	(7)	—	—	—	13	71
Shares purchased by EBT	—	—	—	(110)	—	—	—	—	(110)
Shares sold by EBT	—	—	—	102	—	—	—	—	102
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(280)	—	(280)
Consolidated loss for the period to 30 June 2009	—	—	—	—	—	—		(24)	(24)
At 30 June 2009 (unaudited)	7,219	59	387	(33)	380	1,531	147	9,878	19,568

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009 (audited)	7,169	23	300	(18)	571	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 (audited)	7,248	99	502	(27)	576	1,531	248	12,673	22,850

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Cash flows from operating activities			
Profit/(loss) from operations	**1,452**	(60)	2,403
Adjustments for:			
Share of results of joint venture	**—**	68	66
Depreciation	**547**	226	678
Amortisation — intellectual property rights	**84**	84	168
— development costs	**62**	43	96
— software intangibles	**13**	13	26
Increase in inventories	**(287)**	(427)	(826)
(Increase)/decrease in trade and other receivables	**(802)**	197	(1,583)
(Decrease)/increase in trade and other payables	**(474)**	(1,229)	826
Share-based payments expense	**135**	100	202
Net cash inflow/(outflow) from operating activities	**728**	(985)	2,056
Cash flows from investing activities			
Purchase of software	**(3)**	(14)	(20)
Capitalised research and development	**(61)**	(193)	(301)
Purchases of property, plant and equipment	**(2,049)**	(1,968)	(6,735)
Movements in investment in money market deposits	**—**	2,815	5,730
Interest received	**12**	21	74
Acquisition of subsidiary	**(741)**	—	(69)
Movement in loans and receivables	**—**	—	(711)
Net cash (used in)/from investing activities	**(2,842)**	661	(2.032)
Cash flows from financing activities			
Finance lease	**(4)**	(10)	(17)
Repayment of secured loan	**(8)**	(9)	(17)
Issue of equity shares	**330**	79	155
Shares purchased by EBT	**(191)**	(110)	(114)
New bank loan raised	**1,000**	—	—
Shares sold by EBT	**186**	102	105
Interest paid	**(27)**	(14)	(30)
Net cash from financing activities	**1,286**	38	82
Net (decrease)/increase in cash and cash equivalents	**(828)**	(286)	106
Cash and cash equivalents at the beginning of the period/year	**1,992**	1,882	1,882
Effect of foreign exchange rate changes	**(192)**	—	4
Cash and cash equivalents at the end of the period/year	**972**	1,596	1,992

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, Winsford, Cheshire, CW7 3RT.

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The financial statements of the Company for the 12 months ended 31 December 2009 comprise the Company and its subsidiaries and joint venture (together referred to as the 'Group').

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

2. **Basis of preparation**
The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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 condensed consolidated financial statements, the results and financial position of each Group Company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the condensed consolidated financial statements.

3. **Accounting policies**
The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except for the adoption in the period of IFRS 3 'Business Combinations' (revised 2008) and IAS 27 'Consolidated and Separate Financial Statements' (revised 2008). These have had no significant impact on this set of financial information. The annual financial statements of Advanced Medical Solutions Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The unaudited condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Account Standard 34 'Interim Financial Reporting', as adopted by the European Union.

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

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'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	**2,132**	925	4,456
Post-exceptional items	**1,488**	(24)	2,784
Number of shares	**'000**	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**149,986**	143,796	144,166
Effect of dilutive potential ordinary shares: share options, deferred share bonus and LTIPs	**1,781**	9,534	11,200
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**151,767**	153,330	155,366

5. Segment information

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

Inter-segment pricing is determined on an arm's length basis.

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

Business segments

The principal activities of the advanced woundcare business unit are the research, development, manufacture and distribution of novel, high performance polymers for use as wound dressings.

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

Segment information about these businesses is presented below.

Six months ended 30 June 2010 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Revenue				
External sales	**11,439**	**3,060**	**—**	**14,499**
Total revenue	**11,439**	**3,060**	**—**	**14,499**
Inter-segment sales are charged at prevailing market prices.				
Result				
Segment result	**1,245**	**1,078**	**—**	**2,323**
Unallocated expenses				**(871)**
Profit from operations				**1,452**
Finance income				**12**
Finance costs				**(27)**
Profit before tax				**1,437**
Tax				**51**
Profit for the period				**1,488**

At 30 June 2010 (unaudited) Other information	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Capital additions:				
Software intangibles	**2**	**1**	**—**	**3**
Research & development	**56**	**5**	**—**	**61**
Property, plant and equipment	**2,067**	**60**	**—**	**2,127**
Depreciation and amortisation	**520**	**183**	**—**	**703**
Balance sheet				
Assets				
Segment assets	**23,602**	**6,305**	**—**	**29,907**
Unallocated assets			**—**	**488**
Consolidated total assets				**30,395**
Liabilities				
Segment liabilities	**3,584**	**1,121**	**—**	**4,705**
Unallocated liabilities				**1,973**
Consolidated total liabilities				**6,678**

Included in the advanced woundcare segment are results of £219k and assets of £2,679k in respect of Corpura BV. Exceptional items of £644k (2009 H1: £186k) incurred in respect of the site move are also included.

5. Segment information continued

Six months ended 30 June 2009 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Revenue				
External sales	8,011	1,867	—	9,878
Inter-segment sales	2	—	(2)	—
Total revenue	8,013	1,867	(2)	9,878
Inter-segment sales are charged at prevailing market prices.				
Result				
Segment result	1,432	(13)	—	1,419
Unallocated expenses				(1,479)
Loss from operations				(60)
Finance income				21
Finance costs				(14)
Loss before tax				(53)
Tax				29
Loss for the period				(24)

At 30 June 2009 (unaudited) Other information	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Capital additions:				
Software intangibles	7	7	—	14
Research & development	186	7	—	193
Property, plant and equipment	1,867	101	—	1,968
Depreciation and amortisation	200	166	—	366
Balance sheet				
Assets				
Segment assets	12,248	4,715	—	16,963
Unallocated assets				6,032
Consolidated total assets				22,995
Liabilities				
Segment liabilities	2,338	1,012	—	3,350
Unallocated liabilities				77
Consolidated total liabilities				3,427

Included in the advanced woundcare segment are assets of £2,020k and a result of £nil in respect of Corpura BV, the Group's joint venture during the six months ended 30 June 2009.

5. Segment information continued

Year ended 31 December 2009 (audited)	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 (audited) Other information	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'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

Included in the advanced woundcare segment are assets of £1,749,000 and a result of £80,000 in respect of Corpura BV, the Group's joint venture during the year ended 31 December 2009.

5. Segment information continued

Geographical segments

The advanced woundcare and wound closure & 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:

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
United Kingdom	**4,404**	2,825	7,268
Europe excluding United Kingdom	**5,722**	4,488	10,269
United States of America	**4,021**	2,309	5,888
Rest of World	**352**	256	666
	14,499	9,878	24,091

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.

6. Seasonality of sales

There are no significant factors affecting the seasonality of sales between the first and second half of the year.

7. Exceptional items

The Group is in the process of rationalising its two existing sites in Winsford into a new facility. During the six month period ended 30 June 2010 expenditure of £644,000 was incurred in respect of the site move (year ended 31 December 2009 £909,000; six month period ended 30 June 2009 £186,000).

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 cost incurred in the year ended 31 December 2009 and six month period ended 30 June 2009 in respect of this aborted transaction amounted to £763,000.

8. Taxation

Tax for the six month period is charged at 28% (six months ended 30 June 2009: 28%, year ended 31 December 2009: 28%). The effective rate of current tax for the six months ended 30 June 2010 was 0% (six months ended 30 June 2009: 0%) after the application of losses brought forward and research and development tax relief, with some offset for disallowable expenditure. Following the budget in June 2010, the Finance (No. 2) Act 2010 includes a reduction in the rate of Corporation Tax from 28% to 27% effective from 1 April 2011.

	Revaluation of building £'000	Share-based payment £'000	Tax losses £'000	Total £'000
At 30 June 2009	(74)	494	1,465	1,885
At 31 December 2009	(74)	716	1,780	2,422
At 30 June 2010	(74)	118	1,888	1,932

During the six months ended 30 June 2010 9,682,000 ordinary shares were issued in connection with share-based payments. This has led to a significant reduction in the deferred tax asset associated with share-based payments during the period.

9. Dividends

No dividends were paid or proposed in the six month period ended 30 June 2010 (six months ended 30 June 2009: Nil, year ended 31 December 2009: Nil).

10. Contingent liabilities

The directors are not aware of any contingent liabilities faced by the Group as at 30 June 2010 (30 June 2009 and 31 December 2009: Nil).

11. Share capital

Share capital as at 30 June 2010 amounted to £7,727,000 (31 December 2009: £7,248,000). During the period the Group issued 9,269,000 shares in respect of exercised options and 413,000 shares in respect of the Deferred Share Bonus Scheme.

12. Going concern

The directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

With regard to the Group's financial position, it had cash and cash equivalents at the half-year of £0.8 million and a loan of £1.0 million drawn down during the six month period ended 30 June 2010 under the terms of the Group's Revolving Credit Facility ('RCF'). The RCF totals £5 million, including a £1 million overdraft facility, and expires in July 2012.

While the current economic environment is uncertain, AMS operates in a market whose demographics are favourable, underpinned by an increasing need for products to treat chronic and acute wounds. Consequently, 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 condensed consolidated financial statements.

13. Principal risks and uncertainties

The general world economy is resulting in a decline in demand in most industries and sectors. Whilst the healthcare sector may be more resilient than other sectors to this effect it is not immune. There is a risk that one or more of the Group's partners and/or customers is affected by the general uncertainty of this economic climate which may have a negative impact on the Group.

The Group continues to invest in research and development to develop its next generation of products. Not all research is successful and there may be delays in the projects. Either of these may impact cost or delay revenue or income streams. Additionally, with the general economic background, partners may be less willing to embark on new projects.

The rationalisation of the advanced woundcare operations from two sites to one also presents a risk to the Group. Although the Board believe the move has been carefully planned and resourced, there is some risk that the project may over run or be overspent or may not deliver the benefits that are expected. At the half-year this project remained within budget and on time.

Further detail concerning the principal risks affecting the business activities of the Group are detailed on page 25 of the Annual Report and Accounts for the year ended 31 December 2009.

14. Events after the balance sheet date

There have been no material events subsequent to the end of the interim reporting period ended 30 June 2010.

15. Copies of the interim results

Copies of the interim results can be obtained from the Group's registered office at Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT.

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