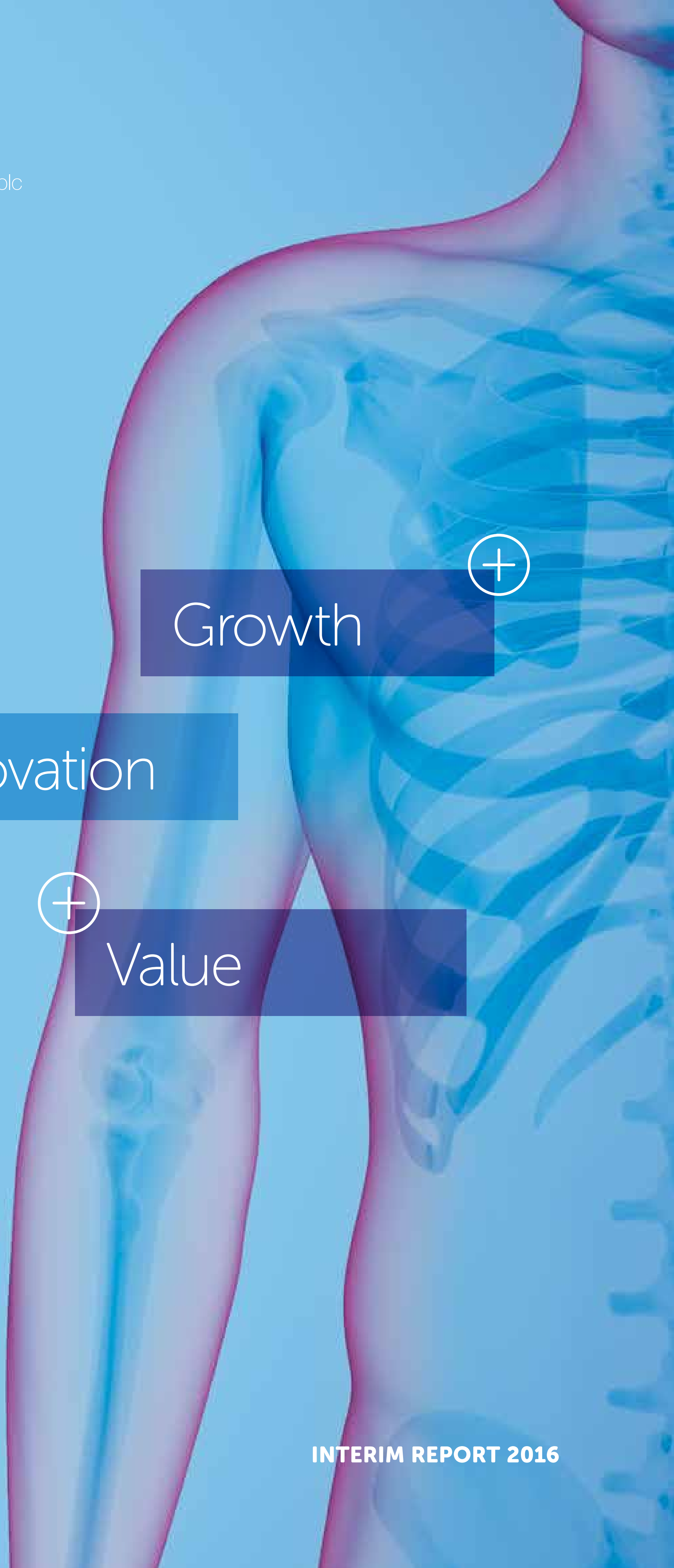
Advanced Medical Solutions Group plc



INTERIM REPORT 2016

A leading developer and manufacturer of innovative and technologically advanced products for the global surgical, woundcare and wound closure markets.

Contents

Financial Highlights:

	H1 2016	H1 2015	Reported growth	Growth at constant currency[1]
Group revenue (£ million)	**39.2**	32.7	20%	17%
Adjusted[2] profit before tax (£ million)	**9.5**	8.2	16%	
Profit before tax (£ million)	**9.0**	8.0	13%	
Adjusted[2] diluted earnings per share (pence)	**3.68p**	3.23p	14%	
Diluted earnings per share (pence)	**3.46p**	3.15p	10%	
Net operating cash flow before exceptional items[3] (£ million)	**9.8**	7.9	23%	
Net cash (£ million)[4]	**41.1**	22.6	82%	
Interim dividend per share (pence)	**0.30p**	0.25p	20%	

Business Highlights:

+ Good sales progress across all Business Units:
  - Branded Distributed revenues up 50% to £9.6 million (2015 H1: £6.4 million) and by 46% at constant currency
  - Branded Direct revenues up 8% to £12.0 million (2015 H1: £11.1 million) and by 5% at constant currency
  - OEM revenues up 9% to £14.7 million (2015 H1: £13.5 million) and by 8% at constant currency
  - Bulk Materials revenues up 66% to £2.8 million (2015 H1: £1.7 million) and by 60% at constant currency
+ Continued improvement and strong performance in the US with LiquiBand® tissue adhesive range
  - Revenues up 83% to £6.0 million (2015 H1: £3.3 million) and by 74% at constant currency
  - Market share by volume increased to 19% (December 2015: 17%) in the combined hospital and non-hospital market
+ Expanded use of Hernia Mesh Fixation device, LiquiBand® Fix8™, with £0.8 million of sales (2015 H1: £0.4 million)
+ Sales of RESORBA® branded products into Germany and Czech Republic up 9% to £6.4 million (2015 H1: £5.9 million) and by 4% at constant currency
+ ActivHeal sales flat, although market share continues to grow
+ R&D pipeline delivering results with antimicrobial foam dressings and atraumatic foam dressings, now both launched into Europe
+ First sales of RESORBA® sutures into the US with positive initial feedback

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 All items are shown before exceptional items which, in 2016 H1 were £0.4 million (2015 H1: £nil) and before amortisation of acquired intangible assets which, in 2016 H1, were £0.1 million (2015 H1: £0.2 million) as defined in the financial review

3 Operating cash flow is arrived at by taking the operating profit for the period before exceptional items of £0.4 million (2015 H1: £nil) and adjusting it for depreciation, amortisation, working capital movements and other non cash items

4 Net cash is defined as cash and cash equivalents plus short term investments less financial liabilities and bank loans

CHAIRMAN'S STATEMENT

AMS continues to perform well across the Group and is on track to deliver another year of good growth.

In summary our key achievements within the period are as follows:

One of our key products, LiquiBand®, increased market share to 19% in the US tissue adhesive market and separately, in the US, following FDA approval in November 2015, we are now pleased to have initiated our first sales of RESORBA® sutures into this important market.

During the period we also launched two new ranges of foam dressings. Our antimicrobial foam dressing was launched into Europe following the CE mark approval that we received in August 2015. This foam incorporates PHMB (polyhexamethylene biguanide), which has been shown to be effective against several bacteria and known hospital 'super bugs', strengthening AMS's position in the antimicrobial advanced woundcare market. In addition, our foam portfolio was further increased by the launch of our new atraumatic silicone foam dressing range.

Financially, we remain very strong. In the first six months of the year, revenue increased by 20% to £39.2 million (2015 H1: £32.7 million), representing growth of 17% at constant currency and adjusted profit before tax[5] increased by 16% to £9.5 million (2015 H1: £8.2 million). Our net cash position has increased to £41.1 million as at 30 June 2016 (31 December 2015: £34.2 million).

To accelerate our growth further beyond our own strong organic means, we continue to evaluate and consider potential acquisitions that are in line with the Group's strategy.

DIVIDEND

The Board intends to pay an interim dividend of 0.30p per share (2015 H1: 0.25p), an increase of 20%, on 28 October 2016 to shareholders on the register at the close of business on 30 September 2016.

TEAM

On behalf of the Board, I would like to thank all our Group employees for their continued hard work that has helped AMS to prosper as a global medical technology business, as well as our customers, suppliers, business partners and shareholders for their continued support.

OUTLOOK

The Group continues to trade in line with current market expectations for profit and, as a result of the positive impact of currency, ahead of market expectations for revenue for the year ending 31 December 2016.

Peter Allen
Chairman

5 Adjusted profit before tax is adjusted for exceptional items and amortisation of acquired intangible assets

CHIEF EXECUTIVE'S REVIEW

I am pleased to report another six months of good performance at AMS across all of our Business Units.

BUSINESS REVIEW

Branded Distributed

Branded Distributed revenue was 50% higher at £9.6 million (2015 H1: £6.4 million) and 46% higher at constant currency.

LiquiBand® in the US

Sales of LiquiBand® into the US continue to perform well and have increased by 83% to £6.0 million and by 74% at constant currency (2015 H1: £3.3 million) with our portfolio of cyanoacrylate formulations successfully addressing the needs of the market.

Latest industry data shows our overall market share by volume increasing to 19% up from 17% as at December 2015 and we are well on our way to meeting our original target of gaining 20% of the US topical tissue adhesives market share by volume. We still expect to see significant gains from the current level over the next five years.

LiquiBand® in the EU and Rest of the World

LiquiBand® sales through our export distributors have continued to perform well and have shown good growth in the EU and ROW with sales increasing by 17% to £0.9 million (2015 H1: £0.7 million) at both reported and constant currency.

LiquiBand® Fix8™

LiquiBand® Fix8™ is used to fix hernia meshes in place, and was first launched in Europe in the second half of 2014. It was the Group's first application using our medical cyanoacrylate technology inside the body. Surgeon response to this product has been positive and sales have increased by 94% at both reported and constant currency to £0.5 million (2015 H1: £0.3 million). We have now launched this product in a further five countries.

Following positive feedback from surgeons, we now expect to develop further opportunities for this kind of application, broadening the market for the use of adhesives internally. This is an important part of our strategy to increase our penetration of the Operating Room ('OR').

RESORBA®

Sales of RESORBA® products to all export markets, excluding Russia, increased 12% at reported currency to £1.6 million (2015 H1: £1.4 million), and by 8% at constant currency.

Sales into the Russian market, increased 7% to £0.48 million (2015 H1: £0.42 million) at reported currency and by 21% at constant currency. However, market conditions in this territory remain challenging.

Regulatory approval to supply RESORBA® sutures into the US market was obtained for the majority of our suture product portfolio in November 2015. We have now launched a range of dental sutures through a new distributor with a strong dental focus. The initial sales of £0.1 million will include an element of stocking, however, initial feedback has been positive and we expect further orders this year.

We are building on the success of this Business Unit by increasing our sales and marketing resource in the US and Europe as well as establishing a presence in the Far East which presents an opportunity in a region where we believe the quality of our products will drive success.

Branded Direct

The reported revenue for the Branded Direct Business Unit was 8% higher at £12.0 million (2015 H1: £11.1 million) and 5% higher at constant currency.

Following the initiatives that were taken in 2015, we are pleased with the initial progress that has been made.

LiquiBand®

UK sales of LiquiBand® into the Accident and Emergency Room ("A&E") increased 9% to £1.2 million (2015 H1: £1.1 million) while sales into the OR increased 28% to £0.5 million (2015 H1: £0.4 million). As expected, we are seeing the return to growth of our LiquiBand® accounts following the changes implemented, while sales into the OR have been enhanced by LiquiBand® Fix8™.

Sales of LiquiBand® into Germany increased by 26% to £0.9 million (H1 2015: £0.7 million) and by 20% at constant currency with sales of LiquiBand® Fix8™ doubling in the same period.

ActivHeal®

Sales of our ActivHeal® range of woundcare dressings into the NHS were flat at £2.9 million (2015 H1: £2.9 million). Sales are lower than expected, and have been impacted from some unusual ordering patterns from our UK distributors that occurred at the start of the year. End sales data indicates that our market share continues to grow and that the lack of growth in our first half sales is due to timing. The ActivHeal® proposition of delivering significant cost savings, with uncompromised clinical outcomes and patient care, continues to appeal to NHS Trusts. We expect this brand to continue to progress and to show growth for the full year.

RESORBA®

Sales of RESORBA® branded products into Germany and the Czech Republic increased by 9% to £6.4 million (2015 H1: £5.9 million), and grew 4% at constant currency. Sales of haemostats increased 10% at constant currency to £1.8 million and sales of sutures and collagens into the dental market were flat at constant currency at £1.8 million. We are starting to see the benefits of converting hospitals following tender wins in 2015.

OEM

OEM revenue increased 9% at reported currency to £14.7 million (2015 H1: £13.5 million) and by 8% at constant currency.

In August 2015 we obtained CE approval to market in Europe our antimicrobial foam incorporating polyhexamethylene biguanide (PHMB). PHMB has been shown to be effective against several bacteria especially Escherichia Coli (*E–Coli*) and Staphylococcus Aureus, including the methicillin resistant type (MRSA). This PHMB Antimicrobial Foam Wound Dressing can be used on exuding chronic and acute wounds that are infected or are at risk of infection and can be applied to pressure ulcers, leg and foot ulcers, diabetic ulcers and surgical wounds. Sales into the EU were £0.5 million in the first six months. We were expecting to obtain US approval in the first half of 2016, however, further clinical trials were requested by the FDA and approval is now expected towards the end of the second half of 2016.

As anticipated, the launch of our new antimicrobial foam has had some short–term impact on our silver alginate sales. Sales in the first six months declined 3% at reported currency to £7.6 million (2015 H1: £7.9 million) and 4% at constant currency. Overall, AMS's position in the antimicrobial advanced woundcare market has been strengthened by this addition to our portfolio and our total antimicrobial offering has grown 3% at reported currency and 2% at constant currency despite the general slow–down in the global advanced wound care market.

In addition to launching our antimicrobial foam range, we have also launched a range of atraumatic foam dressings into our advanced wound care range, further extending our foam portfolio. The initial response has been positive and sales of all our foam–based dressings have increased 222% at both reported and constant currency to £2.5 million (2015 H1: £0.7 million).

Sales of other woundcare products were strongly influenced by the stocking patterns of our partners and declined 6% to £4.6 million (2015 H1: £4.9 million) and by 8% at constant currency.

Following discussions with our OEM partner that is supplied with an exclusive range of collagen products, we have renegotiated the supply agreement from an exclusive to a non–exclusive arrangement, allowing us from 2017 to supply a range of collagen products though our distributors into the EU and through our direct sales force in the UK. In the short term, this may result in some reduction of sales in the OEM business as this partner will no longer be required to meet a minimum amount of sales to maintain exclusivity. In the medium term however, we expect sales in both our Branded Direct and Branded Distributed Business Units to increase as our collagen product portfolio is extended.

Bulk Materials

Bulk Materials revenue increased by 66% at reported currency to £2.8 million (2015 H1: £1.7 million) and by 60% at constant currency with sales to our major contract partners performing strongly.

This Business Unit provides a key component for both our Branded Direct and OEM Business Unit. The launch of the antimicrobial and atraumatic foam ranges has resulted in a doubling of intercompany sales compared with the first six months of 2015 and has been a contributor to the margin improvement in this Business Unit.

Research and Development

Our R&D effort is focusing on a number of key projects.

We are continuing to extend the applications of tissue adhesives for internal use, including the development of an open hernia device, as well as improving further the formulations that go into our adhesives.

We are working on extending the attributes of our collagens to meet the needs of dental practitioners and oral surgeons, together with making good progress in the development of a range of collagens that include antibiotics.

We are also developing a range of surgical dressings and a range of High Performance dressings. We expect to be able to launch both of these ranges in 2017.

Operations

The launch of the two new foam dressing ranges has required new converting processes to be developed. We have been pleased that we were able to meet the significant volume demands of these new launches, however, the initial efficiencies of these processes have been lower than for our more established ranges and lower than we would expect to obtain on an ongoing basis. We estimate that these operating effects have had a negative impact of around 500 basis points on the operating margins for the OEM business, where most of the sales of these products have been recorded. Changes are currently being made to refine the manufacturing processes to improve our efficiences and we expect to see margin improvement.

Investment is being made in the Etten Leur facility to increase our foam manufacturing capacity. Approximately, £0.5 million of capex will be spent in the second half of the year. This is expected to increase capacity by approximately 40%.

Quality and Regulatory

The FDA conducted its first routine inspection at the Group in June at our Winsford site. We were pleased with the outcome of our first FDA inspection.

We are progressing with obtaining approval to sell our collagen products in the US and approval is expected towards the end of 2017.

Approval to market our final family of sutures in the US is expected in the second half of 2016. This will complete the approval process for our entire suture range and allow us to sell a comprehensive range of sutures in the US.

Registration of LiquiBand® in China is currently on hold due to changes in the regulatory pathway. Indications are that a full clinical trial in China may be required but as yet the potential scope of this clinical trial is unknown. This will extend the time needed to obtain approval in this region.

In 2017, we also expect to start the approval process to potentially allow us to market LiquiBand® Fix8™ in the US.

Acquisitions Strategy

The Group is actively looking for businesses that meet its acquisition strategy. During the period, an opportunity was identified and work undertaken to understand the business in more detail. As a result of the outcome of this work, a decision was taken not to proceed with this acquisition. An exceptional charge of £0.4 million has been incurred relating to this activity. The Group continues to review suitable acquisition opportunities.

Referendum Vote to Leave the EU

There has been no immediate impact on the Company's operations following the UK's referendum vote to leave the EU other than the currency exchange rates.

SUMMARY AND OUTLOOK

The first half of 2016 has seen good performance by the Group and we are trading in line with current market expectations for profit and, as a result of the positive impact of currency, ahead of market expectations for revenue for the full year. With our increasing portfolio of products, strong partners and the opportunities we see from our innovative R&D pipeline, the Board remains optimistic about our long term prospects and the potential for further growth.

FINANCIAL REVIEW

Summary

Revenue increased by 19.7% to £39.2 million (2015 H1: £32.7 million). At constant currency, revenue growth would have been 16.9%.

Amortisation of acquired intangible assets was £0.1 million in the six month period (2015 H1: £0.2 million).

Comparisons with 2015 are made on a pre–exceptional and pre–amortisation of acquired intangible asset cost basis, as we believe that this provides a more relevant representation of the Group's trading performance. To aid comparison, the Group's adjusted income statement is summarised in Table 1 below.

TABLE 1
Adjusted Income Statement

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Change
Revenue	**39,153**	32,713	19.7%
Gross profit	**22,473**	19,036	18.1%
Distribution costs	**(512)**	(408)	
Administrative expenses[6]	**(12,879)**	(10,715)	
Other income	**415**	319	
Adjusted operating profit	**9,497**	8,232	15.4%
Net finance income/(costs)	**2**	(31)	
Adjusted profit before tax	**9,499**	8,201	15.8%
Amortisation of acquired intangibles	**(122)**	(186)	
Exceptional items	**(361)**	–	
Profit before tax	**9,016**	8,015	12.5%
Tax	**(1,680)**	(1,354)	
Profit for the period	**7,336**	6,661	10.0%
Adjusted earnings per share – basic[7]	**3.74p**	3.29p	13.7%
Earnings per share – basic[7]	**3.51p**	3.20p	9.7%
Adjusted earnings per share – diluted[7]	**3.68p**	3.23p	13.9%
Earnings per share – diluted[7]	**3.46p**	3.15p	9.8%

6 Administration expenses exclude exceptional items and amortisation of acquired intangible assets
7 See Note 4 Earnings per share for details of calculation

The gross margin percentage for the Group was 57.4% (2015 H1: 58.2%). This 80bps reduction in gross margin was mainly as a result of sales mix and initial inefficiencies in the manufacture of our new foam product launches at the Winsford site.

Adjusted operating profit increased by 15.4% to £9.5 million (2015 H1: £8.2 million) but the adjusted operating margin decreased by 90bps to 24.3% (2015 H1: 25.2%) partly due to continued investment in sales and marketing as well as the mix and new product manufacturing inefficiencies referred to above.

During the six months ended 30 June 2016, the Group incurred exceptional items of £0.4 million relating to an aborted transaction (2015 H1: £nil).

The Group generated profit before tax of £9.0 million (2015 H1: £8.0 million) and had net cash of £41.1 million at the half year end (2015 H1: £22.6 million).

Adjusted diluted earnings per share increased by 13.9% to 3.68p (2015 H1: 3.23p) and diluted earnings per share increased by 9.8% to 3.46p (2015 H1: 3.15p).

The Group has a strong balance sheet enabling financing of further organic growth and appropriate acquisitions.

Income Statement

The operational performance of the Business Units is shown in Table 2 below. The adjusted profit from operations and the adjusted operating margin are shown after excluding exceptional items and amortisation of acquired intangibles.

TABLE 2
Operating Result by Business Segment
Six months ended 30 June 2016

	Branded Distributed £'000	**Branded Direct £'000**	**OEM £'000**	**Bulk Materials £'000**
Revenue	**9,632**	**11,990**	**14,742**	**3,756[8]**
Profit from operations	**3,374**	**2,760**	**2,662**	**862**
Amortisation of acquired intangibles	**38**	**78**	**6**	**–**
Adjusted profit from operations[9]	**3,412**	**2,838**	**2,668**	**862**
Adjusted operating margin[9]	**35.4%**	**23.7%**	**18.1%**	**22.9%**
Six months ended 30 June 2015				
Revenue	6,411	11,110	13,515	2,140[8]
Profit from operations	1,640	2,845	3,616	270
Amortisation of acquired intangibles	58	119	9	–
Adjusted profit from operations[9]	1,698	2,964	3,625	270
Adjusted operating margin[9]	26.5%	26.7%	26.8%	12.6%

8 Revenue includes intersegment sales. See Note 5
9 Excludes amortisation of acquired intangible assets

Expenses relating to exceptional items, Non–Executive Directors and plc costs are not allocated to Business Units and are included within unallocated expenses.

Branded Distributed

Branded Distributed revenues increased by 50.2% to £9.6 million (2015 H1: £6.4 million) and by 45.5% at constant currency, with sales of LiquiBand® into the US being the main driver of growth.

Adjusted operating margin increased by 890bps to 35.4% (2015 H1: 26.5%) due to the increase in sales while investment in our sales & marketing team to support our partners has continued. R&D expense was 5.0% of revenues (2015 H1: 4.5%) with expenditure in this segment being incurred on projects to improve our formulations and applicators for tissue adhesives, as well as ongoing development of the internal use of tissue adhesives.

Branded Direct

Branded Direct revenues increased 7.9% to £12.0 million (2015 H1: £11.1 million) and 5.0% at constant currency, with sales of ActivHeal® driving revenues in the UK and RESORBA® brands supporting growth in Germany and Czech Republic.

Adjusted operating margin decreased by 300bps to 23.7% (2015 H1: 26.7%), due to investment in our commercial teams. R&D expense in this segment was 2.3% of revenue (2015 H1: 3.1%) on projects to develop improved antibiotic collagens.

OEM

OEM revenues increased by 9.1% to £14.7 million (2015 H1: £13.5 million) and 7.7% at constant currency. R&D expense was 4.4% of revenues (2015 H1: 3.6%) with spend being incurred in the development of post surgical dressings and high performance dressings.

Adjusted operating margin reduced by 870 bps to 18.1% (2015 H1: 26.8%), mostly as a result of sales mix and the launch of new products. It is also worth noting that some of the benefit in terms of margin resulting from the substantial increase in OEM foam sales is reported in the Bulk Materials Business Unit and is part of the reason for the increase in operating margin in that Business Unit.

Bulk Materials

Bulk material revenues, excluding intercompany sales, increased by 66.3% to £2.8 million (2015 H1: £1.7 million) at reported currency and 59.8% at constant currency. The adjusted operating margin increased to 22.9% (2015 H1: 12.6%), resulting from changes in sales mix and benefiting from a substantial increase in intercompany sales to the OEM Business Unit.

Geographic breakdown of revenues

The geographic breakdown of Group revenues in 2016 is set out in note 5. Sterling sales, including sales to some European partners, represents the largest currency with significant sales also in Euros and US dollars. The Group's policy is to use natural hedging where possible and to hedge transactional risk. The Group estimates that a 10% movement in the £:US$ or £:Euro exchange rate would impact Sterling revenues by approximately 3% and 3% respectively and, in the absence of any hedging, this would result in an impact on profit of 2.1% and 0.5% respectively.

Net finance income

Net finance income is comprised of finance income £57,000 (2015 H1: £31,000) representing interest received on cash balances less finance costs £55,000 (2015 H1: £62,000) including amortisation of capitalised debt costs.

Profit before tax

Profit before tax for the six months was 12.5% higher at £9.0 million (2015 H1: £8.0 million).

Taxation

The Group's effective rate of tax for the six months was 18.6% (2015 H1: 16.9%). This reflects the blend of profits and tax rates in the countries in which the Group operates and incorporates R&D relief, the phased introduction of the patent box scheme and the recognition of previously unrecognised tax losses in the UK. From 2017, the Group will no longer be treated as a SME for tax purposes and will not be able to claim for R&D relief. Instead, an allowance for R&D spend will be given and be treated as grant income. In 2015, R&D relief provided a 1.91% benefit to the Group's effective tax rate.

Profit after tax and earnings per share

Adjusted profit after tax increased by 14.2% to £7.8 million (2015 H1: £6.8 million), resulting in a 13.7% increase in adjusted basic earnings per share to 3.74p (2015 H1: 3.29p) and a 13.9% increase in adjusted diluted earnings per share to 3.68p (2015 H1: 3.23p).

Profit after tax increased 10% to £7.3 million (2015 H1: £6.7 million), resulting in a 9.7% increase in basic earnings per share to 3.51p (2015 H1: 3.20p) and an 9.8% increase in diluted earnings per share to 3.46p (2015 H1: 3.15p).

Dividend per share

The Board intends to pay an interim dividend of 0.30p per share on 28 October 2016 to shareholders on the register on 30 September 2016. This is an increase of 20% compared with the first half of 2015.

Cash Flow and Balance Sheet

Table 3 summarises the Group's cash flows.

TABLE 3
Cash Flow

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000
Adjusted operating profit (Table 1)	**9,497**	8,232
Non-cash items	**1,993**	1,453
Adjusted EBITDA[10]	**11,490**	9,685
Working capital movement	**(1,730)**	(1,740)
Operating cash flow before exceptional items	**9,760**	7,945
Exceptional items	**(361)**	–
Operating cash flow after exceptional items	**9,399**	7,945
Capital expenditure and capitalised R&D	**(1,265)**	(1,087)
Net interest income/(expense)	**1**	(33)
Tax	**(933)**	(689)
Free cash flow	**7,202**	6,136
Dividends paid	**(1,150)**	(999)
Proceeds from share issues	**416**	267
Exchange gains/(losses)	**430**	(68)
Net increase in cash and cash equivalents	**6,898**	5,336

10 Adjusted EBITDA is earnings before interest, tax, depreciation, intangible asset amortisation, share-based payments and exceptional items

The Group had an operating cash flow before exceptional items of £9.8 million (2015 H1: £7.9 million) and a conversion of adjusted operating profit into free cash flow of 76% (2015 H1: 75%).

Working capital increased £1.7 million in line with the growth of the business. Inventory increased by £1.1 million in the first six months with months of supply being 4.4 (2015 H1: 4.7 months). Trade receivables increased £2.0 million with debtor days at 49 (2015 H1: 47 days). Trade payables increased £1.4 million, excluding the fair value of forward foreign exchange contracts.

We have invested £1.3 million in fixed assets, software and capitalised R&D in the first six months (2015 H1: £1.0 million), including the completion of the collagen manufacturing expansion started in 2015. £0.1 million of R&D spend has been capitalised (2015 H1: £0.1 million).

Net taxation of £0.9 million was paid which is in line with the Group's profitability within the tax jurisdictions in which it operates.

The Group paid its final dividend for the year ended 31 December 2015 of £1.2 million on 10 June 2016 (2015 H1: £1.0 million).

The Group had free cash flow of £7.2 million in the period (2015 H1: £6.1 million), with a net increase in cash equivalents of £6.9 million (2015 H1: £5.3 million increase).

The Group has a five–year, £30 million, multi–currency, revolving credit facility, obtained in December 2014, with an accordion option under which AMS can request up to an additional £20 million on the same terms. The facility is provided jointly by HSBC and The Royal Bank of Scotland PLC. It is unsecured on the assets of the Group and is currently undrawn.

At the end of the period, the Group had net cash[11] of £41.1 million (2015 H2: net cash[11] of £22.6 million). The movement in net cash during the first half of 2016 is reconciled in Table 4 below:

TABLE 4
Movement in net cash[11]

	£'000
Net cash as at 1 January 2016	**34,201**
Exchange rate impacts	430
Free cash flow	7,202
Dividends paid	(1,150)
Proceeds from share issues	416
Net cash as at 30 June 2016	**41,099**

11 Net cash is defined as cash and cash equivalents plus short-term investments less financial liabilities and bank loans

The Group's going concern position is fully described in note 12 and the Group had no borrowings in the period.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	**(Unaudited) Six months ended 30 June 2016** Before exceptional items £'000	Exceptional items (see note 7) £'000	Total £'000	(Unaudited) Six months ended 30 June 2015 Before exceptional items £'000	Exceptional Items £'000	Total £'000	(Audited) Year ended 31 December 2015 Before exceptional Items £'000	Exceptional items £'000	Total £'000
Revenue from continuing operations	5	**39,153**	**–**	**39,153**	32,713	–	32,713	68,596	–	68,596
Cost of sales		**(16,680)**	**–**	**(16,680)**	(13,677)	–	(13,677)	(28,688)	–	(28,688)
Gross profit		**22,473**	**–**	**22,473**	19,036	–	19,036	39,908	–	39,908
Distribution costs		**(512)**	**–**	**(512)**	(408)	–	(408)	(951)	–	(951)
Administration costs		**(13,001)**	**(361)**	**(13,362)**	(10,901)	–	(10,901)	(22,505)	–	(22,505)
Other income		**415**	**–**	**415**	319	–	319	589	–	589
Profit/(loss) from operations		**9,375**	**(361)**	**9,014**	8,046	–	8,046	17,041	–	17,041
Finance income		**57**	**–**	**57**	31	–	31	73	–	73
Finance costs		**(55)**	**–**	**(55)**	(62)	–	(62)	(118)	–	(118)
Profit/(loss) before taxation		**9,377**	**(361)**	**9,016**	8,015	–	8,015	16,996	–	16,996
Income tax	8	**(1,680)**	**–**	**(1,680)**	(1,354)	–	(1,354)	(2,877)	–	(2,877)
Profit/(loss) for the period attributable to equity holders of the parent		**7,697**	**(361)**	**7,336**	6,661	–	6,661	14,119	–	14,119
Earnings per share										
Basic	4	**3.68p**	**(0.17p)**	**3.51p**	3.20p	–	3.20p	6.78p	–	6.78p
Diluted	4	**3.63p**	**(0.17p)**	**3.46p**	3.15p	–	3.15p	6.68p	–	6.68p
Adjusted[12] diluted	4	**3.68p**	**–**	**3.68p**	3.23p	–	3.23p	6.86p	–	6.86p

12 Adjusted for exceptional items and for amortisation of acquired intangible assets

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
Profit for the period	**7,336**	6,661	14,119
Exchange differences on translation of foreign operations	**6,560**	(5,058)	(3,348)
(Loss)/gain arising on cash flow hedges	**(2,419)**	699	(3)
Other comprehensive income/(expense) for the period	**4,141**	(4,359)	(3,351)
Total comprehensive income for the period attributable to equity holders of the parent	**11,477**	2,302	10,768

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 June 2016 £'000	(Unaudited) 30 June 2015 £'000	(Audited) 31 December 2015 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	**9,264**	8,290	8,359
Software intangibles	**1,966**	1,760	2,009
Development costs	**1,777**	1,796	1,803
Goodwill	**38,940**	33,516	34,579
Property, plant and equipment	**16,538**	15,606	15,795
Deferred tax assets	**–**	662	135
Trade and other receivables	**10**	18	13
	68,495	61,648	62,693
Current assets			
Inventories	**10,465**	8,166	8,843
Trade and other receivables	**13,074**	13,294	10,817
Current tax assets	**8**	13	9
Cash and cash equivalents	**41,099**	22,616	34,201
	64,646	44,089	53,870
Total assets	**133,141**	105,737	116,563
Liabilities			
Current liabilities			
Trade and other payables	**12,089**	6,710	9,139
Current tax liabilities	**1,420**	956	806
Other taxes payable	**302**	360	234
Obligations under finance leases	**1**	1	1
	13,812	8,027	10,180
Non-current liabilities			
Trade and other payables	**1,473**	441	415
Deferred tax liabilities	**2,783**	2,267	2,311
Obligations under finance leases	**–**	1	–
	4,256	2,709	2,726
Total liabilities	**18,068**	10,736	12,906
Net assets	**115,073**	95,001	103,657
Equity			
Share capital	**10,499**	10,433	10,451
Share premium	**33,578**	33,044	33,196
Share-based payments reserve	**2,945**	1,854	2,253
Investment in own shares	**(152)**	(152)	(152)
Share-based payments deferred tax reserve	**404**	294	437
Other reserve	**1,531**	1,531	1,531
Hedging reserve	**(2,944)**	177	(525)
Translation reserve	**(1,655)**	(9,925)	(8,215)
Retained earnings	**70,867**	57,745	64,681
Equity attributable to equity holders of the parent	**115,073**	95,001	103,657

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	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016 (audited)	**10,451**	**33,196**	**2,253**	**(152)**	**437**	**1,531**	**(525)**	**(8,215)**	**64,681**	**103,657**
Consolidated profit for the period to 30 June 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,336**	**7,336**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(2,419)**	**6,560**	**–**	**4,141**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(2,419)**	**6,560**	**7,336**	**11,477**
Share-based payments	**–**	**–**	**693**	**–**	**(33)**	**–**	**–**	**–**	**–**	**660**
Share options exercised	**48**	**382**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**429**
Shares purchased by EBT	**–**	**–**	**–**	**(449)**	**–**	**–**	**–**	**–**	**–**	**(449)**
Shares sold by EBT	**–**	**–**	**–**	**449**	**–**	**–**	**–**	**–**	**–**	**449**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,150)**	**(1,150)**
At 30 June 2016 (unaudited)	**10,499**	**33,578**	**2,945**	**(152)**	**404**	**1,531**	**(2,944)**	**(1,655)**	**70,867**	**115,073**

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015 (audited)	10,393	32,742	1,563	(148)	278	1,531	(522)	(4,867)	52,083	93,053
Consolidated profit for the period to 30 June 2015	–	–	–	–	–	–	–	–	6,661	6,661
Other comprehensive income	–	–	–	–	–	–	699	(5,058)	–	(4,359)
Total comprehensive income	–	–	–	–	–	–	699	(5,058)	6,661	2,302
Share-based payments	–	–	300	–	16	–	–	–	–	316
Share options exercised	40	302	(9)	–	–	–	–	–	–	333
Shares purchased by EBT	–	–	–	(262)	–	–	–	–	–	(262)
Shares sold by EBT	–	–	–	258	–	–	–	–	–	258
Dividends paid	–	–	–	–	–	–	–	–	(999)	(999)
At 30 June 2015 (unaudited)	10,433	33,044	1,854	(152)	294	1,531	177	(9,925)	57,745	95,001

	Share capital £'000	Share premium £'000	Share-based payments £'000	Investment in own shares £'000	Share-based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015 (audited)	10,393	32,742	1,563	(148)	278	1,531	(522)	(4,867)	52,083	93,053
Consolidated profit for the year to 31 December 2015	–	–	–	–	–	–	–	–	14,119	14,119
Other comprehensive income	–	–	–	–	–	–	(3)	(3,348)	–	(3,351)
Total comprehensive income	–	–	–	–	–	–	(3)	(3,348)	14,119	10,768
Share-based payments	–	–	709	–	159	–	–	–	–	868
Share options exercised	58	454	(19)	–	–	–	–	–	–	493
Shares purchased by EBT	–	–	–	(262)	–	–	–	–	–	(262)
Shares sold by EBT	–	–	–	258	–	–	–	–	–	258
Dividends paid	–	–	–	–	–	–	–	–	(1,521)	(1,521)
At 31 December 2015 (audited)	10,451	33,196	2,253	(152)	437	1,531	(525)	(8,215)	64,681	103,657

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
Cash flows from operating activities				
Profit from operations		**9,014**	8,046	17,041
Adjustments for:				
Depreciation		**924**	858	1,745
Amortisation	– intellectual property rights	**122**	186	367
	– development costs	**203**	155	289
	– software intangibles	**173**	140	410
Increase in inventories		**(1,147)**	(948)	(1,501)
(Increase)/decrease in trade and other receivables		**(1,962)**	(495)	2,148
Increase/(decrease) in trade and other payables		**1,379**	(297)	1,336
Share-based payments expense		**693**	300	709
Taxation		**(933)**	(689)	(1,253)
Net cash inflow from operating activities		**8,466**	7,256	21,291
Cash flows from investing activities				
Purchase of software		**(125)**	(26)	(472)
Capitalised research and development		**(149)**	(101)	(373)
Purchases of property, plant and equipment		**(1,016)**	(960)	(1,907)
Disposal of property, plant and equipment		**25**	–	77
Interest received		**57**	31	73
Net cash used in investing activities		**(1,208)**	(1,056)	(2,602)
Cash flows from financing activities				
Dividends paid		**(1,150)**	(999)	(1,521)
Finance lease		**(1)**	(2)	(2)
Issue of equity shares		**416**	271	498
Shares purchased by EBT		**(449)**	(262)	(262)
Shares sold by EBT		**449**	258	258
Interest paid		**(55)**	(62)	(118)
Net cash used in financing activities		**(790)**	(796)	(1,147)
Net increase in cash and cash equivalents		**6,468**	5,404	17,542
Cash and cash equivalents at the beginning of the period		**34,201**	17,280	17,280
Effect of foreign exchange rate changes		**430**	(68)	(621)
Cash and cash equivalents at the end of the period		**41,099**	22,616	34,201

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Advanced Medical Solutions Group plc ('the Company') is a public limited company incorporated and domiciled in England and Wales (registration number 2867684). The Company's registered address is Premier Park, 33 Road One, Winsford Industrial Estate, Cheshire, CW7 3RT.

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange plc. The consolidated financial statements of the Company for the twelve months ended 31 December 2015 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, medical adhesives for closing and sealing tissue, and sutures and haemostats for sale into the global medical device market.

2. BASIS OF PREPARATION

The information for the year ended 31 December 2015 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 auditor reported on those accounts; their report was unqualified, did not draw attention to any matters 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 consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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 unaudited condensed set of financial statements included in this half–yearly financial report have been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. These condensed interim accounts should be read in conjunction with the annual accounts of the Group for the year ended 31 December 2015. 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.

Changes in accounting policies

The adoption of the following standards, at 1 January 2016, has had no material impact on the Group's financial statements:

- IAS 1 (amendments): Disclosure Initiative
- IAS 27 (amendments): Equity Method in Separate Financial Statements
- IAS 16 & IAS 41: Agriculture – Bearer plants
- IAS 16 & IAS 38 (amendments): Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 11 (amendments): Accounting for Acquisitions of Interests in Joint Operations
- Annual Improvements to IFRSs: 2012–2014 Cycle

4. EARNINGS PER SHARE

	(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**7,336**	6,661	14,119
Number of shares	**'000**	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**209,271**	207,963	208,376
Effect of dilutive potential ordinary shares: share options, deferred share bonus, LTIPs	**3,006**	3,702	2,902
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**212,277**	211,665	211,278

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

4. EARNINGS PER SHARE CONTINUED

Diluted EPS is calculated on the same basis as basic EPS but with the further adjustment to the weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

Adjusted earnings per share

The calculation of adjusted EPS excluding exceptional costs and amortisation of associated intangible assets is based on earnings of:

	(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**7,336**	6,661	14,119
Exceptional items	**361**	–	–
Amortisation of acquired intangible assets	**122**	186	367
Earnings excluding exceptional items and amortisation of acquired intangible assets	**7,819**	6,847	14,486

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Adjusted EPS after adding back exceptional items and amortisation of acquired intangible assets:

	(Unaudited) Six months ended 30 June 2016 pence	(Unaudited) Six months ended 30 June 2015 pence	(Audited) Year ended 31 December 2015 pence
Adjusted basic EPS	**3.74p**	3.29p	6.95p
Adjusted diluted EPS	**3.68p**	3.23p	6.86p

The adjusted diluted EPS information is considered to provide a fairer representation of the Group's trading performance.

5. SEGMENT INFORMATION

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, exceptional items, income tax assets and the Group's external borrowings. These are the measures reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

Business Segments

The principal activities of the Business Units are as follows:

Branded Direct

Selling, marketing and innovation of the Group's branded products sold directly by the Group's sales teams.

Branded Distributed

Selling, marketing and innovation of the Group's branded products sold by distributors in markets not serviced by the Group's sales teams.

OEM

Distribution, marketing and innovation of the Group's products supplied to partners under their brands.

Bulk Materials

Distribution, marketing and innovation of bulk materials to medical device partners and convertors.

5. SEGMENT INFORMATION CONTINUED

Segment information about these businesses is presented below:

Six months ended 30 June 2016 (unaudited)	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	**11,990**	**9,632**	**14,742**	**2,789**	**–**	**39,153**
Inter-segment sales	**–**	**–**	**–**	**967**	**(967)**	**–**
Total revenue	**11,990**	**9,632**	**14,742**	**3,756**	**(967)**	**39,153**
Result						
Segment result	**2,760**	**3,374**	**2,662**	**862**	**–**	**9,658**
Unallocated expenses						**(644)**
Profit from operations						**9,014**
Finance income						**57**
Finance costs						**(55)**
Profit before tax						**9,016**
Tax						**(1,680)**
Profit for the period						**7,336**

At 30 June 2016 (unaudited) Other Information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	**25**	**2**	**97**	**1**	**125**
Research & development	**29**	**68**	**51**	**1**	**149**
Property, plant and equipment	**490**	**218**	**182**	**101**	**991**
Depreciation and amortisation	**(370)**	**(239)**	**(684)**	**(129)**	**(1,422)**
Balance sheet					
Assets					
Segment assets	**60,074**	**28,446**	**35,340**	**9,067**	**132,927**
Unallocated assets					**214**
Consolidated total assets					**133,141**
Liabilities					
Segment liabilities	**6,626**	**3,799**	**6,125**	**1,518**	**18,068**
Consolidated total liabilities					**18,068**

5. SEGMENT INFORMATION CONTINUED

Six months ended 30 June 2015 (unaudited)	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	11,110	6,411	13,515	1,677	–	32,713
Inter-segment sales	–	–	–	463	(463)	–
Total revenue	11,110	6,411	13,515	2,140	(463)	32,713
Result						
Segment result	2,845	1,640	3,616	270	–	8,371
Unallocated expenses						(325)
Profit from operations						8,046
Finance income						31
Finance costs						(62)
Profit before tax						8,015
Tax						(1,354)
Profit for the period						6,661

At 30 June 2015 (unaudited) Other Information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	10	3	10	3	26
Research & development	11	37	52	1	101
Property, plant and equipment	310	85	529	36	960
Depreciation and amortisation	(392)	(235)	(602)	(110)	(1,339)
Balance sheet					
Assets					
Segment assets	49,872	20,570	30,610	4,508	105,560
Unallocated assets					177
Consolidated total assets					105,737
Liabilities					
Segment liabilities	4,914	2,035	3,345	442	10,736
Consolidated total liabilities					10,736

Year ended 31 December 2015 (audited)	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	22,344	14,631	27,675	3,946	–	68,596
Inter-segment sales	–	–	–	826	(826)	–
Total revenue	22,344	14,631	27,675	4,772	(826)	68,596
Result						
Segment result	5,235	4,366	7,139	814	–	17,554
Unallocated expenses						(513)
Profit from operations						17,041
Finance income						73
Finance costs						(118)
Profit before tax						16,996
Tax						(2,877)
Profit for the year						14,119

5. SEGMENT INFORMATION CONTINUED

At 31 December 2015 (audited) Other Information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	111	15	333	13	472
Research & development	102	67	200	4	373
Property, plant and equipment	730	332	663	182	1,907
Depreciation and amortisation	(855)	(431)	(1,309)	(217)	(2,812)
Balance sheet					
Assets					
Segment assets	57,264	20,913	32,874	5,347	116,398
Unallocated assets					165
Consolidated total assets					116,563
Liabilities					
Segment liabilities	5,353	2,888	3,930	735	12,906
Consolidated total liabilities					12,906

Geographical Segments

The Group operates in the UK, Germany, the Netherlands, the Czech Republic, with a sales office located in Russia and a sales presence 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.

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 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
United Kingdom	**8,926**	7,953	16,657
Germany	**8,421**	6,219	13,371
Europe excluding United Kingdom and Germany	**10,481**	9,979	19,223
United States of America	**10,660**	8,131	17,766
Rest of World	**665**	431	1,579
	39,153	32,713	68,596

The following table provides an analysis of the Group's total assets by geographical location.

	(Unaudited) Six months ended 30 June 2016 £'000	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
United Kingdom	**72,559**	50,767	62,785
Germany	**56,768**	49,766	50,592
Europe excluding United Kingdom and Germany	**3,597**	5,095	3,060
United States of America	**217**	109	126
	133,141	105,737	116,563

6. FINANCIAL INSTRUMENTS' FAIR VALUE DISCLOSURES

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

The Group held the following financial instruments at fair value at 30 June 2016. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non–recurring fair value measurements.

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

	Ave. exchange rate		Foreign currency		Contract value		Fair value	
	30 June 2016 USD:£1	31 Dec 2015 USD:£1	**30 June 2016 USD'000**	31 Dec 2015 USD'000	**30 June 2016 £'000**	31 Dec 2015 £'000	**30 June 2016 £'000**	31 Dec 2015 £'000
Cash flow hedges								
Sell US dollars								
Less than 3 months	**1.526**	1.606	**4,000**	5,100	**2,621**	3,176	**(424)**	(257)
3 to 6 months	**1.526**	1.527	**4,600**	4,000	**3,015**	2,619	**(478)**	(80)
7 to 12 months	**1.466**	1.526	**9,000**	8,600	**6,141**	5,634	**(674)**	(167)
Over 12 months	**1.427**	1.524	**18,500**	3,000	**12,966**	1,969	**(948)**	(56)
			36,100	20,700	**24,743**	13,398	**(2,524)**	(560)

	Ave. exchange rate		Foreign currency		Contract value		Fair value	
	30 June 2016 EUR:£1	31 Dec 2015 EUR:£1	**30 June 2016 EUR'000**	31 Dec 2015 EUR'000	**30 June 2016 £'000**	31 Dec 2015 £'000	**30 June 2016 £'000**	31 Dec 2015 £'000
Cash flow hedges								
Sell Euros								
Less than 3 months	**1.346**	1.309	**850**	600	**632**	459	**(77)**	21
3 to 6 months	**1.335**	1.358	**1,050**	650	**786**	479	**(94)**	2
7 to 12 months	**1.278**	1.358	**2,100**	1,900	**1,643**	1,399	**(112)**	9
Over 12 months	**1.250**	1.356	**3,450**	350	**2,760**	258	**(137)**	1
			7,450	3,500	**5,821**	2,595	**(420)**	33

7. EXCEPTIONAL ITEMS

During the six months ended 30 June 2016, the Group incurred an exceptional charge of £361,000 relating to an aborted transaction (2015 H1: £nil).

8. TAXATION

UK corporation tax for the six–month period ended 30 June 2016 is charged at 20.0% (six months ended 30 June 2015: 20.5%, year ended 31 December 2015: 20.25%). The effective rate of current tax for the six months ended 30 June 2016 was 18.6% (six months ended 30 June 2015: 16.9%, year ended 31 December 2015: 16.9%) after the application of losses brought forward, patent box and R&D tax relief, with some off–set for disallowable expenditure. The rate of tax is reflective of the impact of blending profits and losses from different countries and the different tax rates associated with those countries.

From 1st January 2017, the Group will no longer meet the definition of being a small or medium sized enterprise (SME). As a result of being a large company, the Company will obtain tax relief through the R&D expenditure credit scheme (RDEC). As well as being a lower rate of relief to the SME scheme, the RDEC will be recognised as operating income for the Group.

9. DIVIDENDS

Amounts recognised as distributions to equity holders in the period:	**(Unaudited) Six months ended 30 June 2016 £'000**	(Unaudited) Six months ended 30 June 2015 £'000	(Audited) Year ended 31 December 2015 £'000
Final dividend for the year ended 31 December 2014 of 0.48p per ordinary share	**–**	999	935
Interim dividend for the year ended 31 December 2015 of 0.25p per ordinary share	**–**	–	586
Final dividend for the year ended 31 December 2015 of 0.55p per ordinary share	**1,150**	–	–
	1,150	999	1,521

10. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities faced by the Group as at 30 June 2016 (30 June 2015: £nil, 31 December 2015: £nil).

11. SHARE CAPITAL

Share capital as at 30 June 2016 amounted to £10,499,000 (30 June 2015: £10,433,000, 31 December 2015: £10,451,000). During the period, the Group issued 955,104 shares in respect of exercised share options, LTIPS and the Deferred Share Bonus Scheme.

12. GOING CONCERN

In carrying out their duties in respect of going concern, the Directors have carried out a review of the Group's financial position and cash flow forecasts for the next 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 regards to the Group's financial position, it had cash and cash equivalents at 30 June 2016 of £41.1 million and a five–year, £30 million, multi-currency, revolving credit facility obtained in December 2014, with an accordion option under which AMS can request up to an additional £20 million on the same terms. The credit facility is provided jointly by HSBC and The Royal Bank of Scotland PLC. It is unsecured on the assets of the Group and is currently undrawn.

Whilst the current economic environment is uncertain, AMS operates in markets 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.

After taking the above into consideration, the Directors have reached the conclusion that the Group is well placed to manage its business risks in the current economic environment. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

13. PRINCIPAL RISKS AND UNCERTAINTIES

Further detail concerning the principal risks affecting the business activities of the Group is detailed on pages 10 and 11 of the Annual Report and Accounts for the year ended 31 December 2015. There has been no immediate impact on the Company's operations following the UK's referendum vote to leave the European Union. The Company will monitor the situation and take any appropriate action when the process for leaving the European Union is determined. There have been no other significant changes since the last Annual Report.

14. SEASONALITY OF SALES

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

15. EVENTS AFTER THE BALANCE SHEET DATE

There has been no material event subsequent to the end of the interim reporting period ended 30 June 2016.

16. 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 and available on our website 'www.admedsol.com'.

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)121 262 3830

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