

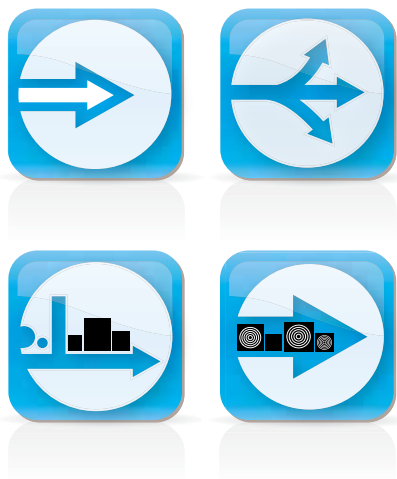


Advanced Medical Solutions Group plc

Structured for Growth

Interim Report 2013





Financial Highlights:

- Group revenue up 11% to £27.4 million (2012 H1: £24.8 million), or 9% on a constant currency basis¹
- Adjusted² operating margin up 60 bps to 23.8% (2012 H1: 23.2%)
- Adjusted² profit before tax up 15% to £6.2 million (2012 H1: £5.4 million)
 - profit before tax up 33% to £6.0 million (2012 H1: £4.5 million)
- Adjusted² diluted earnings per share up 14% to 2.59p (2012 H1: 2.27p)
 - diluted earnings per share up 33% to 2.49p (2012 H1: 1.87p)
- Net operating cash flow³ of £5.1 million (2012 H1: £5.0 million)
- Net debt reduced to £2.6 million (31 December 2012: £5.5 million)
- Interim dividend of 0.19p per share (2012 H1: 0.17p), an 11.8% increase

Business Highlights:

- Reorganisation of the Group into four Business Units already delivering results
- Progress in the US with LiquiBand® tissue adhesive range
 - market share by volume increased to 17% in the alternate site segment and unchanged at around 4% in the hospital segment
 - FDA clearance in June 2013 for 2-octyl cyanoacrylate tissue adhesive enhances range
 - further distribution partnership agreements signed

- ActivHeal® continues to make progress in the NHS, with a 25% increase in revenues compared with 2012 H1
- Steady progress with RESORBA® brands, resulting in 4% growth in Germany to £6.7 million
 - sales of haemostats to hospitals grew 17% following expansion of product range
 - direct sales of sutures and cones for dental surgery increased 11%
- Silver alginate growth continues with a 28% increase over 2012 H1
- Board strengthened with the appointment of Peter M. Steinmann as Non-Executive Director

Subsequent Events:

- Approval to market LiquiBand® in Russia received 6 September 2013

- 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 2013 H1, were £nil million (2012 H1: £0.6 million) and before amortisation of acquired intangible assets which, in 2013 H1, were £0.2 million (2012 H1: £0.2 million) as defined in the financial review
- 3 Operating cash flow is arrived at by taking the operating profit for the year and adjusting it for depreciation, amortisation, working capital movements, exceptional items and other non cash items

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Chairman's Statement

Introduction

I am pleased to report that AMS has performed well in the first half of 2013 and that we are on track to deliver another year of good growth for the Group.

Financial Highlights

Reported Group revenue was up 11% to £27.4 million. At constant currency, revenue increased by 9%.

Adjusted operating margin increased by 60 bps to 23.8% (2012 H1: 23.2%) as the Group continues to make operational improvements. After net finance costs of £0.4 million (2012 H1: £0.4 million), adjusted profit before tax increased by 15% to £6.2 million (2012 H1: £5.4 million).

Adjusted diluted earnings per share¹ increased by 14% to 2.59p (2012 H1: 2.27p) and diluted earnings per share¹ increased by 33% to 2.49p (2012 H1: 1.87p).

With continuing strong cash generation, the Group reduced its net debt at 30 June 2013 to £2.6 million (2012 H1: net debt of £10.6 million) and expects to have net funds by the end of 2013.

Key Achievements

The reorganisation of the Group into four Business Units is proving successful in delivering benefits to Group performance.

The Branded Direct business has continued to develop the ActivHeal® brand and has achieved a 25% increase in revenues through range extension and by winning new NHS Trusts. The new UK surgical sales team is also starting to see results, with LiquiBand® now being sold into Operating Rooms in the UK, and the German sales team has seen particular success with its range of RESORBA® branded haemostats which include RESORBA®'s collagen technology.

The Branded Distributed business has had a steady start to the year. In the US, LiquiBand®'s market share by volume has increased to 17% in the alternate site segment and we are pleased with the progress being made by our partner. In the hospital segment, our market share by volume has remained unchanged at around 4%. Following the FDA clearance in June 2013 for our 2-octyl cyanoacrylate tissue adhesive, we are completing further clinical studies that will allow us to make enhanced claims for this product. We have agreed terms with a distribution partner and expect this product to launch later this year. We expect to see growth in this segment from this launch and from our existing distributorship agreements.

The OEM business is progressing well with 14% growth over 2012 H1. Our ranges of silver alginate products have grown 28% compared with the first six months of 2012, with new geographical markets being accessed. New agreements have also been put in place with partners for our trilaminar foam dressing range, with launches agreed for the second half of the year.

The Bulk Materials business has seen modest growth in the first six months with orders from existing partners not at the level we would have anticipated, although an increase in sales is still expected this year. Agreements have also been signed with new partners which we expect to deliver sales in H2.

Dividend

The Board intends to pay an interim dividend of 0.19p per share (2012 H1: 0.17p), an increase of 11.8%, on 1 November 2013 to shareholders on the register at the close of business on 4 October 2013.

Board

We were pleased to welcome Peter M. Steinmann to the Board, who joined as a Non-Executive Director on 1 July 2013. Peter has extensive commercial experience and knowledge of the global medical devices market and will provide valuable counsel as the Group continues to expand into new markets.

As I indicated in the Report & Accounts for 2012 I intend to retire as Chairman this year. The process of recruiting my replacement is ongoing and we expect to make an announcement before the end of the year.

Employees

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

Outlook

I am pleased to inform shareholders that the Group continues to trade in line with current market expectations for the full year of 2013.

Our Branded Direct business continues to grow, with ActivHeal® and the RESORBA® brands performing strongly; we expect this to continue in the second half of 2013. LiquiBand®'s growing presence in the US, together with the launch of our extended range of tissue adhesives, is expected to drive second half growth in the Branded Distributed business. Revenues from our OEM business partners continue to do well, with sales of silver alginate and our converted foam dressing ranges supporting growth. We also expect our Bulk Materials business to return to growth in the second half.

Looking ahead, we believe there are further opportunities for tissue adhesives in the US and that we have yet to exploit fully the export opportunities with our RESORBA® products. Approval of our hernia mesh fixation device for Europe is now expected in early 2014 and will provide us with another product offering to help strengthen our growing presence in the Operating Room.

The Group's prospects remain excellent and we look forward to the future with confidence.

Dr. Don W. Evans
Chairman

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

Business Review

Branded Direct

Branded Direct revenue was 11% higher at £11.0 million (2012 H1: £9.9 million) and 9% higher at constant currency.

ActivHeal®

Sales of our ActivHeal® range of wound care dressings into the NHS were 25% ahead at £2.5 million (2012 H1: £2.0 million). Sales growth has been achieved through a combination of existing hospitals using ActivHeal® as a product of first choice, existing hospitals taking a broader range of dressings and some Primary Care Trusts taking some of the ActivHeal® range for the first time. In particular, our new range of foam dressings and our reinforced aquafiber dressings are generating considerable interest. We have also received notice that our Northern Ireland woundcare contract has been extended until 31 January 2016.

The ActivHeal® proposition of delivering significant cost savings without compromising clinical outcome or patient care continues to appeal to NHS Trusts and hence we expect good growth to continue from this brand.

LiquiBand®

LiquiBand® sales in the UK increased by 14% to £1.4 million (2012 H1: £1.2 million). Sales into the Accident and Emergency Room grew at 4%, reflecting the significant market share already taken by LiquiBand® in this area. Growth has mainly been achieved by our new surgical sales team who are able to access the Operating Room with our extended range of products that now include haemostats and sutures. This is an area which offers much potential.

While it can take some time for new products such as our RESORBA® haemostats and sutures to be fully evaluated by a UK Hospital Trust, we are already seeing sales of LiquiBand®, which is better known, for use in surgical applications. To exploit this opportunity better, we have hired a manager to drive our UK surgical sales force and have set up a small training team that will work across the Group supporting our sales personnel with product training.

Sales of LiquiBand® into Germany grew by 4% which was lower than we expected.

RESORBA®

Sales into the German domestic market grew by 6% to £6.7 million (2012 H1: £6.3 million), and by 4% at constant currency. Within this, sales of haemostats increased by 17% to £1.7 million, helped by the launch of new products that have been added to the range, and there was an 11% increase to £2.0 million in sales of sutures and dental cones into the dental market. Going forward, the sales team in Germany is being strengthened by the addition of a manager who will be responsible for negotiating with the large buying groups in Germany, who are becoming increasingly important.

In the UK, there has so far only been a low level of sales of RESORBA® sutures and haemostats, although several significant evaluations are ongoing. We expect growth to be steady and to build as the NHS becomes more familiar with the RESORBA® brand.

Research and Development (R&D) is focusing on extending the attributes of our collagens to meet the needs of dental practitioners and oral surgeons.

Branded Distributed

Branded Distributed revenue was 5% higher at £3.5 million (2012 H1: £3.3 million) and 3% higher at constant currency.

LiquiBand® in the US

LiquiBand® has increased its volume market share in the US non-hospital or alternate site market to an estimated 17%, demonstrating that, with the right partner, LiquiBand®'s combination of technical superiority and price competitiveness is able to take market share from the leading brand.

In the hospital sector, which is the dominant part of the US tissue adhesive market, our volume market share has remained flat at around 4%. To address this, we have signed further partnership agreements with major distributors that will give us national reach in the US, as well as enhancing our tissue adhesive range with an octyl formulation of cyanoacrylate. We received FDA clearance for our 2-octyl cyanoacrylate on 3 June 2013 and are currently completing some clinical studies that will allow us to launch this product with enhanced claims later in the year with a partner that is focused on the acute care sector. We will now be able to offer a full range of tissue adhesives, with butyl cyanoacrylate formulations that are fast-setting and are particularly appropriate for closing wounds, as well as more film-forming adhesives based on octyl formulations that lend themselves more to liquid bandage applications.

Sales of LiquiBand® to the US increased by 2% in the first half to £0.8 million at both reported and constant currency. We expect, however, to report better progress in the US market for the full year.

LiquiBand® in the EU and ROW

Within the EU and ROW, LiquiBand® sales through our export distributors have performed well and sales increased by 27% to £0.6 million (2012 H1: £0.5 million) at both reported and constant currency.

In Russia, the regulatory approval process for LiquiBand® was slightly delayed as a result of procedural changes within Roszdravnadzor, the Russian Ministry of Health, however, approval has now been received on 6 September. A number of small tenders have already been won and the product is eagerly awaited.

Regulatory approval for LiquiBand® in China is progressing to plan and is expected in 2014.

Hernia mesh fixation device

Work continues on obtaining approval for the hernia mesh fixation device for the European market. Due to a minor change of the applicator, there will be a slight delay in the submission process and it is more likely that approval will be received in 2014 Q1.

RESORBA® sutures and dental products

Sales of sutures and dental products grew by 5% at constant currency to £2.1 million (2012 H1: £1.9 million), and by 7% at reported currency. Growth was seen across most territories, with our Chinese distributor performing strongly. Several new distributorships have been agreed, enabling products to be sold into a number of Asian markets with launch sales expected in the second half of the year.

Sales into the Russian market were down by 4% at constant currency and by 1% at reported currency to £0.7 million (2012 H1: £0.7 million). Supply of products had been temporarily disrupted due to a requirement to re-register all products with the Russian regulatory body. This process has now been completed and growth is expected to resume.

Work is also ongoing to gain approval to supply RESORBA® sutures and haemostats into the US market. We expect approval to be received by mid 2014 and to be able to launch products with a partner shortly thereafter.

OEM

The OEM business increased by 14% at constant and reported currency to £10.7 million (2012 H1: £9.4 million).

Good growth has been seen in our sales of advanced woundcare products to our OEM partners. Our silver alginate ranges of dressings increased by 28% at constant currency and by 29% at reported currency to £5.8 million (2012 H1: £4.5 million), with our partners continuing to take market share from the market leader and also taking products into new markets such as the Middle East.

New contracts have also been agreed to supply our range of trilaminate foam dressings throughout Europe, with sales expected in the second half of 2013.

The Group has been the subject of some extensive regulatory audits by a number of overseas bodies, including evaluations from both Brazil and South Korea. Having successfully passed all these audits, we are now able to supply a comprehensive range of products into these territories.

This business unit is further developing our foam range to include an antimicrobial foam, which is expected to launch in the US before the end of the year and in Europe in the first half of 2014.

Bulk Materials

Bulk Materials revenues increased by 2% at constant currency and reduced by 1% at reported currency to £2.2 million (2012 H1: £2.2 million).

The foam rollstock business has yet to see significant repeat orders following the pipe-line filling that occurred in 2011 as a result of a customer's product launches. We still expect to see product re-orders from this customer in the current year. In addition, a number of new contracts have also been agreed with other customers, which should underpin business in the current year.

In terms of R&D, this business unit continues to focus on developing new foam formulations with antimicrobials, working in conjunction with the OEM business unit.

Operations

Continuous improvements in operations across the Group are enabling AMS to meet the increased production volumes needed for growth without significant capital expenditure being required. Our new Group head of Quality and Regulatory started at the beginning of May and is streamlining quality and regulatory processes across our various sites to bring them under one Group standard that meets European CE marking and US FDA medical device regulation requirements.

Across the business, we have been investing in improving our ERP (Enterprise Resource Planning) management and reporting systems. Following a successful launch at our Plymouth site, our new ERP system is being extended to both Winsford and Etten Leur, with Winsford expected to launch in 2014 Q1 and Etten Leur in 2014 Q3.

Financial Review

Summary

Revenue increased by 11% to £27.4 million (2012 H1: £24.8 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 9%.

The Group had no exceptional items in the first half of 2013 (2012 H1: £0.6 million exceptional costs). Amortisation of acquired intangible assets was £0.2 million in the six month period (2012 H1: £0.2 million).

Comparisons with 2012 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.

Table 1

	Six months ended 30 June 2013 £'000	Six months ended 30 June 2012 £'000	Change
Adjusted Income Statement			
Revenue	27,392	24,766	10.6%
Gross profit	15,644	13,691	14.3%
Distribution costs	(324)	(277)	
Administration expenses ²	(8,882)	(7,743)	
Other income	90	82	
Adjusted operating profit	6,528	5,753	13.5%
Net finance costs	(361)	(403)	
Adjusted profit before tax	6,167	5,350	15.3%
Amortisation of acquired intangibles	(200)	(242)	
Exceptional items	-	(610)	
Profit before tax	5,967	4,498	32.7%
Tax	(778)	(638)	
Profit for the period	5,189	3,860	34.4%
Adjusted earnings per share			
– basic ³	2.63p	2.31p	13.9%
Earnings per share – basic ³	2.53p	1.89p	33.9%
Adjusted earnings per share			
– diluted ³	2.59p	2.27p	14.1%
Earnings per share – diluted ³	2.49p	1.87p	33.2%

² Administration expenses exclude exceptional items and amortisation of acquired intangible assets

³ See Note 4 Earnings per share for details of calculation

Gross margin improved by 180 bps to 57.1% (2012 H1: 55.3%), with improvements arising from operational efficiencies at both the Winsford and Etten Leur sites.

Adjusted operating profit increased by 13% to £6.5 million (2012 H1: £5.8 million) and the adjusted operating margin increased by 60 bps to 23.8% (2012 H1: 23.2%).

Adjusted diluted earnings per share increased by 14% to 2.59p (2012 H1: 2.27p) and diluted earnings per share increased by 33% to 2.49p (2012 H1: 1.87p).

The Group generated net cash from operating activities of £6.3 million (2012 H1: £4.9 million) and had net debt of £2.6 million at the half year end (2012 H1: net debt of £10.6 million).

Business Review continued

The Group expects to have net funds by the end of 2013 and to have repaid the debt element of the funding raised to acquire RESORBA® at the end of 2011 within two years. This will leave the Group with 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 amortisation of acquired intangibles. Exceptional expenses are not allocated to business units and are included within unallocated expenses.

Table 2

Operating result by business segment Six months ended 30 June 2013	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000
Revenue	11,001	3,465	10,743	2,571
Profit from operations	2,906	574	2,541	518
Amortisation of acquired intangibles	125	56	19	–
Adjusted profit from operations⁴	3,031	630	2,560	518
Adjusted operating margin⁴	27.6%	18.2%	23.8%	20.1%

Six months ended 30 June 2012

Revenue	9,881	3,289	9,397	2,371
Profit from operations	2,684	439	2,183	235
Amortisation of acquired intangibles	157	68	17	–
Adjusted profit from operations ⁴	2,841	507	2,200	235
Adjusted operating margin ⁴	28.8%	15.4%	23.4%	9.9%

4 Excludes amortisation of intangible assets

Branded Direct

Branded Direct revenues increased by 11% to £11.0 million (2012 H1: £9.9 million) and by 9% at constant currency, with sales of ActivHeal® and LiquiBand® driving growth in the UK, and sales of haemostats and sales of products into the dental market in Germany compensating for the lower growth of sutures in the German domestic market. Fee income of £0.1 million was received from the licensing of Intellectual Property to third parties (2012 H1: £0.1 million).

Adjusted operating margin decreased by 120 bps to 27.6% as increased investment was made in the surgical sales team in the UK and in training support for the national sales teams. R&D expense was 3.4% of revenue (2012 H1: 2.9%) on projects to develop improved collagens.

Branded Distributed

Branded Distributed revenues increased by 5% to £3.5 million (2012 H1: £3.3 million) and by 3% at constant currency, with export sales of RESORBA® products through distributors being the main driver of growth.

Adjusted operating margin improved by 280 bps to 18.2% mainly as a result of sales mix, with a reduction in sales in Russia where margins are lower than the rest of the business unit. R&D expense was 5.9% of revenues (2012 H1: 7.6%) with work on the hernia mesh fixation device being the major project. A further £0.1 million of R&D spend was capitalised in the period.

OEM

OEM revenues increased by 14% to £10.7 million (2012 H1: £9.4 million) and by 14% at constant currency. R&D expense was 3.3% of revenues (2012 H1: 4.4%) with spend being incurred on a number of projects to improve our range of foams. These projects are being worked on jointly with the Bulk Materials division.

Adjusted operating margin improved by 40 bps to 23.8% (2012 H1: 23.4%) due to operational efficiencies from increased volumes of production.

Bulk Materials

Bulk Material revenues, excluding intercompany sales, reduced by 1% to £2.2 million (2012 H1: £2.2 million) at reported currency and increased by 2% at constant currency, with adjusted operating margin, including intercompany sales, improving markedly to 20.1% (2012 H1: 9.9%). A number of improvements have been made to the foam process in Etten Leur which is now resulting in significantly improved operating margins. R&D expense was 2.9% of revenue (2012 H1: 2.8%) with projects ongoing to add antimicrobials to our base foam products.

Geographic breakdown of revenues

The geographic breakdown of Group revenues in 2013 is set out in note 5. Overall, less than 40% of revenues are in Euros as the UK still invoices in Sterling to most of its European partners, and nearly all sales to the US are invoiced in US dollars. The Group's policy is to set up natural hedges where possible and to hedge transactional risk.

Profit before tax

Profit before tax for the period was 33% higher at £6.0 million (2012 H1: £4.5 million).

The Group's effective rate of tax for the six months was 13% (2012 H1: 14.2%). This is reflective of the recognition of previously unrecognised brought forward tax losses in the UK, R&D relief and the impact of the introduction of the patent box relief scheme. It also reflects the impact of blending profits and losses from different countries and the different tax rates associated with these countries. By the end of 2013 all the trading losses in the UK will have been recognised.

Profit after tax and earnings per share

Adjusted profit after tax⁵ increased by 14% to £5.4 million (2012 H1: £4.7 million), resulting in a 14% increase in adjusted basic earnings per share to 2.63p (2012 H1: 2.31p) and a 14% increase in diluted adjusted earnings per share to 2.59p (2012 H1: 2.27p).

Profit after tax increased by 34% to £5.2 million (2012 H1: £3.9 million), resulting in a 34% increase in basic earnings per share to 2.53p (2012 H1: 1.89p) and a 33% increase in diluted earnings per share to 2.49p (2012 H1: 1.87p).

Dividend per share

The Board intends to pay an interim dividend of 0.19p per share on 1 November 2013 to shareholders on the register on 4 October 2013. This is an increase of 11.8% compared with 2012 H1.

5 Adjusted profit after tax excludes amortisation of acquired intangibles

Cash Flow and Balance Sheet

Table 3 summarises the Group cash flows.

Table 3

	Six months ended 30 June 2013 £'000	Six months ended 30 June 2012 £'000
Cash Flow		
Adjusted operating profit (Table 1)	6,528	5,753
Non-cash items	1,501	1,114
Adjusted EBITDA⁶	8,029	6,867
Working capital movement	(2,946)	(1,275)
Operating cash flow before exceptional items	5,083	5,592
Exceptional items	–	(610)
Operating cash flow after exceptional items	5,083	4,982
Capital expenditure and capitalised R&D	(1,181)	(1,324)
Net interest	(210)	(403)
Tax	351	(121)
Free cash flow	4,043	3,134
Financing	(6,764)	(1,550)
Dividends paid	(712)	(617)
Proceeds from share issues	266	142
Exchange losses	(55)	(622)
Net (decrease)/increase in cash and cash equivalents	(3,222)	487

6 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 £5.1 million (2012 H1: £5.6 million) and a conversion of adjusted operating profit into free cash flow of 62% (2012 H1: 54%).

Working capital increased by £2.9 million in the period. Inventory increased by £2.1 million to 4.6 months of supply (2012 H1: 3.9 months). This increase of inventory has occurred in Winsford to meet anticipated sales to OEM partners and the increasing demand for ActivHeal® products. Trade receivables increased by £0.2 million, with debtor days at 42 (2012 H1: 41 days). Trade payables reduced by £0.6 million.

We have invested £0.8 million in capital equipment and software in the first six months (2012 H1: £1.0 million) with spend incurred in upgrading business information systems. £0.4 million of R&D spend has been capitalised (2012 H1: £0.3 million). In addition, the Group has taken a £0.3 million impairment of development costs for a product that the Group now does not expect to commercialise successfully.

Finance costs of £0.2 million have been paid on our €25 million term loan facility and the availability of the £8 million revolving credit facility with HSBC.

A taxation refund of £0.4 million has been received as a result of the fiscal merger of the German group of companies completed in 2012, and an overpayment on account arising under the previous tax grouping. This has arisen due to a timing difference, with a payment in respect of the same tax period required in the second half of the current financial year.

The Group paid its final dividend for the year ended 31 December 2012 of £0.7 million (2012 H1: £0.6 million) on 28 May 2013.

The Group generated a free cash flow of £4.0 million in the period (2012 H1: £3.1 million), enabling a further payment of £1.7 million against the term loan ahead of schedule.

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 13 July 2012, the Group converted half of the then remaining €23 million term loan into Sterling to align the cash flows generated by the business with the repayment of the term loan. The resulting £9.4 million Sterling 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. The Group has made several repayments of the term loan ahead of schedule and, as at 30 June 2013, the Group had €9.4 million and £0.3 million of the respective Euro and Sterling term loan facilities outstanding.

In December 2011, the Group also entered into an £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 2013.

At the end of the period, the Group had net debt⁷ of £2.6 million (2012 H2: net debt⁷ of £5.5 million), a reduction of £2.9 million since 31 December 2012. The movement in net debt during 2013 H1 is reconciled in Table 4 below:

Table 4

Movement in net debt ⁷	£'000
Net debt as at 1 January 2013	(5,544)
Exchange rate impacts	(690)
Free cash flow	4,043
Dividends paid	(712)
Proceeds from share issues	266
Net debt as at 30 June 2013	(2,637)

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

The Group's going concern position is fully described in note 12 and the Group remains comfortably within its lending covenants. The Group expects to have net funds by the end of 2013.

Condensed Consolidated Income Statement

for the six months ended 30 June 2013

	Note	(Unaudited) Six months ended 30 June 2013			(Unaudited) Six months ended 30 June 2012			(Audited) Year ended 31 December 2012		
		Before exceptional items £'000	Exceptional items (see note 7) £'000	Total £'000	Before exceptional items £'000	Exceptional items (see note 7) £'000	Total £'000	Before exceptional items £'000	Exceptional items (see note 7) £'000	Total £'000
Revenue from continuing operations	5	27,392	–	27,392	24,766	–	24,766	52,589	–	52,589
Cost of sales		(11,748)	–	(11,748)	(11,075)	–	(11,075)	(23,946)	–	(23,946)
Gross profit		15,644	–	15,644	13,691	–	13,691	28,643	–	28,643
Distribution costs		(324)	–	(324)	(277)	–	(277)	(543)	–	(543)
Administration costs		(9,082)	–	(9,082)	(7,985)	(610)	(8,595)	(16,105)	(849)	(16,954)
Other income		90	–	90	82	–	82	312	–	312
Profit/(loss) from operations		6,328	–	6,328	5,511	(610)	4,901	12,307	(849)	11,458
Finance income		1	–	1	16	–	16	35	–	35
Finance costs		(362)	–	(362)	(419)	–	(419)	(697)	–	(697)
Profit/(loss) before taxation		5,967	–	5,967	5,108	(610)	4,498	11,645	(849)	10,796
Income tax	8	(778)	–	(778)	(638)	–	(638)	(1,104)	–	(1,104)
Profit/(loss) for the period attributable to equity holders of the parent		5,189	–	5,189	4,470	(610)	3,860	10,541	(849)	9,692
Earnings per share										
Basic	4	2.53p	–	2.53p	2.19p	(0.30p)	1.89p	5.17p	(0.42p)	4.75p
Diluted	4	2.49p	–	2.49p	2.16p	(0.29p)	1.87p	5.07p	(0.41p)	4.66p
Adjusted diluted	4	2.59p	–		2.27p			5.30p		

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) Six months ended 30 June 2013 £'000	(Unaudited) Six months ended 30 June 2012 £'000	(Audited) Year ended 31 December 2012 £'000
Profit for the period	5,189	3,860	9,692
Exchange differences on translation of foreign operations	2,439	(1,655)	(1,258)
Loss arising on cash flow hedges	(193)	(32)	(79)
Other comprehensive income/(expense) for the period	2,246	(1,687)	(1,337)
Total comprehensive income for the period attributable to equity holders of the parent	7,435	2,173	8,355

Condensed Statement of Financial Position

	(Unaudited) 30 June 2013 £'000	(Unaudited) 30 June 2012 £'000	(Audited) 31 December 2012 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	10,739	10,596	10,435
Software intangibles	1,468	948	1,134
Development costs	1,574	1,200	1,628
Goodwill	40,379	38,115	38,420
Property, plant and equipment	17,472	17,719	17,599
Deferred tax assets	2,446	3,293	2,651
Trade and other receivables	19	19	17
	74,097	71,890	71,884
Current assets			
Inventories	8,760	7,305	6,456
Trade and other receivables	10,492	8,897	10,179
Current tax assets	–	–	172
Cash and cash equivalents	5,619	7,609	8,867
	24,871	23,811	25,764
Total assets	98,968	95,701	97,558
Liabilities			
Current liabilities			
Bank overdraft	–	–	26
Trade and other payables	4,650	5,102	5,605
Current tax liabilities	1,144	357	250
Other taxes payable	736	676	249
Other loans	8,256	3,274	2,796
Obligations under finance leases	4	13	5
	14,790	9,422	8,931
Non-current liabilities			
Trade and other payables	546	599	572
Other loans	–	14,947	11,589
Deferred tax liabilities	2,873	2,768	2,761
Obligations under finance leases	5	5	7
	3,424	18,319	14,929
Total liabilities	18,214	27,741	23,860
Net assets	80,754	67,960	73,698
Equity			
Share capital	10,291	10,209	10,230
Share premium	32,092	31,850	31,887
Share-based payments reserve	1,295	954	1,122
Investment in own shares	(77)	(77)	(77)
Share-based payments deferred tax reserve	74	506	180
Other reserve	1,531	1,531	1,531
Hedging reserve	(240)	–	(47)
Translation reserve	1,040	(1,796)	(1,399)
Retained earnings	34,748	24,783	30,271
Equity attributable to equity holders of the parent	80,754	67,960	73,698

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 2013 (audited)	10,230	31,887	1,122	(77)	180	1,531	(47)	(1,399)	30,271	73,698
Consolidated profit for the period to 30 June 2013	-	-	-	-	-	-	-	-	5,189	5,189
Other comprehensive income	-	-	-	-	-	-	(193)	2,439	-	2,246
Total comprehensive income	-	-	-	-	-	-	(193)	2,439	5,189	7,435
Share-based payments	-	-	173	-	(106)	-	-	-	-	67
Issue of share capital	-	-	-	-	-	-	-	-	-	-
Share options exercised	61	205	-	-	-	-	-	-	-	266
Shares purchased by EBT	-	-	-	-	-	-	-	-	-	-
Shares sold by EBT	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(712)	(712)
At 30 June 2013 (unaudited)	10,291	32,092	1,295	(77)	74	1,531	(240)	1,040	34,748	80,754
	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 2012 (audited)	10,176	31,704	779	(40)	631	1,531	32	(141)	21,540	66,212
Consolidated profit for the year to 31 December 2012	-	-	-	-	-	-	-	-	9,692	9,692
Other comprehensive income	-	-	-	-	-	-	(79)	(1,258)	-	(1,337)
Total comprehensive income	-	-	-	-	-	-	(79)	(1,258)	9,692	8,355
Share-based payments	-	-	363	-	(451)	-	-	-	-	(88)
Issue of share capital	-	-	-	-	-	-	-	-	-	-
Share options exercised	54	183	(20)	-	-	-	-	-	-	217
Shares purchased by EBT	-	-	-	(81)	-	-	-	-	-	(81)
Shares sold by EBT	-	-	-	44	-	-	-	-	-	44
Dividends paid	-	-	-	-	-	-	-	-	(961)	(961)
At 31 December 2012 (audited)	10,230	31,887	1,122	(77)	180	1,531	(47)	(1,399)	30,271	73,698

Condensed Consolidated Statement of Cash Flows

	(Unaudited) Six months ended 30 June 2013 £'000	(Unaudited) Six months ended 30 June 2012 £'000	(Audited) Year ended 31 December 2012 £'000
Cash flows from operating activities			
Profit from operations	6,328	4,901	11,458
Adjustments for:			
Depreciation	924	871	1,633
Amortisation – intellectual property rights	200	242	480
– development costs	103	56	125
– software intangibles	15	12	62
Impairment of development costs	286	–	–
(Increase)/decrease in inventories	(2,127)	(706)	258
(Increase)/decrease in trade and other receivables	(196)	2,200	923
(Decrease) in trade and other payables	(623)	(2,769)	(2,740)
Share-based payments expense	173	175	363
Taxation	351	(121)	(669)
Net cash inflow from operating activities	5,434	4,861	11,893
Cash flows from investing activities			
Purchase of software	(375)	(105)	(380)
Capitalised research and development	(397)	(304)	(802)
Purchases of property, plant and equipment	(409)	(915)	(1,572)
Interest received	1	16	35
Net cash used in investing activities	(1,180)	(1,308)	(2,719)
Cash flows from financing activities			
Dividends paid	(712)	(617)	(961)
Finance lease	(3)	(9)	(19)
Repayment of secured loan	(6,761)	(1,541)	(5,564)
Issue of equity shares	266	179	217
Shares purchased by EBT	–	(81)	(81)
Shares sold by EBT	–	44	44
Interest paid	(211)	(419)	(692)
Net cash (used in) financing activities	(7,421)	(2,444)	(7,056)
Net (decrease)/increase in cash and cash equivalents	(3,167)	1,109	2,118
Cash and cash equivalents at the beginning of the period	8,841	7,122	7,122
Effect of foreign exchange rate changes	(55)	(622)	(399)
Cash and cash equivalents at the end of the period	5,619	7,609	8,841

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 2012 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 2012 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 Account 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 2012. 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.

4. Earnings per share

	(Unaudited) Six months ended 30 June 2013 £'000	(Unaudited) Six months ended 30 June 2012 £'000	(Audited) Year ended 31 December 2012 £'000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	5,189	3,860	9,692
Number of shares	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	204,930	203,683	204,059
Effect of dilutive potential ordinary shares: share options, deferred share bonus, LTIPs	3,080	3,023	3,945
Weighted average number of ordinary shares for the purposes of diluted earnings per share	208,010	206,706	208,004

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.

4. Earnings per share continued

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 2013 £'000	(Unaudited) Six months ended 30 June 2012 £'000	(Audited) Year ended 31 December 2012 £'000
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	5,189	3,860	9,692
Exceptional items	–	610	849
Amortisation of acquired intangible assets	200	242	480
Earnings excluding exceptional items and amortisation of acquired intangible assets	5,389	4,712	11,021

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 2013 pence	(Unaudited) Six months ended 30 June 2012 pence	(Audited) Year ended 31 December 2012 pence
Adjusted basic EPS	2.63p	2.31p	5.40p
Adjusted diluted EPS	2.59p	2.27p	5.30p

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

5. Segment information

In the latter stages of the year to December 2012 the Group was re-organised into four business units: Branded Direct, Branded Distributed, OEM and Bulk Materials. These divisions are the basis on which the Group reports its segment information. The comparative information for the six months ended 30 June 2012 has been restated under this new format.

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, 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

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

Bulk Materials

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

Notes Forming Part of the Condensed Consolidated Financial Statements continued

5. Segment information continued

Segment information about these businesses is presented below.

Six months ended 30 June 2013 (unaudited)	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	11,001	3,465	10,743	2,183	–	27,392
Inter-segment sales				388	(388)	–
Total revenue	11,001	3,465	10,743	2,571	(388)	27,392
Result						
Segment result	2,906	574	2,541	518	–	6,539
Unallocated expenses						(211)
Profit from operations						6,328
Finance income						1
Finance costs						(362)
Profit before tax						5,967
Tax						(778)
Profit for the year						5,189
At 30 June 2013 (unaudited)						
Other Information						
Capital additions:						
Software intangibles		75	6	258	36	375
Development		103	46	172	76	397
Property, plant and equipment		187	60	156	6	409
Depreciation and amortisation		445	125	575	97	1,242
Balance sheet						
Assets						
Segment assets		55,451	15,351	23,688	4,478	98,968
Unallocated assets						–
Consolidated total assets						98,968
Liabilities						
Segment liabilities		5,034	1,540	2,779	605	9,958
Unallocated liabilities						8,256
Consolidated total liabilities						18,214

Unallocated liabilities consist of the Group's external borrowings.

As restated six months ended 30 June 2012 (unaudited)	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	9,881	3,289	9,397	2,199	–	24,766
Inter-segment sales				172	(172)	–
Total revenue	9,881	3,289	9,397	2,371	(172)	24,766
Result						
Segment result	2,684	439	2,183	235	–	5,541
Unallocated expenses						(640)
Profit from operations						4,901
Finance income						16
Finance costs						(419)
Profit before tax						4,498
Tax						(638)
Profit for the year						3,860

Unallocated costs included £449,000 of exceptional costs incurred in respect of the acquisition of RESORBA®.

5. Segment information continued

Restated at 30 June 2012 (unaudited) Other Information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	26	5	72	2	105
Development	61	13	223	7	304
Property, plant and equipment	205	44	544	122	915
Depreciation and amortisation	464	159	446	112	1,181
Balance sheet					
Assets					
Segment assets	51,485	14,491	24,861	4,864	95,701
Unallocated assets					–
Consolidated total assets					95,701
Liabilities					
Segment liabilities	3,639	1,130	3,753	997	9,519
Unallocated liabilities					18,222
Consolidated total liabilities					27,741

Unallocated liabilities consist of the Group's external borrowings.

Year ended 31 December 2012 (audited)	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	20,105	6,758	21,954	3,772	–	52,589
Inter-segment sales				468	(468)	–
Total revenue	20,105	6,758	21,954	4,240	(468)	52,589
Result						
Segment result	6,092	1,133	5,152	313	–	12,690
Unallocated expenses						(1,232)
Profit from operations						11,458
Finance income						35
Finance costs						(697)
Profit before tax						10,796
Tax						(1,104)
Profit for the year						9,692

Unallocated costs included £849,000 of exceptional costs incurred in respect of the acquisition of RESORBA®.

Re-presented at 31 December 2012 (audited) Other Information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	107	18	247	8	380
Development	134	129	539	–	802
Property, plant and equipment	479	123	783	187	1,572
Depreciation and amortisation	795	279	989	237	2,300
Balance sheet					
Assets					
Segment assets	53,060	14,820	25,077	4,601	97,558
Unallocated assets					–
Consolidated total assets					97,558
Liabilities					
Segment liabilities	4,291	1,362	3,104	718	9,475
Unallocated liabilities					14,385
Consolidated total liabilities					23,860

Unallocated liabilities consist of the Group's external borrowings.

Notes Forming Part of the Condensed Consolidated Financial Statements continued

5. Segment information continued

The goodwill and intangible assets with indefinite useful economic life at 31 December 2012 were allocated to the relevant business units in proportion to profit from operations on a consistent basis for all four segments.

However, it has since become apparent that the allocation did not represent a true representation of the goodwill and intangible assets utilised by each segment. This was due to a number of one-off transactions occurring which distorted the allocation.

The 31 December 2012 comparative information has been re-presented to reallocate £1.4 million of goodwill and £0.4 million of intangibles assets from Branded Distributed to Branded Direct, such that these assets are ascribed to the appropriate business segment. The adjustments result in no impact upon profit.

Geographical segments

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

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

	(Unaudited) Six months ended 30 June 2013 £'000	(Unaudited) Six months ended 30 June 2012 £'000	(Audited) Year ended 31 December 2012 £'000
United Kingdom	6,119	4,778	10,721
Germany	7,599	6,836	13,944
Europe excluding United Kingdom and Germany	7,742	8,179	16,855
United States of America	5,105	4,617	10,013
Rest of World	827	356	1,056
	27,392	24,766	52,589

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

	(Unaudited) Six months ended 30 June 2013 £'000	(Unaudited) Six months ended 30 June 2012 £'000	(Audited) Year ended 31 December 2012 £'000
United Kingdom	32,895	32,258	36,444
Germany	59,634	56,389	55,132
Europe excluding United Kingdom and Germany	6,266	7,008	5,923
United States of America	173	46	59
Rest of World	–	–	–
	98,968	95,701	97,558

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 2013. 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 2013 USD:£1	31 Dec 2012 USD:£1	30 June 2013 USD'000	31 Dec 2012 USD'000	30 June 2013 £'000	31 Dec 2012 £'000	30 June 2013 £'000	31 Dec 2012 £'000
Cash flow hedges								
Sell US dollars								
Less than 3 months	1.563	1.595	2,550	1,650	1,632	1,034	(44)	13
3 to 6 months	1.594	1.596	1,750	1,350	1,098	846	(53)	10
7 to 12 months	1.519	1.595	8,400	3,300	5,528	2,070	(9)	26
			12,700	6,300	8,258	3,950	(106)	49

6. Financial Instruments' fair value disclosures continued

	Ave. exchange rate		Foreign currency		Contract value		Fair value	
	30 June 2013 EUR:£1	31 Dec 2012 EUR:£1	30 June 2013 EUR'000	31 Dec 2012 EUR'000	30 June 2013 £'000	31 Dec 2012 £'000	30 June 2013 £'000	31 Dec 2012 £'000
Cash flow hedges								
Sell Euros								
Less than 3 months	1.255	1.257	1,200	1,100	956	875	(72)	(22)
3 to 6 months	1.253	1.256	1,200	1,100	957	876	(72)	(23)
7 to 12 months	1.163	1.254	3,600	2,400	3,097	1,914	10	(51)
			6,000	4,600	5,010	3,665	(134)	(96)

7. Exceptional items

During the six month period ended 30 June 2013, there were no exceptional costs. In 2012 H1, £610,000 of exceptional costs were incurred relating to the integration of the RESORBA® business.

8. Taxation

UK Corporation Tax for the six month period is charged at 23.25% (six months ended June 2012: 25%, year ended 31 December 2012: 24.5%). The effective rate of current tax for the six months ended 30 June 2013 was 13% (six months ended 30 June 2012: 14.2%, year ended 31 December 2012: 10.2%) after the application of losses brought forward, patent box 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.

9. Dividends

Amounts recognised as distributions to equity holders in the period:

	(Unaudited) Six months ended 30 June 2013 £'000	(Unaudited) Six months ended 30 June 2012 £'000	(Audited) Year ended 31 December 2012 £'000
Final dividend for the year ended 31 December 2011 of 0.305p per ordinary share	–	617	617
Interim dividend for the year ended 31 December 2012 of 0.17p per ordinary share	–	–	344
Final dividend for the year ended 31 December 2012 of 0.35p per ordinary share	712	–	–
	712	617	961

The Board intends to pay an interim dividend of 0.19p per share (2012 H1: 0.17p) on 1 November 2013 to shareholders on the register at the close of business on 4 October 2013.

10. Contingent liabilities

The directors are not aware of any contingent liabilities faced by the Group as at 30 June 2013 (30 June 2012: £nil, 31 December 2012: £nil).

11. Share capital

Share capital as at 30 June 2013 amounted to £10,291,000 (30 June 2012: £10,209,000, 31 December 2012: £10,230,000). During the period, the Group issued shares with a nominal value of £36,000 in respect of exercised share options and £25,000 in respect of 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 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 2013 of £5.6 million, and a split term loan of €9.4 million and £0.3 million 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 is available until 31 July 2015.

While 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 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.

Notes Forming Part of the Condensed Consolidated Financial Statements continued

13. Principal Risks and uncertainties

Further detail concerning the principal risks affecting the business activities of the Group is detailed on pages 17-18 of the Annual Report and Accounts for the year ended 31 December 2012. There have been no 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

The Group has received clearance from Roszdravnador, the Russian Ministry of Health regulator, on 6 September 2013 to market LiquiBand® Flex and LiquiBand® Optima in Russia.

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.



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