

A year of progress and delivery





Business Highlights:

- > In the US, LiquiBand® market share by volume increased to 6% in the hospital segment and 10% in the alternate site segment
- > ActivHeal® continues its excellent progress in the NHS, with a 40% increase in revenues
- > New trilaminate foam range has achieved CE certification and has now been launched
- > Silver alginate destocking finished and partners are growing sales faster than the wider market
- > RESORBA® integration is going well and progressing to plan – LiquiBand® sales in Germany via RESORBA® have increased by 15%
- > Own brands now account for over 50% of revenues (2011 H1: approximately 25%)

Subsequent Events:

- > First contract award for LiquiBand® Flex with a major US hospital group, and agreements now in place with five additional US distributors
- > Successful contract award to supply NHS with sutures, haemostats as well as tissue adhesives from October 2012

Financial Highlights:

- > Group revenue up 52% to £24.8 million (2011 H1: £16.3 million), representing growth of 55% on a constant currency basis¹
- > Underlying like-for-like Group revenue on a constant currency basis (excluding RESORBA®) flat at £16.0 million
- > Adjusted² operating margin up 660 bps to 23.2% (2011 H1: 16.6%)
- > Adjusted² profit before tax up 98% to £5.4 million (2011 H1: £2.7 million)
 - > Profit before tax up 72% to £4.5 million (2011 H1: £2.6 million)
- > Adjusted² diluted earnings per share up 30% to 2.27p (2011 H1: 1.74p)
 - > Fully diluted earnings per share up 11% to 1.87p (2011 H1: 1.68p)
- > Operating cash flow before exceptional items³ of £5.6 million (2011 H1: £1.5 million)
- > €2 million of €25 million loan to acquire RESORBA® has been repaid ahead of schedule
- > Interim dividend of 0.17p per share (2011 H1: 0.145p), a 17.2% increase

- 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 2012 H1, were £0.6 million (Enil in 2011 H1) and before amortisation of acquired intangible assets which, in 2012 H1, were £0.2 million (2011 H1: £0.1 million) as defined in the financial review
- 3 Before exceptional items which, in 2012 H1, were £0.6 million (Enil in 2011 H1)

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Chairman's Statement

Introduction

The Group's performance during the first half of 2012 underpins the confidence that I have in the business and our strategy going forward as outlined in the 2011 Annual Report.

Financial Highlights

Reported Group revenue was up 55% to £24.8 million at constant currency. On a like-for-like, constant currency basis, excluding the contribution from RESORBA®, revenue was flat at £16.0 million (2011 H1: £16.0 million).

The Group's adjusted operating margin increased by 660 bps to 23.2% (2011 H1: 16.6%), mainly due to the mix of business and the initial contribution from sutures and collagen. After net finance costs of £0.4 million (2011 H1: £nil), adjusted profit before tax nearly doubled to £5.4 million (2011 H1: £2.7 million).

Adjusted basic earnings per share¹ increased by 30% to 2.31p (2011 H1: 1.78p) and adjusted fully diluted earnings per share¹ increased 30% to 2.27p (2011 H1: 1.74p).

Following the RESORBA® acquisition in December 2011, the Group had net debt of £13.4 million at 31 December 2011. The Group's net debt at 30 June 2012 was £10.6 million (2011 H1: net funds of £3.1 million). In this regard, our strong cash flow has enabled us to repay €2 million of the original €25 million RESORBA® related term loan ahead of schedule.

Key Achievements

LiquiBand® in the US has achieved further market share gains, and now has an estimated 6% of the US hospital market volume and an estimated 10% of the non-hospital or alternate site market.

LiquiBand® Flex was launched at the beginning of 2012. We are pleased with the number of evaluations undertaken, and are encouraged by the progress and positive initial feedback from trials. Subsequent to the period end, we have won our first contract with a major US hospital group to supply LiquiBand® Flex adhesive into both its Emergency Room and Operating Room settings. We have also signed distribution agreements with a further five specialised regional distributors, increasing the number of distributors promoting LiquiBand® products in the US to nine, and we anticipate continuing progress through the second half of 2012.

ActivHeal® continues to deliver significant cost savings to the NHS without any compromise to clinical outcome or patient care, and has achieved a 40% increase in interim revenues, all the more pleasing given the significantly higher base following strong gains in prior periods.

Subsequent to the period end, we have learned that we have been successful in our tender to supply sutures and collagens to the NHS alongside our tissue adhesives. This agreement lasts for a period of three years, starting from October 2012 and, whilst in itself it does not guarantee any sales, it allows us to offer our products to Trusts under contract.

Sales of fully converted foam dressings increased 27% in the period. However, as expected, total foam revenues fell by 12% year-on-year, reflecting the 'Year 2 effect' following the significant product launches of foam rollstock made in 2011.

The destocking we experienced last year in silver alginate is over and our European business is again delivering strong growth. Our US silver alginate partners continue to capture market share but, due to order phasing, we did not see this translate to sales in the first half of 2012. Total silver alginate sales, through our partners, continue to achieve growth rates faster than the overall market.

Our Winsford facility continues to deliver improvements in both efficiencies and economies and, together with the positive impact of RESORBA®'s higher margin own-brands, has contributed to the increase in our margins.

The integration of RESORBA® is going well and is on track with both our original timetable and our financial and strategic expectations. In this regard, the Group's brands now contribute over 50% of Group revenues compared to approximately 25% in 2011 H1.

Dividend

The Board intends to pay an interim dividend of 0.17p per share (2011 H1: 0.145p), an increase of 17.2%, on 2 November 2012 to shareholders on the register at the close of business on 5 October 2012.

Employees

On behalf of the Board and our shareholders, I would like to thank all Group employees, including our new colleagues at RESORBA®, for all their hard work, in the continued development of AMS as a global medical technology business.

Outlook

In addition to further progress from the RESORBA® brands, growth in the second half of 2012 will be driven by LiquiBand®'s growing presence in the US, including LiquiBand® Flex, further gains by ActivHeal®, stronger Group revenues from our partners' silver alginate sales, and initial revenues from the launch of our new trilaminate foam range.

Despite the ongoing effects of the Euro on revenues, as highlighted previously, we expect to meet current market expectations for profit for the full-year.

Looking further ahead, we continue to be excited about the opportunity presented by our LiquiBand® range in the US and anticipate an increasing number of two-way benefits from RESORBA®. We also have a number of exciting new product developments such as our hernia mesh fixation device which is on track to launch in Europe in late 2013 and which will provide us with another product offering to help strengthen our growing presence in the Operating Room.

The Group's longer-term prospects remain excellent and we look forward with confidence.

Dr. Don W. Evans

Chairman

5 September 2012

¹ Adjusted basic earnings per share and adjusted fully diluted earnings per share are described in Note 4

Business Review

Advanced Woundcare

Advanced Woundcare revenue was 10% higher at £14.4 million (2011 H1: £13.1 million).

ActivHeal®

Sales of our ActivHeal® range into the NHS were 40% ahead of 2011 H1, a strong result that is even more impressive given the significantly higher base we now have after the 73% increase in 2011. Our combined messages of cost savings without any compromise to clinical outcome or patient care are increasingly attractive to hospitals, which are under pressure to extract the best value from all suppliers. In hospitals which are already customers, ActivHeal® is increasingly being used as product of first choice by nurses, and we are steadily adding new Primary Care Trusts to our customer base.

Foams

Our converted dressings continue to show good growth and revenue increased 27% in the period. Our new range of trilaminate dressings has received CE mark approval and has been launched on schedule, increasing our product portfolio and enhancing our offering to both partners and the NHS. However, as outlined in previous announcements, we are seeing the typical 'Year 2 effect' of pipeline filling activity arising from the significant product launches of our foam rollstock by partners in 2011. Our rollstock foam business was down 32% in the period. We do not expect to receive significant repeat orders in 2012 from these partners.

Silver products

Sales into the UK and Europe increased 18% with the de-stocking effect seen last year now fully behind us. Sales into the US were however 13% lower, but this is as a result of the ordering patterns of our partners, which were particularly strong in the comparative 2011 H1 period and growth has been resumed since the half-year. Overall, our partners continue to outstrip the low single-digit market growth rate, are continuing to take market share from the market leader, and we are confident that our partners' success will be reflected in higher revenues for the full year. Total sales of silver alginate grew 3% compared with the same period of 2011.

Collagen

These consist of a range of branded dressings which serve a number of surgical woundcare applications, including for use in haemostasis as anti-microbials and to help tissue repair and regeneration. They are derived from a proprietary, IP protected collagen technology platform and are marketed directly into the Operating Room (OR) in Germany, the Czech Republic and Russia. Sales of the Group's branded collagens increased 6% over the same period in 2011.

A range of collagen products is also manufactured under a private label for a major global healthcare company for use in highly sensitive fields such as neurosurgery. Whilst sales in 2012 H1 were 64% lower than in the equivalent period last year, contractual commitments are already in place for the second half guaranteeing that sales for the full year will at least be at a similar level to that of 2011.

Overall collagen revenues in 2012 H1 were £1.4 million, a decrease of 10% over the same period in 2011. Revenues from collagen products are not included in the 2011 Group numbers and are provided purely for comparative purposes.

Winsford facility

We continue to achieve greater efficiencies and economies from our world class site in Winsford which opened at the end of 2010. At that time, we set a target of achieving an improvement of at least 2% in our Advanced Woundcare operating margin over the following two to three years. During 2011, Winsford delivered an estimated 180 basis points of operating margin improvement and, in 2012 H1, we estimate another 90 basis points of improvement has been achieved. The combined gain of 270 basis points means that we have already achieved our target, well ahead of schedule.

Wound Closure and Sealants

Wound Closure and Sealants revenue was up 232% to £10.4 million (2011 H1: £3.1 million).

LiquiBand® in the US

LiquiBand® has increased its volume market shares in the US to an estimated 6% and 10% of the hospital market and non-hospital or alternate site market, respectively. These compare favourably with 5% and 8% at the end of 2011, demonstrating that LiquiBand®'s combination of technical superiority and price competitiveness is continuing to take market share from the leading brand. Revenues, however, remained flat in 2012 H1 as end-customer sales continue to be satisfied from existing stock held with distributors but we anticipate that LiquiBand®'s progress in the US will be better reflected in increased ex-factory sales during the second half.

The LiquiBand® range was increased at the beginning of 2012 by the launch of LiquiBand® Flex, our protective, anti-microbial liquid bandage which has recently won its first contract with a major US hospital group. Distributor agreements have also been signed with an additional five specialised regional distributors with a strong OR focus, increasing the number of distributors promoting LiquiBand® products in the US to nine. This now provides us with strong coverage of the majority of the US for our LiquiBand® range.

As anticipated, one of our distributors has now launched, in August 2012, its own-brand tissue adhesive alongside LiquiBand® in the US. We view this launch positively as we anticipate a reinvigoration of tissue adhesives sales activity resulting from the new marketing campaign promoting both products.

LiquiBand® in other markets

In both the UK and Europe, we have again maintained our leading market shares. Sales in the UK grew by 8% in 2012 H1 while direct sales in Germany increased by 15%. Sales in the remainder of Europe, which are made through distributors, are small and fell 23%.

In the UK we have also replaced our OR distributor with our own small sales team totally focusing on this opportunity directly. This initiative is in its early stages but we are pleased that we have already won an initial contract with a leading hospital group for tissue adhesives.

Elsewhere, we continue to make steady and encouraging progress in both Japan and Canada, although both markets are at early stages in development terms and our revenues are currently small. In China, the process of obtaining regulatory approval for LiquiBand® continues, as do preliminary discussions with potential partners. We have started the regulatory approval process for LiquiBand® in Russia and are on track to potentially obtain multiple product approvals before the year end.

Sutures and dental products

These consist of a range of branded absorbable and non-absorbable sutures, including some for the dental/oral surgery market, which are marketed directly into the OR in Germany, the Czech Republic and Russia. Revenues in 2012 H1 were £6.8 million, an increase of 9% over the same period in 2011. Revenues from sutures and dental products are not included in the 2011 Group numbers and are provided purely for comparative purposes.

InteguSeal®

Revenues remain small but we are unchanged in our view that InteguSeal® is an excellent product. In this regard, we have reached agreement with Kimberley Clark to take back all rights to InteguSeal® in Germany from the beginning of 2013, following which we will channel the product via the German sales team directly into Europe's largest OR market.

RESORBA® integration

Since this acquisition completed on 22 December 2011, we have had a team of senior personnel working on integrating the businesses. This process is progressing well and on schedule.

The German group of companies is being restructured with the result that the trading company of RESORBA® will be known as RESORBA® Medical GmbH. A further result of this reorganisation is that, now that all primary functions report directly into the UK Head Office, Christian Huber, the former CEO, has left the business.

There have been a number of important developments in relation to the acquisition in the first six months, some of which have been referred to elsewhere in this report. The key ones are:

- LiquiBand®: sales in Germany increased by 15% in 2012 H1
LiquiBand® Flex launched in Germany in 2012 Q2
LiquiBand® products to be launched in the Czech Republic in 2012 H2
regulatory approval process for oral surgery use in Europe in process
regulatory approval process for Russia in process
- InteguSeal®: to be relaunched in Germany in 2013
- RESORBA® : suture and collagen products included in successful major NHS tender to supply products from October 2012
regulatory strategy being developed for selling sutures into the US market

Research and Development (R&D)

The upgrade to our foam technology range with the introduction of trilaminate dressings has been completed. We have received CE mark certification and have launched the range during Q3 2012.

Our hernia mesh fixation device, developed with the support of Surgical Innovations Group, has successfully passed the feasibility stage and has now moved into full scale development, keeping us on track for a potential European launch in late 2013.

Our work with Sinclair IS Pharma on their Delmopinol® 'anti-biofilm' technology has however not been as successful as we had hoped. Initial results were encouraging, but subsequent testing has revealed some formulation challenges with foam as well as weakness against one chronic-wound bacterium. Whilst disappointing, the otherwise positive results mean that we are actively looking to identify alternative solutions.

Elsewhere, a considerable amount of R&D work is ongoing in the Group, in both the UK and Germany, with a number of projects at various stages of development. To highlight a few projects that are more advanced, we are working on various new fibre dressing variations, the development of our collagen technology for the chronic woundcare market, and a new form of anti-microbial dressing that is not based on silver technology. The latter could be available for launch before the end of 2012.

Financial Review

Summary

The Group is reporting its Interim Results under its existing business segments of Advanced Woundcare and Wound Closure and Sealants, with the collagen products acquired with the RESORBA® acquisition being reported under Advanced Woundcare and sutures and dental products being reported as part of Wound Closure and Sealants. We are currently reviewing the way we report the various business operations to reflect more accurately the way the business will be organised following the recent acquisition.

Reported revenue increased by 52% to £24.8 million (2011 H1: £16.3 million). At constant currency (that is re-translating the current period's performance at the previous period's exchange rates), revenue growth would have been 55%.

The Group had £0.6 million of exceptional items in the first half of 2012 (2011 H1: £nil) relating to integration and restructuring costs associated with the acquisition of the RESORBA® business. Amortisation of acquired intangible assets was £0.2 million in the six month period (2011 H1: £0.1 million).

Comparisons with 2011 are made on a pre-exceptional, pre-amortisation of acquired intangible asset cost basis as we believe that this provides a fairer representation of the Group's trading performance. To aid comparison, the Group's adjusted income statement is summarised in Table 1 below.

Business Review continued

Table 1

Adjusted Income Statement	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000	Change
Revenue	24,766	16,251	52.4%
Gross profit	13,691	7,565	81.0%
Distribution costs	(277)	(150)	
Administrative expenses ¹	(7,743)	(4,849)	
Other income	82	134	
Adjusted operating profit	5,753	2,700	113.1%
Net finance costs	(403)	3	
Adjusted profit before tax	5,350	2,703	97.9%
Amortisation of acquired intangibles	(242)	(84)	
Exceptional items	(610)	–	
Profit before tax	4,498	2,619	71.7%
Tax	(638)	50	
Profit for the period	3,860	2,669	44.6%
Adjusted earnings per share – basic ²	2.31p	1.78p	29.8%
Earnings per share – basic ²	1.89p	1.72p	9.9%
Adjusted earnings per share – diluted ²	2.27p	1.74p	30.5%
Earnings per share – diluted ²	1.87p	1.68p	11.3%

1 Administration expenses exclude exceptional items and amortisation of acquired intangible assets

2 See Note 4 Earnings per share for details of calculation

Adjusted operating profit increased by 113% to £5.8 million (2011 H1: £2.7 million) and the adjusted operating margin increased by 660 basis points to 23.2% (2011 H1: 16.6%).

Adjusted basic earnings per share increased by 30% to 2.31p (2011 H1: 1.78p) and adjusted fully diluted earnings per share by 30% to 2.27p (2011 H1: 1.74p).

The Group generated net cash from operating activities of £4.9 million and had net debt of £10.6 million at the half year (2011 H1: net funds of £3.1 million).

Income Statement

Revenues

Advanced Woundcare revenues increased by 10% to £14.4 million (2011 H1: £13.1 million). Newly acquired collagen products contributed £1.4 million to this growth.

The Wound Closure and Sealants business grew by 232% to £10.4 million (2011 H1: £3.1 million). Sutures and dental products contributed £6.8 million to this growth.

Geographic breakdown of revenues

Following the acquisition of RESORBA®, the geographic breakdown of Group revenues in 2012 H1 is shown in Table 2 below:

Table 2

£ millions	2012 H1	% of total	2011 H1	% of total
Europe (excluding UK)	15.0	60.6	7.3	44.6
UK	4.8	19.3	4.1	25.4
USA	4.6	18.6	4.6	28.4
Rest of World	0.4	1.5	0.3	1.6

Whilst over 85% of RESORBA®'s revenues are in Euros, across the Group less than 40% of revenues are in Euros as most sales made from the UK to Europe are denominated in Sterling and most sales into the US are denominated in US Dollars. The Group's policy is to hedge transactional risk.

Profit from operations

Gross margin across the Group increased by 870 basis points to 55.3% (2011 H1: 46.6%), mainly due to the change in mix of business and the higher margin suture and haemostat products. Gross margin improvements were also delivered from the Winsford site where it is estimated that operational efficiencies delivered approximately 90 basis points of the overall margin gain.

Distribution costs increased to £0.3 million (2011 H1: £0.2 million), reflecting the increased size of the Group. Administrative expenses excluding exceptional items and amortisation of acquired intangibles increased by 60% to £7.7 million (2011 H1: £4.8 million) with selling expenses from the direct sales team in Germany contributing £2.1 million of the increase. R&D expensed was 5% of revenues or £1.3 million (2011 H1: 4% or £0.7 million).

Adjusted operating profit increased by 113% to £5.8 million (2011 H1: £2.7 million) and the adjusted operating margin increased by 660 basis points to 23.2% (2011 H1: 16.6%).

The Advanced Woundcare business segment contributed £3.9 million (2011 H1: £2.8 million) to Group adjusted operating profit, with an improved operating margin of 27% (2011 H1: 21%). This was due to the mix of products as well as greater operating efficiencies. After exceptional items and amortisation, the Advanced Woundcare business segment contributed £3.6 million (2011 H1: £2.8 million) to Group operating profit with an operating margin of 25% (2011 H1: 21%).

The Wound Closure and Sealant business segment contributed £2.8 million (2011 H1: £0.8 million) to Group adjusted operating profit, with an improved operating margin of 27% (2011 H1: 26%). The mix of business, in particular the inclusion of the suture and dental products, contributed to the improvement in operating margin. After amortisation, the Wound Closure and Sealant segment contributed £2.7 million (2011 H1: £0.7 million) to Group operating profit with an operating margin of 26% (2011 H1: 23%).

Profit before tax for the period was 72% higher at £4.5 million (2011 H1: £2.6 million).

The Group effective rate of tax for the six months was 14%. This is reflective of the recognition of previously unrecognised brought forward tax losses in the UK and research and development (R&D) relief. It also reflects the impact of blending profits and losses from different countries and the different tax rates associated with these countries.

Adjusted profit after tax increased by 71% to £4.7 million (2011 H1: £2.7 million), resulting in a 30% increase in adjusted basic earnings per share to 2.31p (2011 H1: 1.78p) and a 30% increase in fully diluted adjusted earnings per share to 2.27p (2011 H1: 1.74p).

Profit after tax (after exceptional items and amortisation) increased 45% to £3.9 million (2011 H1: £2.7 million), resulting in a 10% increase in basic earnings per share to 1.89p (2011 H1: 1.72p) and an 11% increase in fully diluted earnings per share to 1.87p (2011 H1: 1.68p).

The Board intends to pay an interim dividend of 0.17p per share on 2 November 2012 to shareholders on the register on 5 October 2012. This is an increase of 17.2% compared with 2011 H1.

Cash Flow and Balance Sheet

Table 3 summarises the Group cash flows.

Table 3

Cash Flow	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000
Adjusted operating profit (Table 1)	5,753	2,700
Non-cash items	1,114	725
Adjusted EBITDA	6,867	3,425
Working capital movement	(1,275)	(1,906)
Operating cash flow before exceptional items	5,592	1,519
Exceptional items	(610)	–
Operating cash flow after exceptional items	4,982	1,519
Capital expenditure and capitalised R&D	(1,324)	(1,319)
Interest	(403)	(8)
Tax	(121)	–
Free cash flow	3,134	192
Financing	(1,551)	(239)
Dividends paid	(617)	(590)
Proceeds from share issues	143	70
Exchange (losses)/gains	(622)	68
Net increase/(decrease) in cash and cash equivalents	487	(499)

Note: Adjusted EBITDA is earnings before interest, tax, depreciation, intangible asset amortisation and share based payments

The Group had an operating cash flow before exceptional items of £5.6 million (2011 H1: £1.5 million) and a conversion of adjusted operating profit into free cash flow of 55% (2011 H1: 7%).

Exceptional items are the £0.6 million of integration and restructuring costs associated with the acquisition of the RESORBA® business (2011 H1: £nil).

Working capital increased by £1.3 million in the period. Inventory increased by £0.7 million to 3.9 months (2011 H1: 2.2 months) of supply, largely due to the levels of inventory acquired with the acquisition. Trade receivables decreased by £2.2 million due to general geographic mix. Debtor days are 41 (2011 H1: 61), helped by collection in Germany averaging less than 30 days. Trade payables reduced by £2.8 million since the beginning of the year when expenses associated with the acquisition were still outstanding.

We have invested £1.3 million in capital equipment and software in the first six months (2011 H1: £1.3 million). Spend has been incurred in upgrading equipment and business information systems and £0.3 million of R&D spend has been capitalised (2011 H1: £0.1 million).

Finance costs of £0.4 million have been paid on our €25 million term loan facility and the availability of the £8 million revolving credit facility with HSBC.

Taxation of £0.1 million is a payment on account made against the German group of companies.

The Group paid its final dividend for the year ended 31 December 2011 of £0.6 million (2011 H1: £0.6 million) on 15 June 2012.

The Group had a free cash flow of £3.1 million in the period (2011 H1: £0.2 million), enabling a payment of €2 million against the €25 million term loan ahead of schedule.

The fair value exercise following the acquisition of RESORBA® in December 2011 has now been completed following the valuations of land and properties and a further assessment of the intellectual property rights acquired. There was no impact on the 2011 Group Income Statement or Group Cash flow as a result. The restatement of the comparatives is shown in Note 3.

In December 2011, the Group entered into a €25 million amortising term loan facility with HSBC with a final maturity of 31 July 2015. This facility carries an annual interest rate of EURIBOR plus a margin of 1.5% to 2.5% depending on the Group's net debt to EBITDA ratio. On 22 June 2012 the Group repaid €2 million of this facility ahead of the agreed schedule, leaving €23 million drawn down as at 30 June 2012.

On 13 July 2012, subsequent to the period end, the Group converted half of the €23 million term loan into Sterling. The resulting £9.4 million facility carries an annual interest rate of LIBOR plus a margin of 1.5% to 2.5% depending on the Group's net debt to EBITDA ratio. With cash being generated in both Sterling and Euros, this restructuring of the Group's debt will better align the cash flows generated with the repayment of the term loan.

In December 2011, the Group also entered into a £8 million revolving credit facility with HSBC with a final maturity of 31 July 2015. This facility is for general working capital purposes, and carries an annual interest rate of LIBOR plus a margin of 1.5% to 2.5% depending on the Group's net debt to EBITDA ratio. This facility was undrawn as at 30 June 2012.

At the end of the period, the Group had net debt¹ of £10.6 million (2011 H1: net funds² of £3.6 million), a reduction of £2.7 million since 31 December 2011. The movement in net debt during 2012 H1 is reconciled in Table 4 below:

Table 4 Movement in net debt	£'000
Net debt as at 1 January 2012	(13,377)
Exchange rate impacts	87
Free cash flow	3,134
Dividends paid	(617)
Proceeds from share issues	143
Net debt as at 30 June 2012	(10,630)

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

2 Net funds 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 11 and the Group remains comfortably within its lending covenants.

Chris Meredith
Chief Executive Officer
5 September 2012

Mary Tavener
Group Finance Director

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 2012 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement 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 2, 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 2012 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
5 September 2012

Condensed Consolidated Income Statement

for the six months ended 30 June 2012

	Note	(Unaudited)			(Unaudited)			(Audited)		
		Six months ended 30 June 2012			Six months ended 30 June 2011			Year ended 31 December 2011		
		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	24,766	–	24,766	16,251	–	16,251	34,353	–	34,353
Cost of sales		(11,075)	–	(11,075)	(8,686)	–	(8,686)	(18,153)	–	(18,153)
Gross profit		13,691	–	13,691	7,565	–	7,565	16,200	–	16,200
Distribution costs		(277)	–	(277)	(150)	–	(150)	(314)	–	(314)
Administration costs		(7,985)	(610)	(8,595)	(4,933)	–	(4,933)	(9,714)	(1,807)	(11,521)
Other income		82	–	82	134	–	134	226	–	226
Profit/(loss) from operations		5,511	(610)	4,901	2,616	–	2,616	6,398	(1,807)	4,591
Finance income		16	–	16	62	–	62	75	–	75
Finance costs		(419)	–	(419)	(59)	–	(59)	(79)	–	(79)
Profit/(loss) before taxation		5,108	(610)	4,498	2,619	–	2,619	6,394	(1,807)	4,587
Income tax	7	(638)	–	(638)	50	–	50	263	–	263
Profit/(loss) for the period attributable to equity holders of the parent		4,470	(610)	3,860	2,669	–	2,669	6,657	(1,807)	4,850
Earnings per share										
Basic	4	2.19p	(0.30p)	1.89p	1.72p	–	1.72p	4.26p	(1.16p)	3.10p
Diluted	4	2.16p	(0.29p)	1.87p	1.68p	–	1.68p	4.17p	(1.13p)	3.04p
Adjusted diluted	4	2.27p			1.74p			4.28p		

Reconciliation of Adjusted Profit

		£'000	£'000	£'000
Profit/(loss) before taxation		4,498	2,619	4,587
Amortisation of acquired intangible assets		242	84	168
Exceptional items	6	610	–	1,807
Adjusted profit before tax		5,350	2,703	6,562

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) Six months ended 30 June 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
Profit for the period	3,860	2,669	4,850
Exchange differences on translation of foreign operations	(1,655)	277	(158)
(Loss)/gain arising on cash flow hedges	(32)	42	134
Other comprehensive (expense)/income for the period	(1,687)	319	(24)
Total comprehensive income for the period attributable to equity holders of the parent	2,173	2,988	4,826

Condensed Statement of Financial Position

	(Unaudited) 30 June 2012 £'000	(Unaudited) 30 June 2011 £'000	As restated (Audited) 31 December 2011 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	10,596	978	11,227
Software intangibles	948	584	816
Development costs	1,200	817	951
Goodwill	38,115	3,033	39,419
Property, plant and equipment	17,719	13,040	17,819
Deferred tax assets	3,293	2,909	3,524
Trade and other receivables	19	18	21
	71,890	21,379	73,777
Current assets			
Inventories	7,305	3,346	6,714
Trade and other receivables	8,897	7,780	11,098
Current tax assets	–	–	408
Cash and cash equivalents	7,609	3,623	7,122
	23,811	14,749	25,342
Total assets	95,701	36,128	99,119
Liabilities			
Current liabilities			
Trade and other payables	5,102	4,670	8,300
Current tax liabilities	357	–	264
Other taxes payable	676	310	272
Other loans	3,274	–	1,965
Obligations under finance leases	13	20	21
	9,422	5,000	10,822
Non-current liabilities			
Trade and other payables	599	651	625
Other loans	14,947	–	18,507
Deferred tax liabilities	2,768	–	2,947
Obligations under finance leases	5	16	6
	18,319	667	22,085
Total liabilities	27,741	5,667	32,907
Net assets	67,960	30,461	66,212
Equity			
Share capital	10,209	7,760	10,176
Share premium	31,850	364	31,704
Share-based payments reserve	954	600	779
Investment in own shares	(77)	(40)	(40)
Share-based payments deferred tax reserve	506	427	631
Other reserve	1,531	1,531	1,531
Hedging reserve	–	(60)	32
Translation reserve	(1,796)	294	(141)
Retained earnings	24,783	19,585	21,540
Equity attributable to equity holders of the parent	67,960	30,461	66,212

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 2012 (audited)	10,176	31,704	779	(40)	631	1,531	32	(141)	21,540	66,212
Consolidated profit for the period to 30 June 2012	-	-	-	-	-	-	-	-	3,860	3,860
Other comprehensive income	-	-	-	-	-	-	(32)	(1,655)	-	(1,687)
Total comprehensive income	-	-	-	-	-	-	(32)	(1,655)	3,860	2,173
Share-based payments	-	-	181	-	(125)	-	-	-	-	56
Issue of share capital	2	-	-	-	-	-	-	-	-	2
Share options exercised	31	146	(6)	-	-	-	-	-	-	171
Shares purchased by EBT	-	-	-	(81)	-	-	-	-	-	(81)
Shares sold by EBT	-	-	-	44	-	-	-	-	-	44
Dividends paid	-	-	-	-	-	-	-	-	(617)	(617)
At 30 June 2012 (unaudited)	10,209	31,850	954	(77)	506	1,531	-	(1,796)	24,783	67,960
	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 2011 (audited)	7,740	306	442	(37)	397	1,531	(102)	17	17,506	27,800
Consolidated profit for the period to 30 June 2011	-	-	-	-	-	-	-	-	2,669	2,669
Other comprehensive income	-	-	-	-	-	-	42	277	-	319
Total comprehensive income	-	-	-	-	-	-	42	277	2,669	2,988
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 paid	-	-	-	-	-	-	-	-	(590)	(590)
At 30 June 2011 (unaudited)	7,760	364	600	(40)	427	1,531	(60)	294	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	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2011 (audited)	7,740	306	442	(37)	397	1,531	(102)	17	17,506	27,800
Consolidated profit for the year to 31 December 2011	-	-	-	-	-	-	-	-	4,850	4,850
Other comprehensive income	-	-	-	-	-	-	134	(158)	-	(24)
Total comprehensive income	-	-	-	-	-	-	134	(158)	4,850	4,826
Share-based payments	-	-	337	-	234	-	-	-	-	571
Issue of share capital	2,411	31,316	-	-	-	-	-	-	-	33,727
Share options exercised	25	82	-	-	-	-	-	-	-	107
Shares purchased by EBT	-	-	-	(75)	-	-	-	-	-	(75)
Shares sold by EBT	-	-	-	72	-	-	-	-	-	72
Dividends paid	-	-	-	-	-	-	-	-	(816)	(816)
At 31 December 2011 (audited)	10,176	31,704	779	(40)	631	1,531	32	(141)	21,540	66,212

Condensed Consolidated Statement of Cash Flows

	(Unaudited) Six months ended 30 June 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
Cash flows from operating activities			
Profit from operations	4,901	2,616	4,591
Adjustments for:			
Depreciation	871	515	1,115
Amortisation – intellectual property rights	242	84	168
– development costs	56	41	85
– software intangibles	12	6	12
Increase in inventories	(706)	(834)	(936)
Decrease/(increase) in trade and other receivables	2,200	(1,686)	(3,029)
(Decrease)/increase in trade and other payables	(2,769)	614	2,574
Share-based payments expense	175	163	337
Taxation	(121)	–	–
Net cash inflow from operating activities	4,861	1,519	4,917
Cash flows from investing activities			
Purchase of software	(105)	(191)	(812)
Capitalised research and development	(304)	(87)	(266)
Purchases of property, plant and equipment	(915)	(1,041)	(1,461)
Interest received	16	–	75
Acquisition of subsidiary	–	–	(53,130)
Net cash used in investing activities	(1,308)	(1,319)	(55,594)
Cash flows from financing activities			
Dividends paid	(617)	(590)	(816)
Finance lease	(10)	(9)	(20)
Repayment of secured loan	(1,541)	(230)	(251)
New bank loan raised	–	–	20,921
Debt issue costs	–	–	(56)
Issue of equity shares	179	73	33,902
Shares purchased by EBT	(81)	(75)	(75)
Shares sold by EBT	45	72	72
Interest paid	(419)	(8)	(68)
Net cash (used in)/from financing activities	(2,444)	(767)	53,609
Net increase/(decrease) in cash and cash equivalents	1,109	(567)	2,932
Cash and cash equivalents at the beginning of the period	7,122	4,122	4,122
Effect of foreign exchange rate changes	(622)	68	68
Cash and cash equivalents at the end of the period	7,609	3,623	7,122

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, 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 2011 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 2011 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 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 annual financial statements of Advanced Medical Solutions Group plc were 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 have been prepared in accordance with the International Account Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Restatement of comparatives

As required by IFRS3 – 'Business Combinations', any adjustments in the hindsight period to the provisional fair value of the assets and liabilities acquired with a business should be adjusted as if the amendments had occurred on the acquisition date. As a consequence, following the completion of the fair value exercise in relation to the acquisition of RESORBA® in 2011, the Group Balance Sheet as at 31 December 2011 has been restated to reflect the adjustments made. The impact of these adjustments is as follows

	As reported 31 December 2011 £'000	Restatement £'000	As restated 31 December 2011 £'000
Acquired intellectual property rights	12,658	(1,431)	11,227
Goodwill	39,259	160	39,419
Property, plant and equipment	16,954	865	17,819
Deferred tax liabilities	(3,353)	406	(2,947)
	65,518	-	65,518

There is no material impact on the 2011 condensed consolidated income statement or condensed consolidated cash flow statement as a result of the above changes.

4. Earnings per share

	(Unaudited) Six months ended 30 June 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	3,860	2,669	4,850
Number of shares	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	203,683	154,908	156,398
Effect of dilutive potential ordinary shares: share options, deferred share bonus, LTIPs	3,023	3,621	3,165
Weighted average number of ordinary shares for the purposes of diluted earnings per share	206,706	158,529	159,563

Notes Forming Part of the Condensed Consolidated Financial Statements continued

4. Earnings per share continued

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

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 amortisation of associated intangible assets and exceptional items is based on earnings of:

	(Unaudited) Six months ended 30 June 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	3,860	2,669	4,850
Exceptional items	610	–	1,807
Amortisation of acquired intangible assets	242	84	168
Earnings excluding exceptional items and amortisation of acquired intangible assets	4,712	2,753	6,825

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 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
Adjusted basic EPS	2.31p	1.78p	4.36p
Adjusted diluted EPS	2.27p	1.74p	4.28p

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

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.

The RESORBA® business has been allocated to the existing segments. The Directors are in the process of reviewing the ongoing business segments.

There are no inter segment sales.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments, and related revenue, corporate assets, head office expenses and income tax assets. These are the measures reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

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 are the research, development, manufacture and distribution of medical adhesives, sutures and products for closing and sealing tissue.

Segment information about these businesses is presented below.

Six months ended 30 June 2012 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Revenue			
External sales	14,390	10,376	24,766

There are no inter segment sales

Six months ended 30 June 2012 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Result			
Segment result	3,642	2,689	6,331
Unallocated expenses			(1,430)
Profit from operations			4,901
Finance income			16
Finance costs			(419)
Profit before tax			4,498
Tax			(638)
Profit for the period			3,860

Unallocated expenses include £449,000 of exceptional costs incurred in respect of the integration of RESORBA®. The remainder of exceptional costs have been allocated to Advanced Woundcare.

At 30 June 2012 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Unallocated £'000	Consolidated £'000
Other Information				
Capital additions:				
Software intangibles	90	5	10	105
Research & development	277	27	–	304
Property, plant and equipment	783	51	81	915
Depreciation and amortisation	642	329	210	1,181
Balance sheet				
Assets				
Segment assets	42,283	50,994		93,277
Unallocated assets				2,424
Consolidated total assets				95,701
Liabilities				
Segment liabilities	4,686	4,047		8,733
Unallocated liabilities				19,008
Consolidated total liabilities				27,741

Notes Forming Part of the Condensed Consolidated Financial Statements continued

5. Segment information continued

Six months ended 30 June 2011 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Revenue			
External sales	13,127	3,124	16,251

There are no inter segment sales

Six months ended 30 June 2011 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
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			50
Profit for the period			2,669

At 30 June 2011 (unaudited)	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Other Information			
Capital additions:			
Software intangibles	188	3	191
Research & 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			3,111
Consolidated total assets			36,128
Liabilities			
Segment liabilities	4,800	677	5,477
Unallocated liabilities			190
Consolidated total liabilities			5,667

Year ended 31 December 2011 (audited)	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Revenue			
External sales	27,688	6,665	34,353

There are no inter segment sales

Year ended 31 December 2011 (audited)	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Result			
Segment result	6,213	1,406	7,619
Unallocated expenses			(3,028)
Profit from operations			4,591
Finance income			75
Finance costs			(79)
Profit before tax			4,587
Tax			263
Profit for the year			4,850

Unallocated costs included £1,807,000 of exceptional costs incurred in respect of the acquisition of RESORBA®.

5. Segment information continued

At 31 December 2011 (audited) Other Information	Advanced woundcare £'000	Wound closure & sealants £'000	Consolidated £'000
Capital additions:			
Software intangibles	808	4	812
Research & development	245	21	266
Property, plant and equipment	1,296	98	1,394
Depreciation and amortisation	1,022	358	1,380
Balance sheet			
Assets			
Segment assets	42,252	54,522	96,774
Unallocated assets			2,345
Consolidated total assets			99,119
Liabilities			
Segment liabilities	6,186	4,528	10,714
Unallocated liabilities			22,193
Consolidated total liabilities			32,907

The assets and liabilities of RESORBA® have been allocated into the business segments in the above table.

Geographical segments

The Group operates in the UK, Germany, the Netherlands, the Czech Republic and Russia, with a sales office in the USA. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

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

	(Unaudited) Six months ended 30 June 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
United Kingdom	4,778	4,127	9,225
Europe excluding United Kingdom	15,015	7,251	15,660
United States of America	4,617	4,620	9,005
Rest of World	356	253	463
	24,766	16,251	34,353

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

	(Unaudited) Six months ended 30 June 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
United Kingdom	32,258	33,253	36,352
Europe excluding United Kingdom	63,397	2,844	62,729
United States of America	46	31	38
	95,701	36,128	99,119

6. Exceptional items

In 2011, the Group acquired the entire share capital of RESORBA®, incurring exceptional expenditure of £1,807,000 in the period. During the six month period ended 30 June 2012, the Group incurred £610,000 of exceptional costs relating to the integration of the RESORBA® business.

7. Taxation

UK Corporation Tax for the six month period is charged at 25% (six months ended June 2011: 26.5%, year ended 31 December 2011: 27%). The effective rate of current tax for the six months ended 30 June 2012 was 14.2% (six months ended June 2011: credit of 2%) reflecting management's best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period after the application of losses brought forward and research and development 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.

Notes Forming Part of the Condensed Consolidated Financial Statements continued

8. Dividends

Amounts recognised as distributions to equity holders in the period:

	(Unaudited) Six months ended 30 June 2012 £'000	(Unaudited) Six months ended 30 June 2011 £'000	(Audited) Year ended 31 December 2011 £'000
Final dividend for the year ended 31 December 2010 of 0.38p per ordinary share	–	590	590
Interim dividend for the year ended 31 December 2011 of 0.145p (2010: nil) per ordinary share	–	–	226
Final dividend for the year ended 31 December 2011 of 0.305p (2010: 0.38p) per ordinary share	617	–	–
	617	590	816

The Board intends to pay an interim dividend of 0.17p per share (2011 H1: 0.145p) on 2 November 2012 to shareholders on the register at the close of business on 5 October 2012.

9. Contingent liabilities

The Directors are not aware of any contingent liabilities faced by the Group as at 30 June 2012 (30 June 2011: £nil, 31 December 2011: £nil).

10. Share capital

Share capital as at 30 June 2012 amounted to £10,209,000 (30 June 2011: £7,760,000, 31 December 2011: £10,176,000). During the period, the Group issued 632,000 shares in respect of exercised share options and 33,000 shares in respect of the Deferred Share Bonus Scheme.

11. Going concern

In carrying out their duties in respect of going concern, the Directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

With regards to the Group's financial position, it had cash and cash equivalents at 30 June 2012 of £7.6 million, and a €23 million term loan repayable by 31 July 2015 which was fully drawn down. The Group also has in place a revolving credit facility of £8 million, which has not been drawn down and expires on 31 July 2015.

The covenants in place are that net debt to EBITDA must be less than 2.75 times and that EBITDA must be greater than 5 times net interest. The Group remains comfortably within its borrowing covenants.

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.

Having taken the above into consideration the Directors have reached a 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 preliminary announcement.

12. Principal risks and uncertainties

Further detail concerning the principal risks affecting the business activities of the Group is detailed on pages 23-24 of the Annual Report and Accounts for the year ended 31 December 2011. 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, however, traditionally revenues are more heavily weighted towards the second half of the year.

14. Events after the balance sheet date

The Group has obtained a first contract award for LiquiBand® Flex with a major US hospital group and now has agreements in place with an additional five US distributors. It has also been successful in tendering to supply sutures, haemostats and tissue adhesives to the NHS for a three year period starting October 2012. There have been no other material events subsequent to the end of the interim reporting period ended 30 June 2012.

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 plc

Registered Office:
Premier Park, 33 Road One
Winsford Industrial Estate
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