



Advanced Medical Solutions Group plc



Advanced Medical Solutions Group

is a global business providing innovative products and brands in the areas of accelerating healing and managing wounds, minimising adverse surgical outcomes and sealing and closing tissue.

Group revenue

up 12% at £16.3m

(2010 H1: £14.5m)

Profit from operations (pre-exceptional items²)

up 25% at £2.6m

(2010 H1: £2.1m)

Basic earnings per share (pre-exceptional items²)

up 21% at 1.72p

(2010 H1: 1.42p)

Net funds³

£3.6m at 31 December 2011

(2010 H1: £0.3m)



Business Highlights:

- > LiquiBand® achieves 5% volume share in the US in only its second year of sales
- > Sales of ActivHeal® into the NHS up 64% compared to the same period last year
- > Foam strategy delivering strong growth of 25% on the first half of 2010
- > Silver alginate growth continues to outstrip the wider market
- > New facility already delivering operational efficiencies and margin improvements

Financial Highlights:

- > Group revenue up 12% to £16.3 million (2010 H1: £14.5 million)
 - > at constant currency¹ revenue increased 14%
- > Profit from operations (pre-exceptional items²) up 25% to £2.6 million (2010 H1: £2.1 million)
 - > profit from operations (post-exceptional items²) up 80% to £2.6 million (2010 H1: £1.5 million)
- > Operating margin (pre-exceptional items²) up 160 basis points to 16.1% (2010 H1: 14.5%)
 - > operating margin (post-exceptional items²) up 610 basis points to 16.1% (2010 H1: 10.0%)
- > Basic earnings per share (pre-exceptional items²) up 21% to 1.72p (2010 H1: 1.42p)
 - > basic earnings per share (post-exceptional items²) up 74% to 1.72p (2010 H1: 0.99p)
- > Net funds³ after payment of maiden dividend were £3.6 million (2010 H1: net debt £0.3 million)
- > Interim dividend of 0.145p per share to be paid

Subsequent Events:

- > Option and Licensing Agreement with Sinclair IS Pharma plc for anti-biofilm technology
- > Development and Pre-Supply Agreement with Surgical Innovations Group plc relating to internal adhesive fixation devices

1. Constant currency removes the effect of currency movements by re-translating the current period's performance at the previous period's exchange rates.
2. There were no exceptional items in 2011 H1, compared with exceptional costs of £0.6 million in 2010 H1 which related to the move to the new Winsford facility.
3. Net funds is defined as cash and cash equivalents plus short term investments less financial liabilities and bank loans.

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Chairman's Statement

Introduction

I am pleased to report that AMS has continued to make excellent progress in the first half of 2011, with advances in each of our key growth drivers helping to produce another period of strong growth.

Financial Highlights

Reported Group revenue was up 12% to £16.3 million (2010 H1: £14.5 million) and profit from operations was up 25% to £2.6 million (2010¹ H1: £2.1 million) as the Group's operating margin increased by 160 basis points to 16.1%. Net cash inflow from operations was £1.5 million (2010¹ H1: inflow £1.4 million), resulting in net funds of £3.6 million (2010 H1: net debt £0.3 million), after payment of our maiden dividend.

Key Achievements

Ex-distributor sales of LiquiBand[®] in the US market continue to show excellent progress. Achieving a 5% market share by volume in only our second year of selling activity is testimony to the quality of our products and their ability to offer a competitive alternative to the dominant market leader.

With even greater acceptance of the need to deliver cost savings within the NHS, our re-branded ActivHeal[®] range is increasingly being used as a product of first choice across UK Hospital and Community Care Trusts, and delivered a 64% increase in ActivHeal[®] first half revenues.

Our foam products have had an excellent period of sustained growth. Our ability to leverage our woundcare market knowledge and our global partner base has ensured that our acquisition of Corpura BV has delivered significant revenue to the Group. First half foam revenues were 25% higher than the same period of 2010.

Our continued investment in clinical support for silver alginate has again helped our partner base to deliver further market share gains, with revenue growth of 7% compared to low single-digit market growth rates.

This has been the first six months of full activity in our new Winsford facility, and we are already starting to see the beneficial impact in woundcare manufacturing efficiencies, where solid progress has been made on delivering our target minimum 2% gross margin improvement in Advanced Woundcare by 2013.

Dividend

Following our maiden dividend that was paid in June, the Board now intends to pay an interim dividend of 0.145p per share on 4 November 2011 to shareholders on the register at close of business on 7 October 2011.

Employees

On behalf of the Board and our shareholders, I would like to thank all AMS employees for their continued hard work, without which we could not continue to deliver the progress we are making.

Outlook

I am pleased to inform shareholders that, as we report, the Group continues to trade in line with current market expectations for the full year 2011.

Exciting new products are coming through the R&D pipeline and our strong balance sheet allows us to invest in the continued development of our existing business, as well as to evaluate acquisition opportunities to obtain new technologies and to strengthen our distribution in key markets.

Our broad range of products, partners and markets, together with continued innovation, enables the Board to remain optimistic about the long-term prospects of the Group.

Dr. Don W. Evans

Chairman
7 September 2011

1. For the purpose of comparison, 2010 results are shown excluding exceptional items.

Business Review

Advanced Woundcare

Advanced Woundcare revenue was up 15% at £13.1 million (2010 H1: £11.4 million), another period of growth that is substantially ahead of market growth rates which we estimate to be around 3% per annum.

ActivHeal®

Our rebranding of the ActivHeal® range has been very well received by the market. Simplifying product selection, whilst helping the nursing community manage wounds as cost effectively as possible, resonates more strongly than ever in the NHS and has helped this part of our business grow 64% year-on-year.

We were particularly pleased to retain the Northern Ireland tender which rigorously compared clinical efficacy and cost, providing a strong endorsement of the ActivHeal® product range. The effectiveness of our products is now resulting in increased compliance in use across the Community Care sector.

A series of case studies evaluating ActivHeal® is soon to be published in the British Journal of Nursing, providing further support for our product range. We remain very confident that ActivHeal® will continue to deliver strong revenue growth in the current cost-constrained environment.

Foams

Capital investment in the medical foam plant in The Netherlands continues to improve the capacity of this facility, and revenue growth of 25% year-on-year demonstrates the progress being made by the Group with this additional woundcare technology base. Our strategy to bring new products to the market has been successful with various new designs having already been introduced.

The next major upgrade to our foam product range will be completed in the second half of 2011, ready for market launch in the first half of 2012. This will take our product range to a new level that will enable it to compete even more effectively with the market leaders.

Silver Products

Total Group sales of silver alginate products were up 7% compared to the first half of 2010, well ahead of the low single-digit market growth rates. We have seen particularly strong sales growth into the US, up by 72%, on the back of clinical support provided to our partners. In Europe and the UK on the other hand we saw a 21% fall in sales due to one customer de-stocking as part of its inventory management programme. Excluding this customer, sales would have grown 11% across this region.

Our latest clinical studies, which were published in both The International Wound Journal and the Journal of Woundcare during the period, demonstrated the anti-microbial efficacy of our silver alginate products in killing 160 different chronic and burn wound micro-organisms, including 29 strains of the superbug Methicillin-resistant staphylococcus aureus (MRSA).

We are optimistic that our partners will continue to make progress in capturing share from the dominant market leader and deliver further growth even as this market matures.

Wound Closure and Sealants

Wound Closure and Sealants revenue was up 2% in the period. This was an extremely encouraging result given that the first half of 2010 was heavily distorted by the significant number of evaluations that were being performed in the US during the initial launch period of LiquiBand®.

LiquiBand® in the US

We are pleased to report continued strong month-on-month growth trends at ex-distributor sales levels, resulting in an estimated 5% share by volume in the US in only its second year of sales.

2010 was our initial launch year and last year's sales, as we previously advised, were inflated by a high number of clinical evaluations, user trials and pipeline filling. The number of trials has now reduced significantly and inventory levels have normalised which means that, while we are seeing strong ex-distributor sales growth, this is not reflected in our ex-factory shipments to the US. We are however encouraged that LiquiBand® is being well received as a viable topical tissue sealant in the US\$240 million market. The recently announced agreement between Cardinal Health Inc and Amerinet Inc., a leading national Group Purchasing Organisation (GPO) in the US, for the supply of LiquiBand®, is exactly the type of agreement that will help contribute to the success of LiquiBand® in the US. This agreement is effective from 1 August 2011 through to 31 July 2014 and promotes LiquiBand® wound closure supplies to all Amerinet member hospitals.

We are however anticipating that Ethicon, the market leader with its Dermabond® range of products, will start to defend its position more aggressively, with improvements to its product range. In response, we will also be launching product variants which we expect to compete even more favourably on product performance.

LiquiBand® in Other Markets

In the UK and Europe, we continue to maintain our leading market shares and, in the UK in particular, we are identifying additional opportunities in both the Emergency Room and Operating Room segments.

Elsewhere, our geographic expansion strategy continues with small but regular sales now being generated through our partners in both Japan and Canada, markets where regulatory approvals were granted in 2010. Senko Medical is making solid progress selling LiquiBand® into the Operating Room segment in Japan, creating a new market for tissue sealants as an alternative to sutures and staples. Keir Surgical in Canada has recently converted the prestigious Toronto General Hospital to the use of LiquiBand®, following a thorough evaluation by a number of surgeons.

InteguSeal®

Progress with InteguSeal®, through our partner Kimberly Clark, continues to be disappointing, with a 20% fall in sales in the first half of 2011, although the amounts involved are small. We remain confident, however, that InteguSeal® is an excellent product with significant potential. As part of the ongoing review of our overall Operating Room strategy, we continue to evaluate route-to-market options for InteguSeal® which may include alternative distribution options.

Research and Development (R&D)

We are pleased to report that the AMS R&D portfolio continues to meet its short and mid-term objectives, with a number of exciting new products due to launch from early 2012.

This includes, in the first half of 2012, a total upgrade to our foam technology range with the move to a new three-layer (trilaminar) dressing, which will be more competitive with the market leading products. This upgrade will further enhance the appeal of our foam dressings and serve as the base chassis for delivery of actives as part of our Advanced Woundcare R&D strategy.

In this regard, our screening of various 'anti-biofilm' actives has resulted in a strong front runner for potential efficacy in breaking down biofilms in chronic wounds. Our option and licensing agreement with Sinclair IS Pharma, announced in August, is a key milestone in our strategy as their Delmopinol[®] technology gives us a primary active that we intend to test in combination with selected anti-microbials for their combined effectiveness in breaking down and killing established wound biofilms. Successful development should see us launching a first product in 2013.

On the Wound Closure and Sealants side, our development agreement with Surgical Innovations Group provides the laparoscopic device design expertise we need to move our internal adhesive programme forward. In particular, it takes our initial product entry, a hernia mesh fixation system, one step closer to market launch. With our expertise in adhesives and sealant technology and Surgical Innovation's proficiency in device design, we are optimistic that we will have an innovative and surgeon-friendly device ready for European launch in 2013.

We also continue to develop other new formulations and designs as we receive feedback on our products from the market. Such developments are currently being tested on the topical closure side, and our R&D pipeline of new products is both strong and progressing well, and is expected to add value from 2012 onwards.

Licensing and Acquisitions

We continue to seek development and licensing agreement opportunities for complementary products and technologies, like that of Delmopinol[®].

We also continue to search for woundcare technologies where we can leverage our expertise in innovation, manufacturing and knowledge of the woundcare market, together with our ability to access a global customer base.

In addition, we continue to look at profitable, Operating Room focused businesses that have leading products and a strong reputation and the capacity to directly sell additional products so as to leverage our expanding Operating Room focused product range.

Financial Review

Reported revenue increased by 12% to £16.3 million (2010 H1: £14.5 million). At constant currency¹ revenue growth would have been 14%.

Profit from operations increased by 25% to £2.6 million (2010 H1: £2.1 million) and the operating margin increased by 160 basis points to 16.1% (2010 H1: 14.5%). The Group had no exceptional items in the first half of 2011 whereas, in the same period of 2010, there were £0.6 million of exceptional costs associated with the move to the new Winsford facility. All comparisons with 2010 are made on a pre-exceptional cost basis.

Basic earnings per share increased by 21% to 1.72p (2010 H1: 1.42p).

The Group had net funds of £3.6 million at the half year (2010 H1: net debt of £0.3 million), after paying the maiden dividend of £0.6 million.

Income Statement

Advanced Woundcare revenues increased by 15% to £13.1 million (2010 H1: £11.4 million) with good gains being achieved across the Group's main growth drivers.

Sales of ActivHeal[®], the Group's range of woundcare products for the NHS, grew by 64% compared with the first half of 2010 and they now contribute more than 10% of the Advanced Woundcare business.

The Group's foam business grew by 25% compared with the first half of 2010, with both foam roll-stock and converted dressings contributing to this growth.

Overall silver alginate revenues grew by 7% compared with the first half of 2010, with growth in the US particularly strong. However, growth declined in Europe and the UK as the result of one of our customer's inventory management, and it is unclear whether this de-stocking effect will continue in the second half of the year.

Our lower margin generic woundcare business was flat compared with the first half of 2010 and now contributes less than 10% to revenue.

The Wound Closure and Sealants business grew by 2% to £3.1 million (2010 H1: £3.1 million). Sales in the first half of last year benefited from the launch of the LiquiBand[®] range of products into the US and included a significant level of sales resulting from clinical evaluations, user trials and pipeline filling. InteguSeal[®] sales declined 20% compared with the first half of 2010.

Across the Group, the reported gross margin increased by 110 basis points to 46.6% (2010 H1: 45.5%). Adjusting for constant currency, the gross margin would have increased by 210 basis points. The Advanced Woundcare business has been the main contributor to the improvement in margin where, in addition to the impact of changes to the business mix, operational efficiencies from the new Winsford site are estimated to have delivered around 100 basis points to the margin gain. Margins on roll-stock foam continue to be lower than the rest of the business although improvements are anticipated as new initiatives are introduced.

1. Constant currency removes the effect of currency movements by re-translating the current period's performance at the previous period's exchange rates.

Business Review continued

Distribution costs were largely unchanged at £0.2 million. Administration costs increased by 14% to £4.9 million (2010 H1: £4.3 million), however they remain at 30% of revenues. Spend has been incurred on clinicals in the US supporting the promotion of LiquiBand® and on clinicals for silver alginate to support partners in their markets.

The Group received other income of £0.1 million (2010 H1: nil) from fees on reaching milestones on R&D development projects.

The Group reported a 25% higher profit before interest and tax of £2.6 million (2010 H1: £2.1 million) and a 160 basis points increase in operating margin to 16.1% (2010 H1: 14.5%). Before allowing for central and other costs, the Advanced Woundcare business segment contributed £2.8 million (2010 H1: £1.9 million) to Group operating profit, with a significantly improved operating margin of 21% (2010 H1: 17%), compared to 19% reported for the full year 2010. The Wound Closure and Sealants business contributed £0.7 million (2010 H1: £1.1 million), with a lower operating margin of 23% (2010 H1: 35%) compared to 24% reported for the full year 2010. Additional costs have been incurred to support the launch and promotion of LiquiBand® in the US.

The Group reported a 26% increase in profit before tax to £2.6 million (2010 H1: £2.1 million).

The Group recognised a £0.1 million tax credit (2010 H1: £ 0.1 million) as a result of the movement in our deferred tax asset. There is no corporation tax charge in the Income Statement for the six months ended 30 June 2011 as the profits for the year are covered by surplus tax losses brought forward of £27.4 million. This equates to a potential deferred tax asset of £7.1 million, of which £2.4 million has been recognised on the balance sheet, with a further £18.1 million of losses remaining available for offset against future taxable profits.

Profit after tax was £2.7 million (2010 H1: £2.1 million), resulting in a basic earnings per share of 1.72p (2010 H1: 1.42p) and fully diluted earnings per share of 1.68p (2010 H1: 1.40p).

The Board intends to pay an interim dividend of 0.145p per share on 4 November 2011 to shareholders on the register on 7 October 2011.

Cash Flow and Balance Sheet

The Group had a cash inflow from operating activities of £1.5 million (2010 H1: £1.4 million).

Working capital increased by £1.9 million in the period and is reflective of the growth of the business. Trade receivables have increased by £1.7 million with debtor days at 61 (2010 H1: 63), increasingly reflecting payment terms set with US customers. Inventory has increased by £0.8 million in line with anticipated second half sales.

We have invested £1.2 million in capital equipment and software in the first six months (2010 H1: £2.1 million). Spend has been incurred in upgrading both our woundcare dressings converting capabilities and our business information systems.

The Group paid off the outstanding mortgage on the facility in Plymouth of £0.2 million on 21 January 2011.

On 10 June 2011, the Group paid its maiden dividend of £0.6 million (2010 H1: nil).

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. This facility has not been utilised at any time in 2011.

At the end of the period, the Group had net funds of £3.6 million (2010 H1: net debt £0.3 million), continuing to provide it with a strong balance sheet offering options for future investment in the business.

Chris Meredith
Chief Executive Officer

Mary Tavener
Group Finance Director

7 September 2011

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 2011 which comprises the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and 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 it 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 inquiries, 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 2011 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 Auditor
Manchester, United Kingdom
7 September 2011

Advanced Medical Solutions Group

Condensed Consolidated Statement of Income

	Note	(Unaudited) Six months ended 30 June 2011			(Unaudited) Six months ended 30 June 2010			(Audited) Year ended 31 December 2010		
		Before exceptional items £'000	Exceptional items (see note 6) £'000	Total £'000	Before exceptional items £'000	Exceptional items (see note 6) £'000	Total £'000	Before exceptional items £'000	Exceptional items (see note 6) £'000	Total £'000
Revenue from continuing operations	5	16,251	-	16,251	14,499	-	14,499	31,881	-	31,881
Cost of sales		(8,686)	-	(8,686)	(7,901)	-	(7,901)	(17,144)	-	(17,144)
Gross profit		7,565	-	7,565	6,598	-	6,598	14,737	-	14,737
Distribution costs		(150)	-	(150)	(162)	-	(162)	(307)	-	(307)
Administration costs		(4,933)	-	(4,933)	(4,340)	(644)	(4,984)	(9,263)	(1,001)	(10,264)
Other income		134	-	134	-	-	-	173	-	173
Profit/(loss) from operations		2,616	-	2,616	2,096	(644)	1,452	5,340	(1,001)	4,339
Finance income		62	-	62	12	-	12	12	-	12
Finance costs		(59)	-	(59)	(27)	-	(27)	(60)	-	(60)
Profit/(loss) before taxation		2,619	-	2,619	2,081	(644)	1,437	5,292	(1,001)	4,291
Income tax	7	50	-	50	51	-	51	542	-	542
Profit/(loss) for the period attributable to equity holders of the parent		2,669	-	2,669	2,132	(644)	1,488	5,834	(1,001)	4,833
Earnings/(loss) per share										
Basic	4	1.72p	-	1.72p	1.42p	(0.43)p	0.99p	3.83p	(0.66)p	3.17p
Diluted	4	1.68p	-	1.68p	1.40p	(0.42)p	0.98p	3.77p	(0.65)p	3.12p

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) Six months ended 30 June 2011 £'000	(Unaudited) Six months ended 30 June 2010 £'000	(Audited) Year ended 31 December 2010 £'000
Profit for the period	2,669	1,488	4,833
Exchange differences on translating foreign operations	277	(367)	(257)
Profit/(loss) arising on cash flow hedges	42	(171)	(76)
Other comprehensive income/(expense) for the period	319	(538)	(333)
Total comprehensive income for the period attributable to equity holders of the parent	2,998	950	4,500

Condensed Statement of Financial Position

	(Unaudited) 30 June 2011 £'000	(Unaudited) 30 June 2010 £'000	(Audited) 31 December 2010 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	978	1,146	1,062
Software intangibles	584	24	16
Development costs	817	724	771
Goodwill	3,033	2,744	2,878
Property, plant and equipment	13,040	11,839	12,828
Deferred tax assets	2,909	1,932	2,756
Trade and other receivables	18	–	19
	21,379	18,409	20,330
Current assets			
Inventories	3,346	3,455	2,498
Trade and other receivables	7,780	7,559	6,035
Cash and cash equivalents	3,623	972	4,122
	14,749	11,986	12,655
Total assets	36,128	30,395	32,985
Liabilities			
Current liabilities			
Bank loan	–	1,000	–
Trade and other payables	4,670	4,495	3,798
Other taxes payable	310	315	424
Financial liabilities	–	19	18
Obligations under finance leases	20	17	19
	5,000	5,846	4,259
Non-current liabilities			
Trade and other payables	651	563	677
Financial liabilities	–	235	226
Obligations under finance leases	16	34	23
	667	832	926
Total liabilities	5,667	6,678	5,185
Net assets	30,461	23,717	27,800
Equity			
Share capital	7,760	7,727	7,740
Share premium	364	289	306
Share-based payments reserve	600	296	442
Investment in own shares	(40)	(32)	(37)
Share-based payments deferred tax reserve	427	35	397
Other reserve	1,531	1,531	1,531
Translation reserve	234	(290)	(85)
Retained earnings	19,585	14,161	17,506
Equity attributable to equity holders of the parent	30,461	23,717	27,800

Advanced Medical Solutions Group

Condensed Consolidated Statement of Changes in Equity

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 2011 (audited)	7,740	306	442	(37)	397	1,531	(85)	17,506	27,800
Share-based payments	-	-	163	-	30	-	-	-	193
Issue of share capital	3	-	-	-	-	-	-	-	3
Share options exercised	17	58	(5)	-	-	-	-	-	70
Shares purchased by EBT	-	-	-	(75)	-	-	-	-	(75)
Shares sold by EBT	-	-	-	72	-	-	-	-	72
Dividends	-	-	-	-	-	-	-	(590)	(590)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	277	-	277
Movement on cash flow hedges	-	-	-	-	-	-	42	-	42
Consolidated profit for the period to 30 June 2011	-	-	-	-	-	-	-	2,669	2,669
At 30 June 2011 (unaudited)	7,760	364	600	(40)	427	1,531	234	19,585	30,461

	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 2010 (audited)	7,248	99	502	(27)	576	1,531	248	12,673	22,850
Share-based payments	-	-	282	-	-	-	-	-	282
Issue of share capital	5	-	-	-	-	-	-	-	5
Share options exercised	487	207	(342)	-	(179)	-	-	-	173
Shares purchased by EBT	-	-	-	(191)	-	-	-	-	(191)
Shares sold by EBT	-	-	-	181	-	-	-	-	181
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(257)	-	(257)
Movement on cash flow hedges	-	-	-	-	-	-	(76)	-	(76)
Consolidated profit for the year to 31 December 2010	-	-	-	-	-	-	-	4,833	4,833
At 31 December 2010 (audited)	7,740	306	442	(37)	397	1,531	(85)	17,506	27,800

Condensed Statement of Cash Flows

	(Unaudited) Six months ended 30 June 2011 £'000	(Unaudited) Six months ended 30 June 2010 £'000	(Audited) Year ended 31 December 2010 £'000
Cash flows from operating activities			
Profit from operations	2,616	1,452	4,339
Adjustments for:			
Depreciation	515	547	1,077
Amortisation – intellectual property rights	84	84	168
– development costs	41	62	121
– software intangibles	6	13	23
(Increase)/decrease in inventories	(834)	(287)	676
(Increase)/decrease in trade and other receivables	(1,686)	(802)	880
Increase/(decrease) in trade and other payables	614	(476)	(502)
Share-based payments expense	163	135	282
Net cash inflow from operating activities	1,519	728	7,064
Cash flows from investing activities			
Purchase of software	(191)	(3)	(5)
Capitalised research and development	(87)	(61)	(167)
Purchases of property, plant and equipment	(1,041)	(2,049)	(3,685)
Interest received	–	12	12
Acquisition of subsidiary	–	(741)	(1,255)
Net cash used in investing activities	(1,319)	(2,842)	(5,100)
Cash flows from financing activities			
Finance lease	(9)	(4)	(19)
Repayment of secured loan	(230)	(8)	(18)
New bank loan raised	–	1,000	–
Issue of equity shares	73	330	359
Shares purchased by EBT	(75)	(191)	(191)
Shares sold by EBT	72	186	181
Dividends paid	(590)	–	–
Interest paid	(8)	(27)	(54)
Net cash (used in)/from financing activities	(767)	1,286	258
Net (decrease)/increase in cash and cash equivalents	(567)	(828)	2,222
Cash and cash equivalents at the beginning of the period	4,122	1,992	1,992
Effect of foreign exchange rate changes	68	(192)	(92)
Cash and cash equivalents at the end of the period	3,623	972	4,122

Notes Forming Part of the Condensed 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, 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 twelve months ended 31 December 2010 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.

2. Basis of preparation

The information for the year ended 31 December 2010 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 without qualifying the report 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. 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 per share

	(Unaudited) Six months ended 30 June 2011 £'000	(Unaudited) Six months ended 30 June 2010 £'000	(Audited) Year ended 31 December 2010 £'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	2,703	2,132	5,834
Post-exceptional items	2,703	1,488	4,833
Number of shares	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	154,908	149,986	152,366
Effect of dilutive potential ordinary shares: share options, deferred share bonus, LTIPs	3,621	1,781	2,538
Weighted average number of ordinary shares for the purposes of diluted earnings per share	158,529	151,767	154,904

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.

5. Segment information continued

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.

Segment information about these businesses is presented below.

Six months ended 30 June 2011 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Revenue				
External sales	13,127	3,124	-	16,251
Total revenue	13,127	3,124	-	16,251
Result				
Segment result	2,769	719	-	3,488
Unallocated expenses				(872)
Profit from operations				2,616
Finance income				62
Finance costs				(59)
Profit before tax				2,619
Tax				84
Profit for the period				2,703
At 30 June 2011 (unaudited)				
Other information				
Capital additions:				
Software intangibles	188	3	-	191
Research and development	85	2	-	87
Property, plant and equipment	983	58	-	1,041
Depreciation and amortisation	467	179	-	646
Balance sheet				
Assets				
Segment assets	27,185	5,832	-	33,017
Unallocated assets				3,145
Consolidated total assets				36,162
Liabilities				
Segment liabilities	4,800	677	-	5,477
Unallocated liabilities				190
Consolidated total liabilities				5,667

Advanced Medical Solutions Group

Notes Forming Part of the Condensed Consolidated Financial Statements continued

5. Segment information continued

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)
Loss before tax				1,437
Tax				51
Loss 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 and 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

The advanced woundcare segment's result includes £644,000 of exceptional expenditure in respect of the site move.

5. Segment information continued

Year ended 31 December 2010 (audited)	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Revenue				
External sales	25,197	6,684	-	31,881
Total revenue	25,197	6,684	-	31,881
Result				
Segment result	3,735	1,620	-	5,355
Unallocated expenses				(1,016)
Profit from operations				4,339
Finance income				12
Finance costs				(60)
Profit before tax				4,291
Tax				542
Profit for the year				4,833
Balance sheet				
Assets				
At 31 December 2010 (audited)	Advanced woundcare £'000	Wound closure & sealants £'000	Eliminations £'000	Consolidated £'000
Capital additions:				
Software intangibles	5	1	-	6
Research and development	162	5	-	167
Property, plant and equipment	3,514	144	-	3,658
Depreciation and amortisation	1,021	369	-	1,390
Segment assets	25,856	6,053	-	31,909
Unallocated assets				1,076
Consolidated total assets				32,985
Liabilities				
Segment liabilities	3,946	944	-	4,890
Unallocated liabilities				295
Consolidated total liabilities				5,185

The advanced woundcare segment's result includes £1,001,000 of exceptional expenditure in respect of the site move.

Geographical segments

The advanced woundcare and wound closure and sealants segments operate mainly in the UK, with a sales office located in the US. 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.

Notes Forming Part of the Condensed Consolidated Financial Statements continued

5. Segment information continued

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 2011 £'000	(Unaudited) Six months ended 30 June 2010 £'000	(Audited) Year ended 31 December 2010 £'000
United Kingdom	4,127	4,404	8,323
Europe excluding United Kingdom	7,251	5,722	13,819
United States of America	4,620	4,021	9,154
Rest of World	253	352	585
	16,251	14,499	31,881

All assets are classified as under the United Kingdom with the exception of assets held in The Netherlands of £2,844,000; the carrying value of all assets held in the United States of America is immaterial.

6. Exceptional items

The Group completed the process of rationalising its two existing sites in Winsford into a new facility during the year ended 31 December 2010. During the six month period ended 30 June 2010 expenditure of £644,000 was incurred in respect of the site move. For the full year ending 31 December 2010 expenditure of £1,001,000 was incurred in respect of the site move.

7. Tax

Tax for the six month period is charged at 27% (six months ended 30 June 2010: 28%, year ended 31 December 2010: 28%). The effective rate of current tax for the six months ended 30 June 2011 was nil% (six months ended 30 June 2010: nil%) after the application of losses brought forward and research and development tax relief, with some off-set for disallowable expenditure.

	Revaluation of building £'000	Share-based payments £'000	Tax losses £'000	Total £'000
At 30 June 2010	(74)	118	1,888	1,932
At 31 December 2010	(74)	521	2,309	2,756
At 30 June 2011	(74)	582	2,401	2,909

8. Dividends

A final dividend of £590,000 was paid and proposed in the six month period ended 30 June 2011 (six months ended 30 June 2010: nil, year ended 31 December 2010: nil).

9. Contingent liabilities

The directors are not aware of any contingent liabilities faced by the Group as at 30 June 2011 (six months ended 30 June 2010: nil, year ended 31 December 2010: nil).

10. Share capital

Share capital as at 30 June 2011 amounted to £7,760,000 (30 June 2010: £7,727,000, 31 December 2010: £7,740,000). During the period the Group issued 295,000 shares in respect of exercised options and 97,000 shares in respect of the Deferred Share Bonus Scheme.

11. Going Concern

The Directors have carried out a review of the Group's financial position and cash flow forecasts for the next twelve 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 £3.6 million. The Group also has in place a three year revolving credit facility for £5 million including a £1 million overdraft facility.

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 entities 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.

12. Principal Risks and Uncertainties

Further detail concerning the principal risks affecting the business activities of the Group is detailed on page 25 of the Annual Report and Accounts for the year ended 31 December 2010. There have been no significant changes since the last annual report.

13. Seasonality of sales

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

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 2011. The Group signed an Option and Licensing agreement with Sinclair IS Pharma plc for anti-biofilm technology on 4 August 2011 and signed a Development and Pre-Supply Agreement with Surgical Innovations Group plc relating to internal adhesive fixation devices on 1 September 2011.

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.

Advanced Medical Solutions Group

Notes





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

