Advanced Medical Solutions Group plc

DELIVERING ON OUR STRATEGY

Annual Report and Accounts 2013

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

Company Overview

Governance

Financial Statements

Branded Direct

Direct sales of AMS Group brands, ActivHeal®, LiquiBand® and RESORBA® through our own sales teams in Germany, UK and Czech Republic.

More on pages 4 and 5

Branded Distributed

Sales of AMS Group brands LiquiBand® and RESORBA® through our global network of distributors.

More on pages 6 and 7

OEM

Sales of finished products to our OEM partners.

More on pages 8 and 9

Bulk Materials

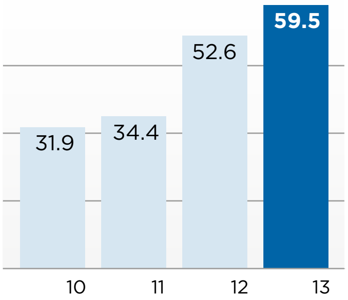
Sales of bulk materials to converters and healthcare companies.

More on page 10

Highlights 2013

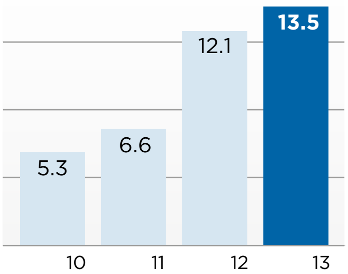
GROUP REVENUE (£million)

up 13% to £59.5 million



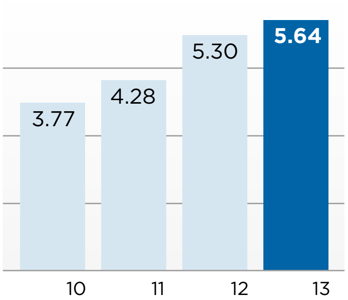
ADJUSTED[2] PROFIT BEFORE TAX (£million)

up 12% to £13.5 million

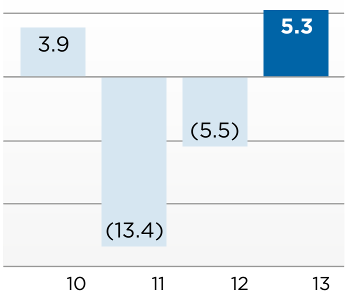


ADJUSTED[2] DILUTED EARNINGS PER SHARE (pence)

up 6.4% to 5.64p



NET CASH/(DEBT) (£million)



FINANCIAL HIGHLIGHTS:

- Group revenue up 13% to £59.5 million (2012: £52.6 million), representing growth of 11% on a constant currency basis[1]
- Adjusted[2] profit before tax up 12% to £13.5 million (2012: £12.1 million)
  - Profit before tax up 22% to £13.1 million (2012: £10.8 million)
- Adjusted[2] diluted earnings per share up 6.4% to 5.64p (2012: 5.30p)
  - Fully diluted earnings per share up 17% to 5.45p (2012: 4.66p)
- Adjusted operating cash flow before exceptional items[3] of £14.2 million (2012: £13.4 million)
- Net cash of £5.3 million (2012: net debt[4] £5.5 million)
  - Term loan repaid in full, 22 months ahead of schedule
- Proposed final dividend of 0.41p per share, making a total dividend for the year of 0.60p (2012: 0.52p), a 15.4% increase

BUSINESS HIGHLIGHTS:

- Business Units have performed well
  - Branded Direct up 14% to £22.9 million (2012: £20.1 million), 11% at constant currency
  - Branded Distributed up 30% to £8.8 million (2012: £6.8 million), 28% at constant currency
  - OEM up 8% to £23.6 million (2012: £22.0 million), 7% at constant currency
  - Bulk Materials up 10% to £4.2 million (2012: £3.8 million), 9% at constant currency
- ActivHeal® continues its excellent progress in the NHS, with a 32% increase in revenues
- Further progress in the US with the LiquiBand® tissue adhesive range, with revenues up 78% at constant currency
  - FDA clearance obtained in June 2013 for 2-octyl cyanoacrylate tissue adhesive enhanced range
  - Further distribution partnership agreements signed, increasing coverage of market
- Sales of RESORBA® brands in Germany increased by 8% (3% at constant currency) to £13.8 million (2012: £13.2 million)
- Silver alginate revenues increased by 15% to £12.1 million (2012: £10.6 million)
- Hernia Mesh fixation device on track to launch in the EU in H1 2014
- Board strengthened with the appointments of Peter Steinmann and Peter Allen as Non-Executive Directors
  - Peter Allen replaced Don Evans as Chairman of the Group on 1 January 2014, following Don's retirement

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 were charged and, in 2013, were £nil (2012: £0.8 million) and before amortisation of acquired intangible assets which, in 2013, were £0.4 million (2012: £0.5 million) as defined in the financial review
3. Before exceptional items which were charged and, in 2013, were £nil (2012: £0.8 million)
4. Net debt is defined as financial liabilities and bank loans less cash and cash equivalents plus short-term investments

Chairman's Statement

Having only recently been appointed as the Chairman of Advanced Medical Solutions Group plc, I am delighted to report that 2013 was another good year of growth for the Group and that the progress that was reported in the Interim Statement has continued. We are pleased to report a 13% increase in revenue to £59.5 million (2012: £52.6 million), representing growth of 11% on a constant currency basis, and an increase in adjusted[1] profit before tax of 12% to £13.5 million (2012: £12.1 million).

The Group ended the year with net cash of £5.3 million (2012: net debt £5.5 million), with the €25 million of debt taken on by the Group in December 2011 to finance the acquisition of RESORBA® having been fully repaid within 2 years.

Our brands continue to perform well and good progress has been made against the Group's vision and strategy.

Operationally, we continue to generate efficiencies and have delivered a further improvement in gross margin across the Group from streamlining processes as well as working with partners to improve our service and supply.

The Group is in the enviable position of having several significant opportunities from its existing products and geographic markets as well as from the new developments it is currently working on. In addition to this, our balance sheet strength enables us to consider further acquisitions should they be in line with the Group's vision and strategy and meet our required financial metrics.

Dividend

We are proposing a final dividend of 0.41p per share, making a total dividend for the year of 0.60p per share, a 15.4% increase compared with prior year. If approved at the Annual General Meeting on 20 May 2014, this will be paid on 28 May 2014 to shareholders on the register at the close of business on 2 May 2014.

Board Changes

Peter Steinmann was appointed as Non-Executive Director on 1 July 2013. His extensive knowledge of the global medical devices market and commercial experience will assist the Group with its market expansion strategy. Don Evans retired from the Board and as Chairman of the Group on 31 December 2013. All our thanks go to Don who has contributed so much to the growth and success of AMS over the last 17 years. I joined the Board as Non-Executive Director on 4 December 2013 and became Chairman on 1 January 2014, following Don's retirement. I look forward to leading the Group to achieve its strategy and meet its objectives in the next stage of its development.

People

Finally, on behalf of the Board, I would like to thank all our employees, customers, suppliers, business partners and shareholders for their continued support over the last year.

Peter Allen
Chairman
8 April 2014

Peter Allen
Chairman

Strategic Report

Business model

The Group is primarily involved in the design, development, manufacture and distribution of novel, high performance materials for use in advanced woundcare products and surgical dressings as well as medical adhesives and sutures for closing and sealing wounds. The Group distributes its products to the global device market by selling to healthcare companies and distributors as well as selling directly into the hospital and dental markets in Germany, Czech Republic, Russia and to the NHS in the UK.

The Group's strategy is to:

- innovate, design and develop market leading products
- leverage our existing routes, as well as, accessing new routes to market
- grow both our OEM partner business and our own brands
- not be over-reliant on any one partner or market
- drive operational efficiency improvements and eliminate non-value added activities
- make selective acquisitions that provide commercial and technological synergies

The Group operates through four Business Units: Branded Direct, Branded Distributed, OEM, and Bulk which are each responsible for their respective sales, marketing and Research & Development (R&D) activities, and focus on a strategic route to market. The Business Units are supported by Operations, Regulatory and Quality, HR, Finance, Legal and IT which are Group functions. There are harmonised policies, processes and procedures, across the Group.

This business structure provides clarity on accountability and responsibility and clear lines for decision making that will support the growth of the Group.

While each of the Business Units have objectives and risks specific to that business unit, there are some risks that are common throughout the Group.

Principal risks and uncertainties for the Group

Global economic conditions

The general economic conditions in a number of geographies, including the UK and Europe, are such that governments are looking to reduce spend on public services, including spend on health care, while other governments, such as in the US, are raising taxes from medical device companies to help pay for the services they are providing. Both of these actions have the potential to reduce demand. However, with ageing populations suffering from health problems such as obesity and diabetes, the incidence of chronic wounds which are treated with advanced woundcare products continues to increase. Both the developed world and developing economies are experiencing increasing demand for surgery to treat health problems which increases the need for wound closure products. Overall, demographics are beneficial for the Group. The Group has a widespread geographical market coverage and a diverse customer base which helps to minimise the impact of any single one adverse event in any region or with any one customer.

Pricing pressures and commoditisation of products

There are pricing pressure risks and continued competition from other products. The Group tries to provide differentiated products which are patented whenever possible as well as providing a complete service to its customers to mitigate this risk.

Due to the nature of the products sold, the Group isn't exposed to the 'patent cliff' being seen across the pharmaceutical industry.

Regulatory risk

The Group is subject to various regulatory requirements. With regulations becoming increasingly stringent there is always an element of compliance risk. Failure to achieve regulatory approval could result in the inability of the Group to supply goods into a market. To mitigate this risk the Group has a stringent compliance regime in place, is regularly audited by BSI (British Standards Institution) and TUV (Technischer Überwachungsverein) as well as other country regulatory bodies and has strengthened its regulatory management team.

Product quality risk

The Group operates in highly regulated markets with strict quality requirements. Any quality failure involving the Group's products could lead to the loss of reputation, loss of revenues, the loss of a customer, recall costs as well as sanctions from a regulator. To mitigate this, the Group operates within a strictly controlled Quality Management System and has strengthened its Quality management team.

Development risk

The Group continues to invest in R&D to develop its next generation of products. Not all research leads to successful new products but the Group believes that by monitoring progress against key milestones it avoids excessive expenditure on projects that do not deliver a viable product.

There is also a risk that the Group will not identify a new technology or opportunity before its competitors and will miss an opportunity to gain competitive advantage. The Business Unit structure now in place will provide more focus on the market reducing the risk of missed opportunities.

Finance risk

The Group is subject to various financial risks and the following are considered the most significant. Currently the Group has no borrowings, so does not consider liquidity or interest rates to be a significant risk.

Currency

The Group's main currency exposure is to the US dollar and to the Euro. The Group's policy is to hedge significant transaction exposure by using forward contracts and options. The Group aims to have 70% of its estimated transactional exposure for the next twelve months hedged. Its currency exposure is reviewed regularly.

In 2013, 16% of the Group's sales were in US dollars and 37% of its sales were in Euros. If in 2013, the average US dollar rate had depreciated against Sterling by 10%, there would have been a £1.0 million (2012: £0.7 million) adverse impact on revenue and the gross margin and profit would have been reduced by 60bps (2012: 60bps).

In 2013, if the average Euro rate had depreciated against Sterling by 10%, there would have been a £2.2 million (2012: £2.0 million) adverse impact on revenue and the gross margin and profit would have been reduced by an average of 10bps (2012: 70bps).

Credit risk

The Group assesses the risk of contracting with each customer and sets credit limits which are carefully monitored. If a significant risk is identified, credit facilities are withdrawn and transactions are carried out on a cash basis. If a key partner was significantly affected by a difficult trading environment, this would have a short-term impact on the Group.

Cost pressures

The Group estimates that if material prices had increased by a further 5% in 2013 and the Group had been unable to pass the increase on, there would have been a negative impact of £0.6 million (2012: £0.6 million) to the cost and the gross margin would have reduced by 100bps (2012: 100bps).

BRANDED DIRECT

Revenue up 11% at constant currency to £22.9m

The Branded Direct Business Unit is responsible for driving sales of our own brands: ActivHeal®, LiquiBand® and RESORBA® to end users in the UK, Germany and Czech Republic where the Group has its own sales teams. This Business Unit is also responsible for directing R&D for sutures and collagens which comprise the major part of this Business Unit's revenues.

ActivHeal® is the Group's brand of advanced woundcare dressings that it sells into the NHS in the UK. The proposition of this brand is that it provides a range of 'good value', generic advanced woundcare dressings that deliver cost savings to the NHS without compromising on clinical outcomes or patient care. The ActivHeal® range is supported by a dedicated team of experienced healthcare professionals and by online education modules that provide training on the treatment of wounds. With the NHS continuing to operate under budgetary constraints ActivHeal® provides a good growth opportunity for the Group.

The LiquiBand® range of medical adhesives and sealants, based on cyanoacrylate, are used to close and protect wounds in a safe and secure way. In the UK, LiquiBand® is well recognised in the majority of Accident & Emergency (A&E) units where its high strength attribute make it the product of first choice for closing trauma wounds.

RESORBA®s suture range includes several brands such as CAPROLON®, GLYCOLON®, MOPYLEN® and RESOPREN® that are sold into hospitals, private practices and to oral surgeons. RESORBA®s haemostat range includes KOLLAGEN-resorb and GENTA-COLL-resorb. The latter is a very pure collagen that includes the antibiotic gentamicin for use in wounds where there is a high risk of infection. Combining the suture and collagen technologies, RESORBA® has developed products and brands that are particularly applicable to the oral surgery market eg PARASORB® Sombrero® is a collagen cone used for dental implants.

The new UK Surgical sales team are now targeting the Operating Room (OR) opportunity with both LiquiBand® and the RESORBA® range of products while the German sales team continue to sell LiquiBand® alongside the RESORBA® range of sutures and haemostats.

Ingo Bartels
Business Unit Director

Strategy

The strategy is to increase market share of the Groups brands in the UK, Germany and the Czech Republic through the Group's direct sales teams by:

ActivHeal®:
- extending the ranges used in hospitals where ActivHeal® is listed
- converting new hospitals to ActivHeal®
- extending the range of dressings offered, eg trilaminate foam dressings

LiquiBand®
- increasing the usage in the OR in UK through the new UK surgical sales team and through the existing sales teams in Germany and Czech Republic
- launching the Hernia Mesh Fixation device into the OR range in H1 2014 in the UK

RESORBA®
- ensuring that RESORBA® is included in German hospital tender processes
- targeting Group Purchase Organisations (GPO) in Germany
- increasing the usage in the OR in the UK through new UK surgical sales team, cross selling RESORBA® sutures and collagens with LiquiBand® products
- developing the collagen range eg adding new antibiotics and developing stronger collagens

Risk	Description	Mitigating Actions
Market share growth	There is the risk that gaining market share takes longer than expected or that the cost of accessing the market is more than originally budgeted	• regular reviews of progress against plan are taken and corrective action is taken, if necessary
Product launch	There is the risk that the sales of a new product are slower than expected	• regular review of progress is made and corrective action taken, if necessary • feedback from users and key opinion leaders is sought and acted on • clinical papers and data supporting product are provided

ActivHeal®
revenue up 32% to
£5.5 million

RESORBA®
revenue up 3%
in Germany to £13.8 million

LiquiBand®
revenue up 16% in the UK to
£2.9 million
revenue up 3% in Germany to
£1.4 million

Strategic Report (continued)

BRANDED DISTRIBUTED

Revenue up 28% at constant currency
to £8.8m

The Branded Distributed Business Unit is responsible for driving sales of our LiquiBand® and RESORBA® brands to all markets where the Group does not have its own sales teams and sales are made through distributors. This Business Unit also includes all sales made by our Russian subsidiary which are made both by the direct sales team in Moscow and by the distributor network that the Moscow sales team supports throughout the rest of Russia. This Business Unit is responsible for directing R&D for all of our medical adhesives and sealants.

The Group works with distributors world-wide, accessing over 60 countries.

The largest market for tissue adhesives is the US and this is the most significant opportunity for LiquiBand®. Approval to sell LiquiBand® in the US was obtained in 2010. The Group is currently working to obtain approval to sell RESORBA® sutures in the US.

Jeffrey Willis
Business Unit Director

Strategy

The strategy of this Business Unit is to increase sales of the Group's brands in all markets where the Group does not have a sales force by:

Increasing the market share of LiquiBand® in the US:
- partner with key distributors that access the US hospital and alternative site (non-hospital) segments
- provide new products
- help train and provide account support

Maximising opportunities across Europe, Middle East, Asia and South America:
- leverage the combined existing distributor network for LiquiBand® and RESORBA®

Accessing new markets:
- gain regulatory approval for LiquiBand® in China
- gain regulatory approval for RESORBA® sutures in the US
- identify new market opportunities

Developing and launching new products:
- internal application of cyanoacrylate for the fixation of hernia meshes in the EU

Risk	Description	Mitigating Actions
Developing new markets through partners and distributors is not successful	There is the risk that the Business Unit's partners and distributors are not successful in developing new markets because the partner or distributor has underestimated the difficulty of accessing the market or the opportunity ceases to be a priority to them	• contracts have agreed set minimas which allow terms to be renegotiated or agreements terminated
Regulatory approval is not achieved	There is a risk that the launch of products is delayed due to lack of regulatory approval in new markets outside EU and the US	• the Group has an experienced Regulatory team and works with partners and distributors where they have local expertise. In general, regulatory approval is taking longer to achieve and is becoming more complicated • the Group's diversified approach with markets and products reduces the impact of any one project causing substantial risk to the business
Foreign exchange risk reduces profitability	This Business Unit has most exposure to foreign exchange risk through the US dollar and potentially to the currencies of new export markets	• the Group hedges significant transaction exposure by using forward contracts and options and aims to have 70% of its estimated transactional exposure for the next twelve months hedged

LIQUIBAND®

LiquiBand® US
(revenue up 78% to £3.0 million)

LiquiBand® EU (excluding UK and Germany) and ROW
(revenue up 45% to £1.3 million)

RESORBA® REPAIR AND REGENERATE

RESORBA® products
(revenue up 18% to £2.8 million)

Hernia mesh fixation device
Launch expected H1 2014

Strategic Report (continued)

OEM

Revenue up 7% at constant currency to £23.6m

The OEM Business Unit is responsible for supporting our business-to-business partners with a multi-product portfolio that is globally competitive, backed by intellectual property and know-how. In addition to providing innovative products, a key differential from our competitors is that a full service is provided which includes design, development, manufacture and distribution of products supported by regulatory capabilities as well as clinical evidence and marketing support.

AMS works with many of the world's leading healthcare companies, supplying them with finished packed products.

Our technologies include foams, fibres, collagens, hydrogels and hydrocolloids. In particular, silver alginate is a key growth driver for this Business Unit and we support our partners to access new markets and gain market share.

This Business Unit is responsible for directing R&D for advanced woundcare products and technologies.

Richard Smith
Business Unit Director

Strategy

The strategy of this Business Unit is to support the Group's partners to be successful with the products we supply and to increase their market share in our areas of technical expertise. This is the Group's largest Business Unit.
Its strategy is to:

Foster increasingly strong partner relationships with existing customers by:
- key account management
- reliability of service and quality
- expansion of product portfolio
- regulatory support for expansion into new markets

Secure new partners through:
- reputation for quality, customer service and regulatory capability

Develop new products including:
- launch of antimicrobial foam in H1 2014
- development of foam dressings eg atraumatic dressings in 2014
- expansion of fibre range

Risk	Description	Mitigating Factors
Industry consolidation and reliance on key customers	The healthcare sector continues to experience considerable business consolidation. This presents both opportunities and risk. There could be a loss of business if a partner was an acquired party. The loss of a key partner would have an adverse impact on this Business Unit's revenues and profit in the short term	• minimisation of over reliance on any one customer • all customers have contracts with agreed termination clauses
New products are not successful	Lack of success in launching new products or identifying a new technology could lead to the loss of a partner	• strong links with partners reduce the risk of missed opportunities • R&D progress is monitored against the stage gate process to ensure projects are progressing to plan and action is taken if necessary
Increased global competition reduces profitability	There are increasing numbers of contract manufacturers across the world which may provide a low cost business case for partners	• offering a full service including a strong regulatory and quality assurance together with product development and clinical support mitigates a pure cost of supply proposition

Strategic Report
(continued)

BULK MATERIALS

Revenue up 9% at **constant currency** to £4.2m

This Business Unit is responsible for providing bulk materials, both foam and fibre, to third party convertors and partners that have their own converting capability. It is also responsible for supplying bulk materials within the Group.

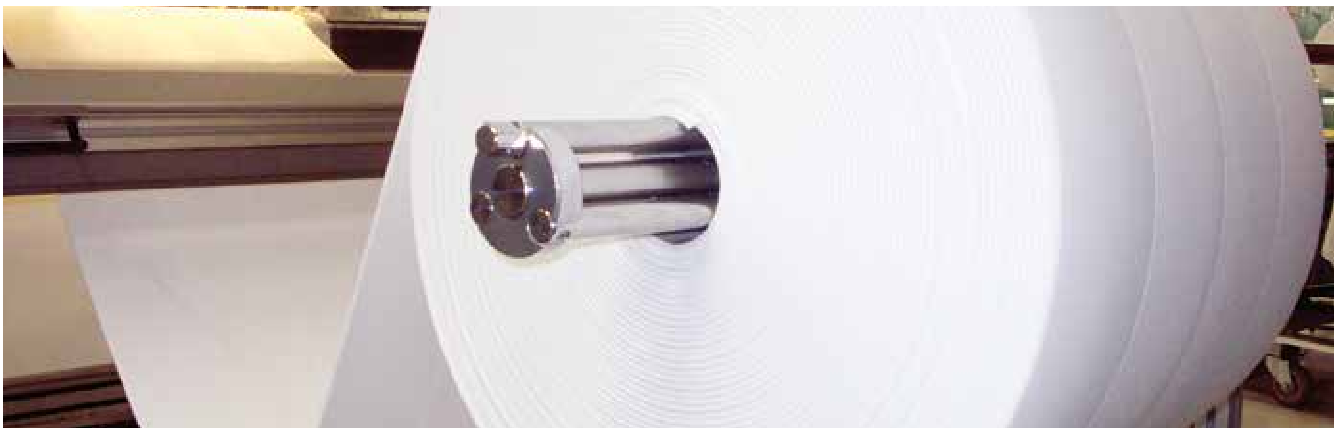
Pieter van Hoof
Business Unit Director

Strategy

The strategy of this Business Unit is to:

Extend the product offering through new product development: • Develop new antimicrobial formulation foams	Expand commercial focus to new markets and customers	Reduce the cost of the foam process through operational improvements to support partners to be more competitive

Risk	Description	Mitigating Actions
Increased global competition	There is increased competition from low cost suppliers for both foam and fibre	• Developing long-term relationships with partners and distributors based on a full service of quality and supply • Develop more cost effective processes • Provide innovative formulations of foam and fibre with unique capabilities
Reliance on key customers	The loss of a key partner would have an adverse impact on this Business Unit's revenues and profit in the short term	• Expansion of partner relationships diversifies customer reliance • Customers have contracts with agreed termination clauses • Development of new formulations of foam and fibre with unique capabilities



OPERATIONS

Employee safety, product quality, regulatory compliance, cost effectiveness and customer service are key to AMS's operations.

Left to right:

Richard Stenton
Group Operations Director

Rose Guang BSc, MSc
Group Quality Assurance & Regulatory Affairs (QA/RA) Director

Operations

- **Safety:** Measurable safety regimes have been implemented on all sites. Risks are identified at earliest opportunity, near miss events are highlighted and a common All Incident Rate (AIR) reporting metric is used
- **Cost:** The management of cost is essential to improve the profitability of the Group. Cost reduction and waste elimination programmes help our products to be priced competitively
- **Capacity:** The Group aims to have sufficient capacity to meet its future growth. The focus is obtaining improvements in Overall Equipment Effectiveness (OEE) and identifying plant and equipment constraints before they are business critical. Lean manufacturing regimes are in place on all sites and continue to be extended to improve operational performance
- **Quality:** All manufacturing sites are compliant to ISO 13485 and use validated processes and process control techniques to ensure that the Group has an effective management system in place. The quality team has been strengthened and training extended across the Group. In 2013 the Group's manufacturing sites were audited on several occasions by many different legislative bodies and found to be compliant
- **Regulatory:** To grow the business new products need regulatory approval and new territories require product registration. AMS successfully achieved new product approvals in the US and EU as well as extending regulatory registrations to new markets such as Russia and China amongst others. AMS works with its distributors and OEM partners to meet local regulatory requirements. The Regulatory team has been strengthened to meet increasing regulatory requirements

Strategic Report (continued)

CHIEF EXECUTIVE'S STATEMENT

Chris Meredith
Chief Executive Officer

I am pleased to report that AMS has delivered another year of strong growth and that we are seeing the first year of benefit from the reorganisation of the Group into Business Units.

Branded Direct

The Branded Direct Business Unit's revenues grew 14% to £22.9 million (2012: £20.1 million) and 11% at constant currency. This Business Unit's key growth drivers are our three brands of ActivHeal®, LiquiBand® and RESORBA®.

Sales of our ActivHeal® dressings into the NHS grew 32% to £5.5 million (2012: £4.2 million) as a result of the continued support to our brand and the free-of-charge training and education of NHS staff from our clinical nurse team. The product range continues to be enhanced with the regular launch of foam and fibre dressings developed by our own Research & Development (R&D) group and we continue to target new hospitals as well as improve compliance in existing accounts. With a market share of only 5%, we still have considerable opportunities and expect double-digit growth to continue in 2014.

UK LiquiBand® sales into the Accident and Emergency Room (A&E) grew 5% to £2.5 million (2012: £2.4 million) and sales of LiquiBand® into the Operating Room (OR) increased 175% to £0.4 million (2012: £0.2 million), reflecting the early success of the new UK surgical sales team which is also selling RESORBA® haemostats and sutures alongside LiquiBand®. We expect to see continued success from this team which is expected to deliver further growth in the OR in 2014. LiquiBand® sales in Germany grew 3% at constant currency to £1.4 million.

German sales including sales of RESORBA® branded sutures and collagen dressings grew by 8% and by 3% at constant currency to £13.8 million (2012: £13.2 million). Within this, sales of haemostats, sutures and dental cones performed well, whilst sales of sutures to German hospitals declined slightly. Although the German hospital suture market is very competitive we are confident that sales growth is possible and with our increased focus on, and capability to deal with, Group Purchasing Organisations, we expect the hospital segment to return to growth in 2014.

This Business Unit's R&D continues to improve the attributes of the Group's haemostats. In particular, we are looking to enhance our haemostat range with the inclusion of antibiotics to prevent infection following surgery, as well as developing reinforced collagens that will encourage faster regrowth of tissue following surgery.

Branded Distributed

Our Branded Distributed Business Unit reported revenue growth of 28% at constant currency to £8.8 million (2012: £6.8 million). The key growth driver is LiquiBand® into the US which accounted for 34%, or £3.0 million (2012: £1.7 million) of the total, up by 78% at constant currency over 2012.

Following the disappointment with one of our distributors in 2012, our progress in the acute care or hospital sector stalled in that year. We addressed this issue by renegotiating our contract and seeking additional product approvals. As a result, we have been able to sign further

Our Hernia Mesh Fixation device is due to launch in H1 2014.

distributorship agreements with other partners, broadening our access to the market while enhancing our product range. We gained FDA clearance in 2013 for our 2-octyl cyanoacrylate tissue adhesive, complementing our existing butyl and blended formulations. We are already starting to see the benefits of these developments and, with our wider distribution network and our increased portfolio of products, we continue to be optimistic about the opportunity in the US.

Sales of LiquiBand® through our distributors for the EU and the Rest of the World also showed good growth, increasing to £1.3 million (2012: £0.9 million), with our distributors in France and Italy both performing well. We were also pleased to see our first sales into South Korea as a consequence of our continued geographic expansion strategy. Sales of RESORBA® products through distributors also made good progress increasing to £2.8 million (2012: £2.2 million), with export sales to France and China doing particularly well.

In Russia, as previously advised, supply of product was temporarily disrupted earlier in the year due to a requirement to re-register all products with the Russian regulatory body and this affected the overall growth for the year. As a consequence, sales grew by 3% to £1.7 million (2012: £1.6 million) but declined 2% at constant currency. We do not expect a similar challenge in 2014. Approval to sell LiquiBand® in Russia was granted in September 2013 and has resulted in initial sales which we anticipate will show steady growth throughout 2014. Regulatory approval for LiquiBand® in China continues on track for a H2 2014 launch. Upon approval we intend to launch our products through distributors.

Our Hernia Mesh fixation device, which will be our first application for the use of our medical adhesives inside the body, is on plan for a launch in the EU in H1 2014. Development time took slightly longer than expected after modifications were made to one of the mechanical parts in the delivery system. This product will be sold both by the Group's direct sales teams as well as through a distributor network.

In this Business Unit's R&D, we continue to make enhancements to our existing range of topical adhesives, including improvements to the applicator and to extending the range of sizes as well as developing ways to improve the in-house synthesis of the base monomers.

OEM

This Business Unit delivered 7% growth at constant currency in 2013 and had revenues of £23.6 million (2012: £22.0 million).

Our silver alginate products contributed 52% of the revenue, an increase of 15% at constant currency to £12.1 million (2012: £10.5 million), and are a key growth driver within this unit. Our partners continue to grow sales both by accessing new markets and by winning market share from the market leader which we estimate still has over 70% of the available market. There is, therefore, still a large opportunity for our customers to grow further. We continue to support our partners by helping them to gain regulatory approval for new markets and by supporting their marketing campaigns with efficacy data.

Sales of our foam-based finished dressings increased to £1.8 million (2012: £0.9 million), with our new trilaminate dressings contributing to this growth. The collagen OEM business acquired with RESORBA® remained flat year-on-year, while sales of our older woundcare products declined to £7.2 million (2012: £8.0 million) as customers and markets move to more modern dressings.

We have a strong pipeline of R&D projects for wound care applications in this Business Unit, and product launches for both new anti-microbial dressings and atraumatic foam dressings are scheduled for H2 2014. Other longer-term work includes the development of a range of post-operative surgical dressings.

Bulk Materials

The Bulk Materials Business Unit grew by 9% at constant currency with revenue of £4.2 million (2012: £3.8 million). Foam roll stock is the key growth driver in this unit, with revenue of £3.3 million (2012: £3.4 million), 86% of the total. The follow-on orders from the pipeline fill in 2011 have returned but are not yet at the full expected level. Further progress was held back by below expectation ordering from an existing key customer who de-stocked. To mitigate this effect, several contracts with new customers have been agreed which will support a growth in sales in 2014.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

Operations

Improvements continue throughout the business, enabling the Group to meet the increased production volumes needed for growth without significant capital investment being required. We estimate that 120bps of gross margin improvements were achieved in 2013 through lean management techniques and process improvements. The major capital projects in 2014 will be focused on delivering further efficiency improvements, particularly to our foam conversion process.

Our Quality and Regulatory processes have been reviewed and our teams restructured to ensure that they are aligned to give full support to the Business Units. Our processes have been streamlined and are now operating under one Quality Management Standard across the Group.

We have also been investing in improving our business systems. Following a successful launch at our Plymouth site, our Enterprise Resource Planning (ERP) system has been launched in Winsford in February 2014 and is expected to launch in Etten Leur, Netherlands in Q3 2014. The benefits are that we will have business systems in place that are more robust and suitable for a growing Group, aiding decision-making and ensuring that information is reported in a consistent and timely fashion across the Group.

Outlook

We have significant growth opportunities across all our Business Units and are continuing to make progress on our strategy to be recognised as a leading global manufacturer and developer of innovative products in the advanced woundcare, wound closure and surgical markets.

We will continue to invest in growing our ActivHeal®, LiquiBand® and RESORBA® brands and, with relatively low market share, we are confident there are still large opportunities available to us.

Our OEM partners remain key to our business and we will continue to support their efforts with our products, service and regulatory know-how.

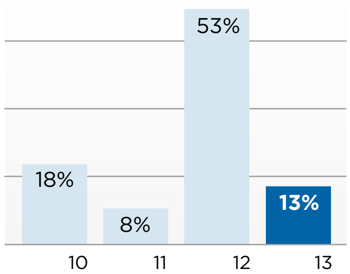
We are excited by our product pipeline. Our Hernia Mesh fixation device is due for launch in H1 2014. This will be our first product where our medical adhesives will be used internally and we believe further applications for the use of medical adhesives internally will follow. We are also enhancing our existing range of medical adhesives through improvements in applicators and developments in our base monomers. We expect that our new anti-microbial and atraumatic foam dressings will provide a significant enhancement to our advanced woundcare offering and that development of our collagen technology will improve our surgical portfolio.

With sound business systems and a strong balance sheet, we are in an excellent position to make selective acquisitions that provide commercial and technological synergies for the Group.

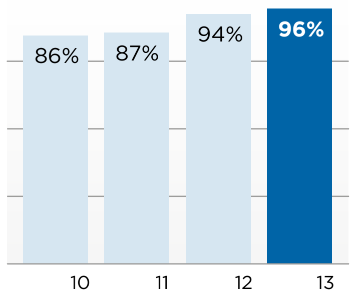
With our innovative products, together with prospects of capturing increased market share in our existing markets and our continued support of our OEM partners, we are confident that 2014 will be another year of good growth.

Key performance indicators

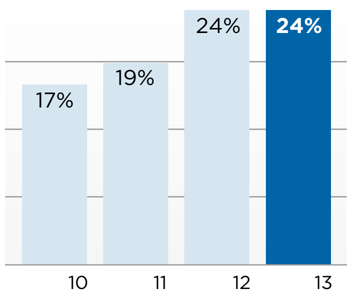
REVENUE GROWTH (%)[1]



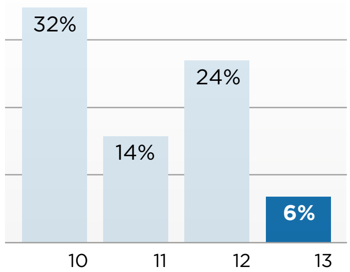
CUSTOMER SERVICE (OTIF)[1 2]



ADJUSTED[3] OPERATING MARGIN (%)[1]



ADJUSTED[2] FULLY DILUTED EARNINGS PER SHARE GROWTH (%)[1]



1. Includes twelve months contribution from RESORBA® acquisition in 2012
2. OTIF – 'On time in full'
3. Before exceptional items and amortisation of acquired intangible assets

FINANCIAL REVIEW

Mary Tavener
Group Finance Director

Reported revenue increased by 13% to £59.5 million (2012: £52.6 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 11%.

The Group had no exceptional items in 2013 (2012: £0.8 million). Amortisation of acquired intangible assets was £0.4 million (2012: £0.5 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 more relevant representation of the Group's trading performance. To aid comparison, the Group's adjusted income statement is summarised in Table 1 below.

Across the Group, gross margins increased by 310bps to 57.6% (2012: 54.5%), 190 bps resulting from mix and currency and 120 bps from operational improvements.

Administration expenses[1] increased by 26% to £19.7 million (2012: £15.6 million), with investment being made across the Group to ensure that the business has the infrastructure for future growth. Extra costs of £0.5 million were incurred in the sales teams in Germany and the UK, £0.3 million in Quality and Regulatory, and £0.2 million in other professional services such as internal audit, transfer pricing and tax. Salary and bonus costs increased by £1.0 million. Administration costs were also inflated by £1.0 million due to the forex effect of translating overseas subsidiary costs in Euros to Sterling as well as the translation of outstanding debtor balances at the year end.

Total spend on R&D, both expensed and capitalised, was £2.8 million (2012: £2.8 million). Following a review of development, £0.3 million of impairments were taken in 2013 against two projects.

Adjusted operating profit increased by 10.5% to £14.1 million (2012: £12.8 million) and the adjusted operating margin decreased by 60 bps to 23.7% (2012: 24.3%).

Profit before tax for the period was 22% higher at £13.1 million (2012: £10.8 million).

The Group's effective rate of tax for the year was 13.5%. This is reflective of the utilisation of previously unrecognised brought forward tax losses in the UK, together with patent box and 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.

TABLE 1
Adjusted Income Statement

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000	Change
Revenue	**59,499**	52,589	13.1%
Gross profit	**34,268**	28,643	19.6%
Distribution costs	**(744)**	(543)	
Administration expenses[1]	**(19,679)**	(15,625)	25.9%
Other income	**281**	312	
Adjusted operating profit	**14,126**	12,787	10.5%
Net finance costs	**(582)**	(662)	
Adjusted profit before tax	**13,544**	12,125	11.7%
Amortisation of acquired intangibles	**(400)**	(480)	
Exceptional items	**–**	(849)	
Profit before tax	**13,144**	10,796	21.7%
Tax	**(1,778)**	(1,104)	
Profit for the year	**11,366**	9,692	17.3%
Adjusted earnings per share – basic[2]	**5.72p**	5.40p	5.9%
Earnings per share – basic[2]	**5.52p**	4.75p	16.2%
Adjusted earnings per share – diluted[2]	**5.64p**	5.30p	6.4%
Earnings per share – diluted[2]	**5.45p**	4.66p	17%

1. Administration expenses exclude exceptional items and amortisation of acquired intangible assets
2. See note 15 Earnings per share for details of calculation

FINANCIAL REVIEW (CONTINUED)

A reconciliation between the standard rate of taxation in the UK and the Group's effective rate is summarised in Table 2 below.

TABLE 2

Taxation	%
Standard taxation rate	23.25
Loss utilisation and recognition	(4.39)
Impact of differential between UK and overseas tax rate	1.06
Patent box relief	(3.88)
R&D relief	(3.33)
Expenses not deductible, prior year adjustments, depreciation and share-based payments	0.82
Effective taxation rate	13.53

Earnings (excluding exceptional items and amortisation of acquired intangible assets) increased by 6.8% to £11.8 million (2012: £11.0 million), resulting in a 5.9% increase in adjusted basic earnings per share to 5.72p (2012: 5.40p) and a 6.4% increase in diluted adjusted earnings per share to 5.64p (2012: 5.30p).

Profit after tax (after exceptional items and amortisation) increased by 17.7% to £11.4 million (2012: £9.7 million), resulting in a 16.2% increase in basic earnings per share to 5.52p (2012: 4.75p) and a 17% increase in fully diluted earnings per share to 5.45p (2012: 4.66p).

The Board is proposing a final dividend of 0.41p per share, to be paid on 28 May 2014 to shareholders on the register at the close of business on 2 May 2014. This follows the interim dividend of 0.19p per share that was paid on 1 October 2013 and would make a total dividend for the year of 0.60p per share (2012: 0.52p), a 15.4% increase on 2012.

The Group generated an adjusted operating cash flow before exceptional items of £14.2 million (2012: £13.4 million) (see Table 5) and had net cash of £5.3 million (2012: net debt £5.5 million) at the end of the year.

The operational performance of the Business Units is shown in Table 3 below. The adjusted profit from operations and the adjusted margin are shown after excluding amortisation of acquired intangibles. In determining, and to aid comparison of, the operational margins of the individual Business Units, the revenue of the Bulk Materials Business Unit includes sales that are made to other Business Units.

Branded Direct

Revenues increased 14% in this Business Unit to £22.9 million (2012: £20.1 million), with growth of £1.25 million from ActivHeal®, £0.3 million from LiquiBand® and £1.25 million from RESORBA®.

The adjusted operating margin of this Business Unit decreased to 27.3% (2012: 31.8%), reflecting the investment made in the sales teams as well as the translation effect of overseas costs.

Branded Distributed

This Business Unit's revenues grew by 30% to £8.8 million (2012: £6.8 million), with LiquiBand® in the US contributing £1.3 million of the growth, LiquiBand® in EU and ROW contributing £0.35 million and RESORBA® contributing £0.35 million.

The adjusted operating margin of this Business Unit increased to 20.3% (2012: 18.7%), reflecting the improved profitability from the increased sales to the US.

OEM

This Business Unit's revenues grew by 8% to £23.6 million (2012: £22.0 million), with silver alginate sales contributing £1.5 million of the growth.

The adjusted operating margin of this Business Unit increased to 24.7% (2012: 23.7%), reflecting the change of mix of sales.

Bulk Materials

Revenue from both third party and internal customers in this Business Unit increased by 16% to £4.9 million (2012: £4.2 million).

The adjusted operating margin of this Business Unit increased to 13.5% (2012: 7.4%), resulting from improvements in the foam production process.

TABLE 3

Operating Result by Business Unit	**Branded Direct £'000**	**Branded Distributed £'000**	**OEM £'000**	**Bulk Materials £'000**
Year ended 31 December 2013				
Revenue	**22,918**	**8,785**	**23,629**	**4,933**
Profit from operations	**6,023**	**1,654**	**5,790**	**668**
Amortisation of acquired intangibles	**235**	**130**	**35**	**–**
Adjusted profit from operations[1]	**6,258**	**1,784**	**5,825**	**668**
Adjusted operating margin[1]	**27.3%**	**20.3%**	**24.7%**	**13.5%**
Year ended 31 December 2012				
Revenue	20,105	6,758	21,954	4,240
Profit from operations	6,092	1,133	5,152	313
Amortisation of acquired intangibles	309	128	43	–
Adjusted profit from operations[1]	6,401	1,261	5,195	313
Adjusted operating margin[1]	31.8%	18.7%	23.7%	7.4%

1. Excludes amortisation of intangible assets

Geographic breakdown of revenues

The geographic breakdown of Group revenues in 2013 is shown in Table 4 below:

TABLE 4
Geographic Breakdown of Group Revenues

£ millions	**2013**	**% of total**	2012	% of total
Europe (excluding UK and Germany)	**17.33**	**29.1**	16.86	32.1
Germany	**15.69**	**26.4**	13.94	26.5
UK	**13.23**	**22.2**	10.72	20.4
USA	**11.82**	**19.9**	10.01	19.0
Rest of World	**1.44**	**2.4**	1.06	2.0

Although nearly 60% of the Group's sales are in Europe (excluding the UK), only around 36% of sales are denominated in Euros. Approximately 80% of all sales to the US are denominated in US Dollars.

Cash Flow

Table 5 summarises the Group cash flows.

TABLE 5 **Group Cash Flows**	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Adjusted operating profit (Table 1)	**14,126**	12,787
Non-cash items	**2,815**	2,183
EBITDA	**16,941**	14,970
Working capital movement	**(2,788)**	(1,559)
Adjusted operating cash flow before exceptional items	**14,153**	13,411
Exceptional items	**–**	(849)
Adjusted operating cash flow after exceptional items	**14,153**	12,562
Capital expenditure and capitalised R&D	**(2,002)**	(2,754)
Interest	**(587)**	(677)
Tax	**(83)**	(669)
Free cash flow	**11,481**	8,462
Repayment of loan	**(14,385)**	(5,564)
Dividends paid	**(1,111)**	(960)
Proceeds from share issues	**328**	180
Net (decrease)/increase in cash and cash equivalents	**(3,687)**	2,118

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

EBITDA increased by 13% to £16.9 million (2012: £15.0 million).

Working capital increased by £2.8 million in the year. Inventory increased by £1.5 million to £8.0 million or 4.0 months of supply (2012: 3.2 months of supply) in anticipation of Q1 2014 sales and to build some additional inventory ahead of the change to the new ERP system. Trade and other receivables increased by £1.9 million, with trade debtor days at 44 (2012: 43) in line with the growth of the business.

The Group generated net cash flow from operating activities before exceptional items of £14.2 million (2012: £13.4 million).

We invested £2.0 million in capital equipment, software and capitalised R&D in the year (2012: £2.8 million). The major areas of spend have been in developing our ERP business information system for launch in Winsford and in upgrading equipment around the Group.

Finance costs of £0.6 million have been paid on our €25 million term loan facility and the availability of the £8 million revolving credit facility with HSBC.

The first payment of taxation in the UK of £0.4 million has been made. A refund of £0.3 million of tax in Germany was received.

The Group generated a free cash flow of £11.5 million in the year (2012: £8.5 million). The conversion of adjusted operating profit into free cash flow was 81% (2012: 66%).

The Group paid its final dividend for the year ended 31 December 2012 of £0.71 million (2012: £0.62 million) on 28 May 2013, and its interim dividend for the six months ended 30 June 2013 of £0.40 million (2012: £0.34 million) on 4 October 2013.

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 carried 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 outstanding €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 carried 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 made several repayments of the term loan ahead of schedule and, on 30 September 2013, the Group repaid both outstanding term loans in full.

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. At 31 October 2013, this facility was reduced to £4 million and was undrawn as at 31 December 2013.

At the end of the period, the Group had net cash of £5.3 million (2012: net debt[1] £5.5 million). The movement in net debt[1] from the start of the year to net cash at the end of the year is reconciled in Table 6 below:

TABLE 6

Movement in net (debt)/cash	£'000
Net debt[1] as at 1 January 2013	(5,544)
Exchange rate impacts	103
Free cash flow	11,481
Dividends paid	(1,111)
Proceeds from share issues	328
Net cash as at 31 December 2013	**5,257**

1. 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 2.

The Strategic Report outlined on pages 3 to 17, incorporates the Chief Executive's Report and the Financial Review.

Mary Tavener
Company Secretary
8 April 2014

Board of Directors

Peter V Allen
BA (Hons)
Non-Executive Chairman
■ ● ◆

Mr Allen was appointed as Non-Executive Chairman of the Group on 1 January 2014 replacing Don Evans, having joined as a Non-Executive Director in December 2013. He is currently Non-Executive Chairman of LSE listed Future plc and AIM listed Clinigen plc, as well as privately owned Chroma Therapeutics Limited. He is a Non-Executive Director of LSE listed Mecom plc, AIM listed Scancell plc and privately owned Oxford Nanopore Technologies Limited and is a qualified chartered accountant.

Mr Allen has extensive experience in the healthcare industry, having held key senior positions in a number of companies, playing a significant role in their development. This includes 12 years at Celltech Group plc (1992-2004) as CFO and Deputy CEO, 6 years as Chairman (2007-13) and interim CEO (2010-11) of ProStrakan Group plc, and three years as Chairman of Proximagen Neurosciences plc (2009-12).

Chris Meredith
BSc (Hons)
Chief Executive Officer ◆

Mr Meredith was appointed Group Chief Executive Officer in January 2011. He joined AMS as Group Commercial Director in July 2005 following a successful 18-year career in international healthcare sales, marketing and business development. His experience prior to joining AMS covered business to business contract manufacturing, product development and clinical research, as well as branded product sales, all within the medical device, pharmaceutical or consumer healthcare markets. He was appointed Managing Director of Advanced Woundcare in February 2008 and in January 2010 he became Chief Operating Officer for the Group. Mr Meredith has previously held senior positions at Smiths Industries, Cardinal Health, Banner Pharmacaps, and Aster Cephac.

Mary G Tavener
ACMA, MCT, BA (Hons) Chem (Oxon)
Group Finance Director ▲

Ms Tavener joined AMS as Finance Director in 1999. Prior to this, she was the Group Financial Controller at BTP plc during a period of considerable corporate activity and was involved in the acquisition and disposal of several businesses that repositioned BTP plc as a fine chemical company prior to it being sold to Clariant AG. Her experience has been gained in several manufacturing companies and she has held financial positions with Cadburys Ltd and Parker Hannifin, a US Engineering Corporation. Prior to BTP plc, she was the Finance Director of Churchill Tableware Ltd. She is a qualified accountant and member of the Association of Corporate Treasurers.

Penny Anne Freer
Senior Independent Non-Executive Director
■ ● ◆

Ms Freer was appointed as Senior Independent Non-Executive Director of AMS on 1 March 2010. She is a partner of London Bridge Capital, an FSA authorised corporate advisory business and a Non-Executive Director of Empresaria Group plc and Sinophi Healthcare. With 25 years' experience in investment banking she was formerly Head of Equities for Robert W Baird in London and prior to this held senior positions at Credit Lyonnais and NatWest Markets.

Stephen G Bellamy
BCom & CA (NZ)
Non-Executive Director
■ ● ◆

Mr Bellamy was appointed as Non-Executive Director of AMS on 20 February 2007. He is currently CEO and a founding partner of Accretion Capital LLP (provider of strategic capital and advice to European emerging technology companies), Chairman of Becrypt Ltd (data security and protection technology) and Chairman of Benefex Limited (online employee benefits solutions). Formerly an executive director of Sherwood International plc and Brierley Investments' London operations, he has also held a number of other non-executive directorships and advisory roles. He is a New Zealand qualified chartered accountant.

Peter Steinmann
Non-Executive Director
■ ● ◆

Mr Steinmann was appointed as Non-Executive Director of AMS on 1 July 2013. He is a Swiss national with over twenty years of commercial experience in Medical Devices and Diagnostics. He has held senior roles within Johnson and Johnson, Medtronic International and Boehringer Mannheim. Most recently, he was Regional Vice President Global Surgery and Shared Services, Medical Devices and Diagnostics, Austria, Germany and Switzerland at Johnson and Johnson AG, Switzerland as well as Chairman of the Board. Having worked throughout Europe and North America, Peter has extensive knowledge of the global medical devices market. He is currently a Non-Executive Director of Navus Consulting GmbH and is a Board Observer with Orthimo AG, and has held a number of other non-executive directorships prior to joining AMS.

■ Audit Committee
S.G. Bellamy (Chairman)
P.A. Freer
D.W. Evans (up to 31 December 2013)
P. Steinmann (from 1 July 2013)
P.V. Allen (from 4 December 2013)

● Remuneration Committee
P.A. Freer (Chairman)
S.G. Bellamy
D.W. Evans (up to 31 December 2013)
P. Steinmann (from 1 July 2013)
P.V. Allen (from 4 December 2013)

◆ Nomination Committee
D.W. Evans (Chairman up to 31 December 2013)
P.A. Freer
S.G. Bellamy
C. Meredith
P. Steinmann (from 1 July 2013)
P.V. Allen (from 4 December 2013. Chairman from 1 January 2014)

▲ Company Secretary
M.G. Tavener

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Premier Park, 33 Road One,
Winsford Industrial Estate,
Winsford,
Cheshire CW7 3RT

Registered Number
2867684

Senior Management

Ingo Bartels
Diplom-Physiker
Business Unit Director, Branded Direct

Ingo was Head of Sales & Marketing when Resorba was acquired by Advanced Medical Solutions in December 2011.

Having graduated with a degree in Physics from Hamburg University, Ingo has spent 20 years in the medical device industry. He has held various management roles within St. Jude Medical and Edwards Lifesciences. Prior to joining Resorba, Ingo was commercial manager for SHL Telemedicine.

Ingo was appointed Director of our Branded Direct Business Unit in September 2013.

Jeffrey Willis
BSc (Hons), EMSMOT
Business Unit Director, Branded Distributed

Jeff joined AMS in October 2005 as Vice President Business Development, Americas.

Jeff graduated with a degree in Biomedical Engineering from the University of Florida in 1996 and completed a Masters programme in Management of Technology at Georgia Institute of Technology in 2001. He spent 10 years with Kimberly-Clark Health Care in R&D Product Development, and New Business Development, and was a key member of the medical device M&A strategy team in Atlanta. In 2004, Jeff joined Abbott Laboratories in Columbus, Ohio as Manager of Licensing and Business Development supporting the medical nutritional and consumer products division.

In October 2009, Jeff assumed the role of Vice President of Group Marketing. In December 2011, Jeff also took responsibility for the Integration of RESORBA®.

Jeff was appointed Director of our Branded Distributed Business Unit in November 2012.

Richard Smith
ACA
Business Unit Director, OEM

Richard joined AMS in January 2009 having qualified as a chartered accountant in 1996.

After periods in banking and private practice, Richard joined Astra Zeneca in 2000 where he worked in a number of finance roles culminating in the position of Finance Director, M&A and Strategic Planning as part of a deal team covering commercial, manufacturing, R&D and legal.

In March 2011 Richard took over the role of VP Sales and Business Development. Richard was appointed Director of our OEM Business Unit in November 2012.

Pieter van Hoof, MEng
Business Unit Director, Bulk Materials

Pieter joined Advanced Medical Solutions B.V. in November 2009. Having completed a Masters degree in Engineering in Chemistry and Biochemistry at the Katholieke Universiteit Leuven (Belgium), Pieter joined Janssen Pharmaceutica working as a production supervisor in the manufacturing unit for sterile injectable products before joining the DuPont Engineering Polymers business in September 1999. At DuPont Engineering Polymers Pieter worked in a number of business process improvement roles in Supply Chain certifying as a 6 Sigma Master Black Belt before moving into Sales & Marketing gathering experience in account management and business development. Before joining Advanced Medical Solutions B.V. Pieter held the position of European Customer Services Manager for DuPont Engineering Polymers.

Pieter was appointed Director of our Bulk Materials Business Unit in November 2012.

Richard Stenton
Group Operations Director

Richard was Managing Director of MedLogic Global Ltd now Advanced Medical Solutions (Plymouth) Limited, when it was acquired by Advanced Medical Solutions in May 2002. Richard was subsequently appointed General Manager with responsibility for R&D and Operations for the Wound Closure and Sealants business.

Richard spent 14 years in engineering and manufacturing with CR Bard Ltd, three years as a Project Director installing medical device manufacturing processes in Europe, South Africa and the Far East before joining HG Wallace – Smiths Industries Medical Systems in 1989 as Manufacturing Manager covering 6 medical device manufacturing sites in the UK. He joined Medlogic Global Ltd in 1997 and was responsible for setting up and managing the UK operation for their tissue adhesives business.

Richard was appointed Vice President of Group Operations in July 2010.

Rose Guang BSc, MSc
Group Quality Assurance/ Regulatory Affairs (QA/RA) Director

Rose joined AMS in May 2013 as Group QA/RA Director. Having completed her Masters Degree in Precision Engineering from Nanyang Technology University in Singapore, Rose has over 20 years experience working for medical device companies and has a strong background in setting up effective quality systems. Rose has worked for Bausch & Lomb International Healthcare, Nypro, and spent 9 years at Medical House Products plc as Director of Quality, Regulatory Affairs and Operations. Prior to joining AMS, Rose was Head of Quality and Regulatory Affairs at Bespak, part of Consort Medical plc.

Rose is also a 6 Sigma Master Black Belt.

Eddie Johnson ACA
Group Financial Controller

Eddie joined AMS on 5 October 2011. Having gained a first class degree in Maths and Computer Science from Keele, he qualified as a Chartered Accountant in 1996.

Eddie has held a number of finance roles including, more recently, Western European Financial Controller for Sumitomo where he implemented J-Sox and Head of Commercial Finance at Norcros plc.

In November 2012, Eddie was appointed Group Financial Controller.

Vicki Candler MCIPD
Group HR Manager

Vicki joined AMS in January 2007 as HR Manager having qualified as Member of the Chartered Institute of Personnel and Development in 1997. Vicki has over 20 years Human Resource management experience from several major multinational manufacturing companies. Prior to joining AMS she had roles with ICI Chemicals and Polymers Ltd and Compass Minerals where she worked in partnership with the senior management team to develop and deliver their strategic plans.

Vicki was appointed to Group HR Manager in November 2012.

Directors' Report

For the year ended 31 December 2013

The Directors present their report, incorporating the Chairman's Statement, the Strategic Report including the Chief Executive's Statement and the Financial Review, together with the audited financial statements for the year ended 31 December 2013.

Business review and future developments

The Company is required by the Companies Act 2006 to include a Strategic Report. The information that fulfils the requirements of the Strategic Report can be found on pages 3 to 17, which are incorporated in this report by reference. This report details the strategy and key risks of the Group, the performance for the year ended 31 December 2013 and its prospects for the future.

Share listing

The Company's Ordinary Shares are admitted to and traded on AIM, a market operated by the London Stock Exchange. Further information regarding the Company's share capital, including movements during the year are set out in note 30 to the financial statements.

Capital Structure

The Group raises appropriate levels of debt to fund acquisitions on significant capital events, ensuring that it has adequate cash for working capital and short-term requirements.

The Group repaid its term loan ahead of schedule in 2013 and is now debt free. The Group intends to raise further finance as necessary.

Key Performance Indicators

The Directors have monitored the performance of the Group with particular reference to the relevant key performance indicators: revenue growth, customer service (OTIF), operating margin and earnings per share growth. The Group monitors progress on a regular basis. Performance against the key performance indicators can be found on page 14.

Going concern

After making enquiries and on the basis outlined in the Corporate Governance Report on pages 28 to 31, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the accounts.

Dividends

The Group made a profit for the year to 31 December 2013 of £11.4 million (2012: £9.7 million). The Directors are recommending payment of a final dividend of 0.41p per share. The final dividend will, subject to shareholders' approval, be paid on 28 May 2014 to shareholders on the register at the close of business on 2 May 2014. This will make a total dividend of 0.60p for the full year (2012: 0.52p).

The total value of the final dividend being proposed is £0.8 million (2012: £0.7 million).

Research and Development

The Group has expensed to the income statement in the year ended 31 December 2013 £2,196,000 (2012: £1,996,000) on research and development. In accordance with International Accounting Standards a further £612,000 (2012: £802,000) has been capitalised. Following a review of development, £337,000 of impairments were made in 2013.

Share capital and issue of ordinary shares

The authorised and issued share capital of the Company is set out in note 30 to the accounts on page 60.

Substantial shareholdings

As at 8 March 2014 the Company had been notified of, or was otherwise aware of, the following substantial interests of 3% or more in the Ordinary Share capital of the Company:

	No. of Ordinary Shares	%
AXA Framlington Investment Managers	17,800,186	8.60
BlackRock	17,496,468	8.46
Aviva Investors	10,440,329	5.05
Schroder Investment Managers	10,326,100	4.99
Investec Wealth & Investment	9,541,562	4.61
Octopus Investments	8,918,733	4.31
Legal & General Investment Management	8,422,025	4.07
Invesco Perpetual	6,687,457	3.23
Kabouter Management	6,358,912	3.07

Employees

The Group depends on the skills and commitment of its employees in order to achieve its objectives. Staff at every level are encouraged to make the fullest possible contribution to the Group's success. The Group is an equal opportunities employer. It is committed to giving fair and equal treatment to all employees and job applicants in terms of recruitment, pay conditions, promotions, training and all employment matters regardless of their age, disability, race, sex, sexual orientation, marriage and civil partnership, gender reassignment, religion or belief. An equal opportunities policy is in force which aims to ensure that all employees are selected, trained, compensated, promoted and transferred solely on the strength of their ability, skills, qualifications and merit. The Group also believes that all employees have a right to work in an environment free from harassment and bullying.

The Group's policy is to consult and discuss with employees, through meetings, both formal and informal, those matters likely to affect employees' interests. The Employees' Consultative Committee in the UK, and the Works Council, in Germany, which comprises representatives of employees and management, meet regularly to discuss business issues and areas of concern. Management communicates with staff through regular team briefs.

The Group's aim is to recruit and retain sufficient skilled and motivated employees to meet the needs of the business. The Group operates to the internationally recognised medical device standard ISO 13485. Staff work within a defined quality system and are trained in Lean Manufacturing Practices. Each line manager is responsible for implementing this approach. Employees are encouraged to become involved in the financial performance of the Group through participation in the Group's Deferred Share Bonus Plan and are incentivised directly through the Company's bonus scheme, performance reviews, and training and development opportunities.

It is the Group's policy to give full and fair consideration to all applications for employment from disabled persons having regard to their particular aptitudes and abilities and to encourage the training and career development of all personnel employed by the Group, including disabled persons.

Should an employee become disabled, the Group would, where practicable, seek to continue their employment and arrange appropriate training.

Employees' share schemes

Employees, except for participants in the Long Term Incentive Plan (LTIP), may be eligible after a period of service to be granted options over shares in the Company under the Company Share Option Plan or Executive Share Option Scheme. The Group received HMRC approval in 2009 to adopt a Company Share Option Plan (CSOP). Under the CSOP, employees are allowed to receive up to £30,000 of options in a tax-efficient manner. Options granted under these schemes are not offered at a discount. Further details are included in the Remuneration Report on pages 25 to 27.

The Company also operates a Deferred Share Bonus Scheme (DSB) in which employees are invited to participate. The DSB encourages employee share ownership which helps to align the employees' interests with those of the shareholders. The details on the DSB Scheme are provided in the Remuneration Report on page 26.

The Company no longer satisfies the requirements for granting tax-efficient options under its EMI scheme. Options already granted under this scheme will be allowed to vest in accordance with the rules of the scheme.

2,251,507 Ordinary Shares were issued during the year to employees exercising their share option LTIPs and DSBs. Details are given in note 32 to the Group financial statements.

Health and Safety

The Group is committed to high standards in health, safety and environmental performance. It is the Group's policy to abide by all laws, directives and regulations pertinent to its field of operations and to act in a manner so as to minimise the effects of its operations on the environment. The Group provides safe places and systems of work, safe plant and machinery, safe handling of materials and ensures appropriate information, instruction and training is given. Employees are encouraged to identify 'near misses' to ensure preventative actions are taken to avoid any unsafe work practices and a common All Incident Rate (AIR) reporting metric is used across the Group. Emphasis is placed on all employees having a responsibility to maintain a safe working environment. Health & Safety Committees at all sites assist with advice on safe working practices and ensure any corrective action is taken where necessary. Health and Safety reports are regularly received from Group sites and are reviewed by the Board. Regular audits are undertaken to evaluate compliance with Group policy.

Environment

Where possible, the Group aims to reduce its impact on the environment. The Group facility at Winsford has been built with a high level of thermal insulation to reduce the Group's carbon footprint. It is also one of the first in the country to utilise a solar wall: a renewable energy source that captures the sun's warmth and supplements the building's heating system. Lighting is controlled by movement sensors to avoid wastage and the heating system is fully programmable.

Directors and their interests

The Directors of the Company during the year ended 31 December 2013 and thereafter, their interests, all of which are beneficially held in the share capital of the Company were:

	Ordinary shares of 5p each 31 December 2013			Ordinary shares of 5p each 31 December 2012		
	Shares	**DSBs**	**LTIP**	Shares	DSBs	LTIP
D Evans – resigned 31.12.2013	**3,188,511**	**4,411**	**–**	3,162,587	128,587	256,713
M Tavener	**1,773,042**	**17,066**	**537,091**	2,088,601	135,488	530,049
C Meredith	**1,142,275**	**99,325**	**1,309,293**	1,140,252	97,302	1,082,182
S Bellamy	**100,000**	**–**	**–**	100,000	–	–
P Freer	**13,888**	**–**	**–**	13,888	–	–
P Steinmann – appointed 01.07.2013	**–**	**–**	**–**	–	–	–
P Allen – appointed 04.12.2013	**–**	**–**	**–**	–	–	–

Further details of the Directors' remuneration and benefits are included in the Remuneration Report on pages 25 to 27.

The Board has agreed procedures for considering, and where appropriate, authorising directors' conflicts or potential conflicts of interest. Only independent Directors i.e. those who have no interest in the matter under consideration, will be able to take the relevant decision. In taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. Directors will be able to impose limits or conditions when giving authorisation if they believe it is appropriate. The Board will report annually on the Company's procedures for ensuring that the Board's power of authorisation in respect of conflicts of interest operated effectively and that procedures have been followed. None of the Directors had any interest during or at the end of the year in any contract in any relation to the business of the Company or its subsidiaries.

Directors' and officers' liability insurance

Insurance cover is in force in respect of the personal liabilities which may be incurred by Directors and Officers of the Company in the course of their service with the Group, as permitted by the Companies Act 2006.

Directors' Report (continued)

For the year ended 31 December 2013

Directors

The names of the current Directors together with brief biographies are shown on pages 18 and 19. Don Evans served as a Director throughout 2013 before retiring at the end of the year.

In accordance with the Company's Articles of Association, any new Director appointed by the Board must retire and seek reappointment at the next AGM following their appointment. At the forthcoming Annual General Meeting, Peter Allen, who was appointed as a Director on 4 December 2013 and elected to Non-Executive Chairman on 1 January 2014, and Peter Steinmann who was appointed as a Non-Executive Director on 1 July 2013, will retire and will formally offer themselves for reappointment. Steve Bellamy will retire by rotation and, being eligible, will be proposed for re-election.

The terms of the Directors' service contracts and details of the Directors' interests in the shares of the Company, together with details of share options granted and any other awards made to the Directors, are disclosed in the Remuneration Report commencing on page 25.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Special business

The effect of Resolution 8, to be proposed at the meeting would be to approve the Advanced Medical Solutions Group plc Deferred Annual Bonus Plan 2014.

The effect of Resolution 9, to be proposed at the meeting would be to approve the Advance Medical Solutions Group plc Long Term Incentive Plan 2014.

The effect of Resolution 10, to be proposed at the meeting would be to allow the Company to allot shares conferred by Section 551 of the Companies Act 2006.

The effect of Resolution 11, to be proposed at the meeting would be to disapply the statutory pre-emption rights conferred by S570 of the Companies Act 2006.

The effect of Resolution 12, to be proposed at the meeting would be to allow the Company to purchase its own shares conferred by S701 of the Companies Act 2006.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 20 May 2014 at the offices of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT. Details of the notice of the Annual General Meeting are given on pages 71 to 78. The Annual General Meeting provides an opportunity for private shareholders to question your Board and to meet informally with the executive management after the meeting.

On behalf of the Board

Mary Tavener
Company Secretary
8 April 2014

Remuneration Report

The Board presents the Remuneration Report for the year ended 31 December 2013.

As an AIM quoted company, Advanced Medical Solutions Group plc is not required to comply with the Directors' Remuneration Report Regulations 2002. The following disclosures are made voluntarily.

The Remuneration Committee comprises four Non-Executive Directors of the Group, Penny Freer (Chairman), Steve Bellamy, Peter Steinmann and Peter Allen, and they have no personal financial interest, other than as shareholders, in the matters to be decided. They have no conflict of interest arising from cross-directorship and no day-to-day involvement in running the business. They do not participate in any bonus, share option or pension arrangements. The Committee met 6 times during the year. All meetings were attended by all members, with the exception of Peter Steinmann and Peter Allen who attended all meetings following their appointments on 1 July and 4 December respectively. Until his retirement on 31 December 2013 Don Evans was a member of the Remuneration Committee and attended all of the meetings in the year.

The Board has accepted the Remuneration Committee's recommendations in full.

The Remuneration Committee, on behalf of the Board and in consultation with the Chief Executive, determines the Group's policy on executive remuneration, employment conditions and the individual remuneration packages of the Executive Directors of all Group companies and management earning in excess of £100,000 per annum. It administers the Share Option Schemes, determines the design of performance-related pay schemes, sets the targets for such schemes and approves payment under such schemes. The Terms of Reference of the Remuneration Committee are reviewed each year and are available for review on the Company's website 'www.admedsol.com'.

Remuneration policy

The remuneration policy is based on the need to offer competitive packages to attract, retain and motivate senior executives of the highest calibre, whilst at the same time not paying more than is necessary for this purpose. A cohesive reward structure consistently applied with links to corporate performance, is seen as crucial in ensuring attainment of the Group's strategic goals. Regular reviews of the policy are carried out, supported by independent advice, to ensure that the range and level of emoluments and incentive schemes continue to match current market practice. Kepler Associates were engaged in February 2012 to advise the Remuneration Committee with regard to the remuneration of the executives and senior management, and provided further guidance throughout 2013. The Remuneration Committee took into account their recommendations which included the introduction of an Executive Shareholding Policy, which will require the Executive Directors and Senior Management Team to hold a minimum of 100% and 50% respectively, of their pre-tax salary in Company shares within 5 years of attaining office as well as a change to the existing bonus scheme. As a result of their recommendations, the Board are proposing the introduction of a Deferred Annual Bonus (DAB) Scheme which will be recommended to shareholders at the AGM on the 20 May 2014.

Salary

The Remuneration Committee reviews the salaries of the Executive Directors and Senior Managers of all Group companies annually which are compared against performance and market medians.

Annual performance bonus

Each of the Executive Directors is entitled under the terms of their service agreements to receive an annual bonus to be determined by the Remuneration Committee based on the Group's financial performance and the achievement of specific targets which are set by the Remuneration Committee. In 2013, the targets set were against Group revenue, Group profit before tax and earnings per share. Each participant may receive up to 100% of their salary, as a bonus. 85% of the award is dependent upon the financial performance of the Group and 15% is achievable for meeting personal objectives. Senior management may receive up to 50% of their salary in bonus. 43% of the award is dependent on financial performance targets and 7% on personal objectives. Following advice from Kepler, the Remuneration Committee is proposing to introduce a Deferred Annual Bonus (DAB) Scheme whereby both Executive Directors and Senior Managers will be required to defer up to 25% of their annual bonus into share awards that will vest after three years. This DAB is being proposed at the Annual General Meeting. Details on the DAB are included in Appendix 1 of the Notice of Meeting on pages 74 to 78.

Share options

Employees, except for participants in the Long Term Incentive Plan (LTIP), may be granted options over shares in the Company under the Company Share Option Plan and Executive Share Option Scheme, under which either approved or unapproved options may be granted. Options granted under these schemes are not offered at a discount.

The exercising of options under these schemes is conditional on certain performance conditions which are pre-determined by the Remuneration Committee and which accord with the Joint Statement from the Investment Committees of the Association of British Insurers and the National Association of Pension Funds. Options are exercisable normally only after the third anniversary of the date of grant (or such later time as may be determined at the time of grant) and cannot in any event be exercised later than the tenth anniversary of the date of grant. Awards will not vest if the Group is not profitable at the end of the performance period. Full details are included in note 32 on pages 61 to 65.

Company Share Option Plan (CSOP)

The Company received approval for a Company Share Option Plan (CSOP) on 2 June 2010. This was adopted after HMRC approval on 13 August 2010. This Plan allows relevant employees to receive up to £30,000 of Company shares by reference to the market value of these shares on the grant date and to benefit from the growth in value of those shares.

2009 Executive Share Option Scheme

Options granted under this scheme are not offered at a discount. Up until 2010, the Company was able to offer options under an Enterprise Management Incentive (EMI) Scheme. The Company no longer satisfies the requirements for operating this scheme, however, options already granted will be allowed to vest in accordance with the scheme rules.

Long term incentives

The Company's Long Term Incentive Plan (LTIP) was introduced in 2005. Individuals who are entitled to awards under the LTIP are not eligible to receive options under the Company's Share Option Plan or the Executive Share Option Scheme. The objectives of the LTIP are to align the interests of Executives with those of shareholders by making a part of remuneration dependent on the success of management in delivering superior returns to shareholders. 50% of the Award is determined based on the performance of the Company compared with the AIM Healthcare Share Index over a three year period and 50% of the Award is determined by the growth in the average earnings per share per year of the Company over a three year period.

Of the 50% of the Award that is determined by reference to the AIM Healthcare Share Index, no shares will be awarded if the Company is ranked below the 50% level. If the Company is ranked in the upper quartile of the index i.e. at 75% or above, the full 50% of the Award shall become vested. If the Company is ranked between 50% and 75%, the provision of an Award which shall become vested shall be determined on a straight-line basis between 0% and 50%.

The other 50% of the Award will be vested if the Company achieves an average of 20% or more earnings per share growth per year over three years from the date of grant. No award is made if earnings per share is less than 10% There is a discretionary underpin at the end of the performance period that requires the Committee to be satisfied that the recorded EPS performance is consistent with the underlying performance of the Company.

The proportion of the Award that shall become vested if the Company achieves an average earnings per share growth per year between 10% and 20% shall be on a straight-line basis between 0% and 50%. Awards made have no performance re-testing facility.

The LTIP introduced in 2005 is due to end on the 24 May 2015. A new LTIP is being proposed at the Annual General Meeting to replace the existing scheme. Details of the proposed scheme are included in Appendix 1 of the Notice of Meeting on pages 74 to 78.

Deferred Share Bonus Plan

The Company also has a Deferred Share Bonus Plan (the 'DSB') which is available to all employees. The DSB allows for the payment of any bonus to be made in the form of shares. It also allows for the provision of additional matching shares if the bonus shares are held for a set period. The DSB encourages employees to acquire shares in the Company and retain those shares to receive additional free shares from the Company. It acts as a valuable retention tool and aligns the employees' interests with those of shareholders. The first year that the DSB operated was in 2007. In 2013 the Company allowed employees to invest a part of their gross salary in the DSB scheme in lieu of any bonus being paid.

Pension

All staff are entitled to become members of the Group Pension and Life Assurance Scheme, which was set up with effect from 1 February 1999. The Scheme entitles Executive Directors to contribute up to 10% of salary with the Group contributing 10%. All other employees contribute 3% of their salary which is matched by a 6% contribution from the Group. The Pension Plan is a money purchase scheme. In 2011, the Group made further arrangements allowing individuals to sacrifice their salary for pension contributions. Automatic enrolment will be implemented in 2014.

Service agreements

The service agreements for Chris Meredith and Mary Tavener are terminable by either party giving not less than 12 months notice in writing.

Private healthcare

Executive Directors and other senior employees are entitled to private healthcare and permanent health insurance.

Non-executive directors

The fees of the Non-Executive Directors are determined by the Executive Directors. No Director or senior manager shall be involved in any decisions as to their own remuneration. Non-Executive Directors receive travel expenses but do not participate in any incentive arrangements. The Non-Executive Directors have entered into terms of appointment. The Non-Executive Directors' appointments are terminable by either party upon six months notice in writing without any right to compensation on early termination. Don Evans retired as Chairman on 31 December 2013. As a result of his previous position as Chief Executive Officer, he held LTIPs with a vesting date of 23 April 2012. The Remuneration Committee recommended, and the Board agreed, that these LTIPs vest in the normal way, subject to the usual performance conditions. Don Evans exercised all of his remaining LTIPs and DSBs during the year with the exception of 4,411 shares from the DSB Scheme which were exercised on 3 January 2014. There were no payments made to Don Evans as a result of his retirement.

Directors' emoluments

The various elements of the remuneration for each Director in 2013 is as follows:

	Salary and fees		Annual bonus[1]		Gains on LTIP's vested during the year		Gains on DSB's vested during the year		Benefits		Pensions		Total year ended 2013	Total year ended[4] 2012
Year to 31 December	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Executive														
Chris Meredith	**204**	200	**106[3]**	36[2]	**–**	400	**–**	44	**1**	1	**20**	14	**331**	695[4]
Mary Tavener	**143**	140	**82[3]**	28[2]	**–**	131	**22**	44	**1**	1	**32**	31	**280**	375[4]
Non-Executive														
Don Evans	**52**	51	**–**	–	**–**	200	**–**	66	**–**	–	**–**	–	**52**	317[4]
Peter Allen[5]	**5**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5**	–
Steve Bellamy	**36**	35	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**36**	35
Penny Freer	**36**	35	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**36**	35
Peter Steinmann[5]	**17**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	–
Total	**493**	461	**188**	64	**–**	731	**22**	154	**2**	2	**52**	45	**757**	1,457

1. 2013 bonus includes bonus payable in respect of both 2012 and accrued for the performance in 2013
2. 2012 bonus includes bonus payable as a result of the Group's audited position in 2011
3. 2013 bonus includes an amount that will be deferred if the proposal for the Advanced Medical Solutions Group plc DAB 2014 proposed at the AGM is approved
4. 2012 includes gains on LTIPs and DSBs vesting in that year. These were not included in the 2012 Report and Accounts
5. Since appointment

The table above summarises the payments made and additional amounts earned by the Directors for the 2013 financial year.

Until 2013 the annual bonus, which was discretionary, was not determined until the financial results had been audited and approved by the Board. No bonus was payable to the Directors in respect of the 2012 financial year. The Board agreed that from 2013 a bonus for the current financial year should be accrued. The bonus recorded in the table above is in respect of the 2013 financial year, to be paid or deferred into shares in 2014.

The Executive Directors were granted further LTIPs as detailed below.

The opening share price for 2013 was 64p and the closing price on the last trading day of the year, was 108p. The range during the year was 108p (high) and 60p (low). (Source: daily official list of the London Stock Exchange.)

Directors interests in the Long-Term Incentive Plan (LTIP)

The maximum number of shares to be allocated to the directors under the LTIP, in each case for an aggregate consideration of £1 are as follows:

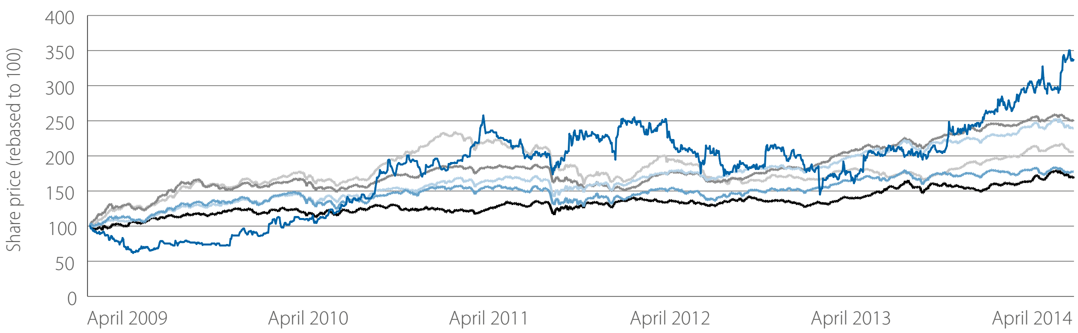
	As at 31 December 2012	Exercised in the year	Issued in the year	Lapsed in the year	**As at 31 December 2013**	Market price at date of grant (p)	First vesting date
Don Evans	256,713	256,713	–	–	**–**	33.30	23 April 2012 (vested)
Mary Tavener	168,969	168,969	–	–	**–**	33.30	23 April 2012 (vested)
	159,126	–	–	–	**159,126**	88.00	15 April 2014
	201,954	–	–	–	**201,954**	76.75	6 September 2015
	–	–	176,011	–	**176,011**	90.00	19 September 2016
Chris Meredith	514,778	–	–	–	**514,778**	33.30	23 April 2012 (vested)
	306,818	–	–	–	**306,818**	88.00	15 April 2014
	260,586	–	–	–	**260,586**	76.75	6 September 2015
	–	–	227,111	–	**227,111**	90.00	19 September 2016

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on pages 25 and 26. The figures shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved.

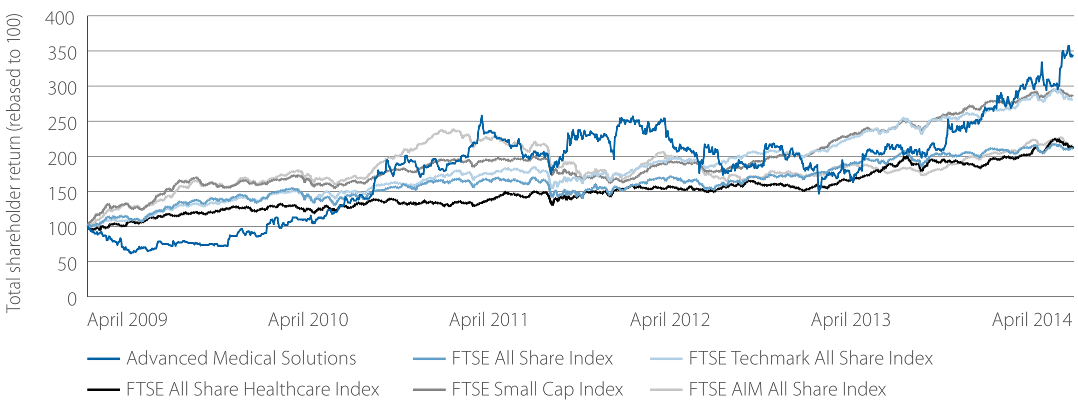
Awards made have no performance re-testing facility.

Five-year share performance

For the five-year period ending 31 March 2014 the Advanced Medical Solutions Group plc share price has outperformed the FTSE All Share Index by 159%, FTSE Techmark All-Share Index by 97%, FTSE All-Share Health Care Index by 169%, the FTSE Small Cap Index by 85%, and FTSE AIM All-Share Index by 131%.



For the five-year period ending 31 March 2014 the Advanced Medical Solutions Group plc total shareholder return ("TSR") has outperformed the FTSE All Share Index by 132%, FTSE Techmark All-Share Index by 63%, FTSE All-Share Health Care Index by 132%, the FTSE Small Cap Index by 56%, and FTSE AIM All-Share Index by 128%. TSR is defined as share price growth plus reinvested dividends.



Mary Tavener
Company Secretary
8 April 2014

Corporate Governance Report

UK Corporate Governance Code
The rules relating to AIM companies do not require the Company to report in accordance with the UK Corporate Governance Code 2012 ("the Code"). However, the Board is committed to the principles of good corporate governance and the directors have applied the Code in a manner which they consider appropriate for the size of the Group. The departures considered more significant by the directors are mentioned below.

Board composition and Diversity
The Board comprises the Non-Executive Chairman, the Chief Executive, the Group Finance Director and three Non-Executive Directors. The Directors' biographies appear on pages 18 and 19 and detail their experience and suitability for leading and managing the Group. The Non-Executive Directors, all of whom are considered by the Board to be independent, bring a valuable range of expertise and experience in assisting the Group to achieve its strategic aims. The Chairman fosters a climate of debate and challenge in the boardroom. This is built on his challenging but supportive relationship with the Chief Executive which sets the tone for Board interaction and discussions.

We recognise the importance of diversity at Board level and our Board members comprise a number of different nationalities with a wide range of skills and experiences from a variety of business backgrounds. Our current female representation on the Board is 33.3%, already above the minimum representation level to be achieved by 2015.

Peter Allen was appointed as Chairman on 1 January 2014 following his appointment as a Non-Executive Director on 4 December 2013 and is considered to be independent. Don Evans retired as Chairman on 31 December 2013 and was not considered to be independent. The Group also appointed a Non-Executive Director with commercial experience of the medical device sector, Peter Steinmann, to strengthen the Board in 2013. Position profiles for both appointments were prepared and an external recruitment agency used to source candidates, a process managed by the Nomination Committee. The size of the Board increased at the end of 2013 to 7. Following Don Evans retirement on 31 December 2013 this has reduced to 6.

All Directors are required to stand for re-election at the first Annual General Meeting following their appointment and, as a minimum, every three years thereafter.

Senior Independent Director
In March 2010 Penny Freer was appointed as Senior Independent Director.

Board Committees
The Board has delegated specific authority to the Audit Committee, Nomination Committee and the Remuneration Committee.

Peter Allen, Penny Freer, Steve Bellamy and Peter Steinmann are members of the Remuneration, Audit and Nomination Committees. Chris Meredith is a member of the Nomination Committee. Until his retirement on 31 December 2013 Don Evans was a member of all Committees.

Terms of Reference of all three Board Committees are available on our corporate website 'www.admedsol.com'.

Role of the Board
The Board retains full and effective control of the Group and has a schedule of matters specifically reserved for its approval. The Board is responsible for formulating the Group's corporate strategy, approval of budgets, monitoring financial performance, approval and review of major capital expenditure, corporate governance and risk management. Matters are delegated to the Board Committees, Executive Directors and the Senior Management Team (SMT) where appropriate.

All Directors have access to the advice and services of the Company Secretary and can take independent professional advice, if necessary, at the Group's expense. The Board approves the appointment and removal of the Company Secretary. The Non-Executive Directors are able to contact the Executive Directors and senior managers at any time for further information.

Board and Committee meetings

The Board meets on a formal basis regularly, and met formally 10 times in 2013. Members are supplied with financial and operational information in good time for review in advance of the meetings. Most Board Committee meetings are scheduled around Board meetings.

The Directors attended the following meetings in the year ended 31 December 2013:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Don Evans	10	5	4	6
Christopher Meredith	10	4*	4	0
Mary Tavener	10	5*	3*	0
Steve Bellamy	10	5	4	6
Penny Freer	10	5	4	6
Peter Steinmann**	5	2	3	3
Peter Allen**	1	0	1	1

* By invitation

** Since appointment

Board and Committee evaluation

The performance evaluation of the Board, its Committees and Directors is undertaken by the Chairman annually and implemented in collaboration with the Committee Chairman. The 2013 Board and Committee evaluations were conducted by way of each Director and Committee member completing comprehensive questionnaires. The results are collated, discussed and acted upon by the Board and Committees. The Board reviews the outcomes of the Committee evaluations and assesses their performance. The Chairman confirms that the performance of the Non-Executive Directors continues to be effective.

In line with good corporate governance and the UK Corporate Governance Code the Board completed an external Board evaluation exercise in 2013. This involved interviews with all Board members, the Senior Management Team and external advisors. The results were presented to the Board, discussed and acted upon.

Professional advice, indemnities and insurance

There is provision for Directors to take independent professional advice relating to the discharge of their responsibilities should they feel they need it. The Company has arranged Directors' and Officers' liability insurance against certain liabilities and defence costs. However, the Directors' insurance does not provide protection in the event of a Director being found to have acted fraudulently or dishonestly.

Investor relations

The Board appreciates that effective communication with the Company's Shareholders and the investment community as a whole is a key objective. The views of both institutional and private Shareholders are important, and these can be varied and wide-ranging, as is their interest in the Company's strategy, reputation and performance. The Executive Directors have overall responsibility for ensuring effective communication and the Company maintains a regular dialogue with its shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year. The views of shareholders are sought through direct contact and via feedback from advisors and are communicated to the Board as a whole. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which is sent to shareholders at least 20 working days before the meeting. The AMS website 'www.admedsol.com' is regularly updated and provides additional information on the Group including information on the Group's products and technology.

Annual General Meeting

This year's AGM will, as last year, include a presentation by the Chief Executive on the current progress of the business and allow the opportunity for questions on this or any of the resolutions before the meeting. The Company proposes separate resolutions for each issue and specifically relating to the reports and accounts. The Company ensures all proxy votes are counted and indicates the level of proxies on each resolution along with the abstentions after it has been dealt with on a show of hands.

After the meeting, shareholders will have the opportunity to talk informally to the Board and raise any further questions or issues they may have. The outcome of the AGM and a copy of the AGM presentation will be posted on the Company's website after the meeting.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness, taking guidance from the Audit Committee. In the context of the Group's business any such system can only reasonably be expected to manage rather than eliminate risks arising from its operations. It can therefore only provide reasonable and not absolute assurance against material loss or misstatement.

Corporate Governance Report (continued)

Key features of the internal control system are as follows:

- The Group has an organisational structure with clear responsibilities and lines of accountability. The Group promotes the values of integrity and professionalism. The members of the Board are available to hear, in confidence, any individual's concerns about improprieties;
- The Board has a schedule of matters expressly reserved for its consideration. This schedule includes potential acquisitions, major capital projects, treasury, risk management policies, approval of budgets and health and safety;
- The Board monitors the activities of the Group through the management accounts, monthly forecasts and other reports on current activities and plans. The Senior Management Team regularly monitors financial and operational performance in detail;
- The Group has set appropriate levels of authorisation which must be adhered to as the Group concludes its business;
- The Group operates a 'whistle-blowing' policy enabling any individual with a concern to approach the Non-Executive Directors in confidence; and
- The Group has appointed a third party to carry out internal audits on behalf of the Group which is managed by the Audit Committee.

Risk Management

The recent challenging business climate has resulted in a sustained focus on the approach to risk. The Directors consider risk management to be crucial to the Group's success and give a high priority to ensuring that adequate systems are in place to evaluate and limit risk exposure.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of the business together with the design and operation of suitable internal controls. These risks have been discussed in the Strategic Report on pages 3 to 17 and are assessed on a continual basis, and may be associated with a variety of internal or external factors including financial and operational risks.

Management report to the Board regularly on their review of risks and how they have managed the risks. The Board reviews the inherent risks, including the key risks, at Board meetings and the system of control necessary to manage such risks. The Board reviews the effectiveness of the Group's procedure in managing risk and, therefore, believes it meets the requirements of the Guidance. The business risks and controls to mitigate the risks are formally reviewed by the Audit Committee and then by the Board at least twice a year.

Audit Committee

The Audit Committee comprises Steve Bellamy (Chairman), Penny Freer, Peter Steinmann (from 1 July 2013) and Peter Allen (from 4 December 2013). Don Evans was a member of the Audit Committee until his retirement on 31 December 2013.

Steve Bellamy, a qualified Chartered Accountant, chairs the Committee. The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2013. The Deputy Company Secretary acts as Secretary to the Committee.

The Committee met five times during the year. The Chief Executive Officer, Group Finance Director, Group Financial Controller, external audit partner and internal auditor attended a number of these meetings. The Audit Committee also met with the external audit partner without the Executives and Senior Managers present. The role of the Committee is to: consider the appointment, fees, independence and effectiveness of the auditor and the audit process, and discuss the scope of the audit and its findings;

- monitor the Group's accounting policies;
- review and challenge the Group's assessment of business risks and internal controls to mitigate these risks;
- review the annual and interim statements prior to their submission for approval by the Board;
- review and challenge the Going Concern assumptions for the Group;
- review the Group's Whistle-blowing, Bribery and Gifts policies;
- review the internal audit plan and the reports of the internal auditors; and
- annually assess the performance of external auditor through feedback from management and from the Audit Committee.

Significant judgements have been challenged through open discussion and rigorous debate between the Committee and the auditor.

It is the task of the Audit Committee to ensure that auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor. To ensure auditor objectivity and independence there is a process in place to approve any non-audit work provided by the auditor.

Internal Audit

Following a review of the Group in 2012, the Audit Committee proposed, and the Board accepted, the recommendation that a separate internal audit function be set up. This was achieved by outsourcing to Baker Tilly LLP. The Audit Committee have prepared the Terms of Reference and a plan of work. Baker Tilly LLP commenced work during the second half of 2013. Findings and recommendations are received by the Audit Committee who also review progress on corrective actions. The Audit Committee:

- approves the appointment or termination of appointment of the internal auditors;
- reviews and approves the charter of the internal audit function and ensures the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- ensures the internal auditor has direct access to the Board Chairman and to the Committee Chairman, and is accountable to the Committee;
- reviews and assesses the annual internal audit work plan;
- receives a report on the results of the internal auditor's work on a periodic basis;
- reviews and monitors management's responsiveness to the internal auditor's findings and recommendations;
- meets with the internal auditor at least once a year without the presence of management; and
- monitors and reviews the effectiveness of the company's controls in the context of the company's overall risk management system.

All internal audit reports are discussed with the Audit Committee and the external auditor, and the recommendations considered and acted upon. Baker Tilly LLP attends Audit Committee meetings every 6 months and updates the Audit Committee in writing ahead of the Committee meetings.

The Group also calls on the services of external bodies to review the controls in certain areas of the Group. The quality assurance systems are reviewed by the Group's notified bodies, the British Standards Institution (BSI) and TUV Product Service, on a regular basis.

Nomination Committee

The Nomination Committee comprises Peter Allen (Chairman from 1 January 2014), Penny Freer, Steve Bellamy, Chris Meredith and Peter Steinmann (from 1 July 2013). Don Evans was a member of the Nomination Committee until his retirement on 31 December 2013.

The Committee nominates and recommends the appointment of new Directors to the Board, considers succession planning for Directors and other Senior Management, and membership of the Audit and Remuneration Committees. In making recommendations, the Committee takes into account the balance of skill, knowledge and experience of the Board and gives due regard to the benefits of diversity of the Board, including gender. The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2013. The Deputy Company Secretary acts as Secretary to the Committee. The Committee met formally four times during the year.

The Committee identified the need for a Non-Executive Director with relevant commercial experience of the medical device sector during 2013. A profile for this position was drawn up, agreed and a recruitment process, using an external recruitment agency unrelated to the business, was implemented leading to the appointment of Peter Steinmann on 1 July 2013.

Following Don Evans' announcing his intention to retire from the Board in 2013, a profile for this position was drawn up, agreed and an external recruitment agency unrelated to the business appointed to identify suitable candidates. Don Evans was involved in the recruitment process for his successor to ensure continuity and a smooth transition. Don Evans stepped down on 31 December 2013 and Peter Allen was appointed as Chairman on 1 January 2014.

Remuneration Committee

The Remuneration Committee comprises Penny Freer (Chairman), Steve Bellamy, Peter Steinmann (from 1 July 2013) and Peter Allen (from 4 December 2013). Don Evans was a member of the Remuneration Committee until his retirement on 31 December 2013.

The Committee, in consultation with the Chief Executive, determines the Group's policy on executive remuneration, employment conditions, and the individual remuneration packages of Executive Directors of all Group companies and Senior Management earning in excess of £100,000 per annum. It also approves all new incentive schemes, the grants of options under the Group's Share Option Schemes, and the grant of shares under the Group's Long Term Incentive Plan (LTIP). The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2013. The Deputy Company Secretary acts as Secretary to the Committee. The Remuneration Committee met 6 times in 2013. The report of the Committee is included on pages 25 to 27.

Going concern

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

With regard to the Group's financial position, it had cash and cash equivalents at the year-end of £5.3 million (2012: £8.9 million) and was debt free (2012: Term loan of €10.3 million and £6.31 million). The Group has a revolving credit facility of £4 million which expires on 31 July 2015.

While the current economic environment is uncertain, AMS operates in a market whose demographics are favourable, underpinned by an increasing need for products to treat chronic and acute wounds. Consequently, market growth is predicted. The Group has a number of long-term contracts with customers across different geographic regions and also with substantial financial resources, ranging from government agencies through to global healthcare companies.

Having taken the above into consideration the Directors have reached 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 financial statements.

Mary Tavener
Company Secretary
8 April 2014

Independent Auditor's Report
to the Members of Advanced Medical Solutions Group plc

We have audited the financial statements of Advanced Medical Solutions Group plc for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the related consolidated notes 1 to 34, the Company Balance Sheet and the related Company notes 1 to 9. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Timothy Edge BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
8 April 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013	Year ended 31 December 2012		
		Total £'000	Before exceptional items £'000	Exceptional items (note 6) £'000	Total £'000
Revenue	4	**59,499**	52,589	–	52,589
Cost of sales		**(25,231)**	(23,946)	–	(23,946)
Gross profit		**34,268**	28,643	–	28,643
Distribution costs		**(744)**	(543)	–	(543)
Administration costs		**(20,079)**	(16,105)	(849)	(16,954)
Other income		**281**	312	–	312
Profit from operations	4, 5	**13,726**	12,307	(849)	11,458
Finance income	11	**1**	35	–	35
Finance costs	12	**(583)**	(697)	–	(697)
Profit before taxation		**13,144**	11,645	(849)	10,796
Income tax	13	**(1,778)**	(1,104)	–	(1,104)
Profit for the year attributable to equity holders of the parent		**11,366**	10,541	(849)	9,692
Earnings per share					
Basic	15	**5.52p**	5.17p	(0.42p)	4.75p
Diluted	15	**5.45p**	5.07p	(0.41p)	4.66p
Adjusted diluted	15	**5.64p**	5.30p		

The above results relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the year	**11,366**	9,692
Exchange differences on translation of foreign operations	**732**	(1,258)
Gain/(loss) arising on cash flow hedges	**698**	(79)
Other comprehensive income/(expense) for the year	**1,430**	(1,337)
Total comprehensive income/(expense) for the year attributable to equity holders of the parent	**12,796**	8,355

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	16	**10,256**	10,435
Software intangibles	16	**1,662**	1,134
Development costs	16	**1,702**	1,628
Goodwill	19	**39,278**	38,420
Property, plant and equipment	17	**16,707**	17,599
Deferred tax assets	18	**1,728**	2,651
Trade and other receivables		**14**	17
		71,347	71,884
Current assets			
Inventories	20	**8,042**	6,456
Trade and other receivables	21	**12,158**	10,179
Current tax assets		**343**	172
Cash and cash equivalents	22	**5,257**	8,867
		25,800	25,674
Total assets		**97,147**	97,558
Liabilities			
Current liabilities			
Bank overdraft		**–**	26
Trade and other payables	23	**6,298**	5,605
Current tax liabilities		**1,220**	250
Other taxes payable		**260**	249
Other loans	24	**–**	2,796
Obligations under finance leases	24	**4**	5
		7,782	8,931
Non-current liabilities			
Trade and other payables	23	**520**	572
Other loans	25	**–**	11,589
Deferred tax liabilities		**2,754**	2,761
Obligations under finance leases	25	**3**	7
		3,277	14,929
Total liabilities		**11,059**	23,860
Net assets		**86,088**	73,698
Equity			
Share capital	30	**10,343**	10,230
Share premium		**32,364**	31,887
Share-based payments reserve		**1,326**	1,122
Investment in own shares	31	**(144)**	(77)
Share-based payments deferred tax reserve		**158**	180
Other reserve	31	**1,531**	1,531
Hedging reserve		**651**	(47)
Translation reserve		**(667)**	(1,399)
Retained earnings		**40,526**	30,271
Equity attributable to equity holders of the parent		**86,088**	73,698

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 33 to 65 were approved by the Board of Directors and authorised for issue on 8 April 2014 and were signed on its behalf by:

Chris Meredith
Chief Executive Officer
8 April 2014

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	10,176	31,704	779	(40)	631	1,531	32	(141)	21,540	66,212
Consolidated profit for the year to 31 Dec 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)
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	10,230	31,887	1,122	(77)	180	1,531	(47)	(1,399)	30,271	73,698
Consolidated profit for the year to 31 Dec 2013	–	–	–	–	–	–	–	–	11,366	11,366
Other comprehensive income	–	–	–	–	–	–	698	732	–	1,430
Total comprehensive income	–	–	–	–	–	–	698	732	11,366	12,796
Share-based payments	–	–	400	–	(22)	–	–	–	–	378
Share options exercised	113	477	(196)	–	–	–	–	–	–	394
Shares purchased by EBT	–	–	–	(277)	–	–	–	–	–	(277)
Shares sold by EBT	–	–	–	210	–	–	–	–	–	210
Dividends paid	–	–	–	–	–	–	–	–	(1,111)	(1,111)
At 31 December 2013	**10,343**	**32,364**	**1,326**	**(144)**	**158**	**1,531**	**651**	**(667)**	**40,526**	**86,088**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Cash flows from operating activities			
Profit from operations		**13,726**	11,458
Adjustments for:			
Depreciation		**1,783**	1,633
Amortisation – intellectual property rights		**400**	480
– development costs		**204**	125
– software intangibles		**91**	62
Impairment of development costs		**337**	–
(Increase)/decrease in inventories		**(1,510)**	258
(Increase)/decrease in trade and other receivables		**(1,931)**	923
Increase/(decrease) in trade and other payables		**653**	(2,740)
Share-based payments expense		**400**	363
Taxation		**(83)**	(669)
Net cash inflow from operating activities		**14,070**	11,893
Cash flows from investing activities			
Purchase of software		**(618)**	(380)
Capitalised research and development		**(612)**	(802)
Purchases of property, plant and equipment		**(836)**	(1,572)
Disposal of property, plant and equipment		**64**	–
Interest received		**1**	35
Net cash used in investing activities		**(2,001)**	(2,719)
Cash flows from financing activities			
Dividends paid		**(1,111)**	(960)
Finance lease		**(5)**	(20)
Repayment of secured loan		**(14,385)**	(5,564)
Issue of equity shares		**395**	217
Shares purchased by EBT		**(277)**	(81)
Shares sold by EBT		**210**	44
Interest paid		**(583)**	(692)
Net cash used in financing activities		**(15,756)**	(7,056)
Net (decrease)/increase in cash and cash equivalents		**(3,687)**	2,118
Cash and cash equivalents at the beginning of the year		**8,841**	7,122
Effect of foreign exchange rate changes		**103**	(399)
Cash and cash equivalents at the end of the year	22	**5,257**	8,841

Notes Forming Part of the Consolidated Financial Statements

1. Reporting entity

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

The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange plc. The consolidated financial statements of the Company for the 12 months ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2. Basis of preparation

The Group accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU.

The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out below.

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 presentational currency for the Consolidated financial statements.

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 the year-end of £5.3 million. The Group also has in place a revolving credit facility of £4 million, which is not drawn down and expires on 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.

After taking 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 accounts.

The Group has applied IAS 24 (revisions 2010), IFRIC 14 (amendments 2010) and improvements to IFRS (2010). These have had no significant impact on this set of financial information.

3. Accounting policies

Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value.

Capitalisation of development costs

In determining the development expenses to be capitalised, estimates and assumptions are required based on expected future economic benefits generated by products that are the result of these development costs. Other important estimates and assumptions in this assessment process are the required internal rate of return, the distinction between research and development and the estimated useful life.

Notes Forming Part of the Consolidated Financial Statements (continued)

3. Accounting policies continued

Share-based payment

The charge to the income statement in relation to options and incentive plans is based on the Black-Scholes Merton or the Binominal Theorem valuation technique. This technique requires a number of assumptions to be made such as those in relation to share price volatility, movement in interest rates, dividend yields and staff behavioural patterns.

Inventory impairment provisions

The Group makes provisions for inventory deemed to be obsolete or slow-moving. This provision is established on each individual stock keeping unit (SKU) based on the age of the stock, the forward order book, management's experience and its assessment of the present value of estimated future cash flows.

Receivables impairment provisions

The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the present value of estimated future cash flows.

Deferred tax

A deferred tax asset is recognised when it is judged probable that the Group will generate taxable profits which can be offset against tax losses.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to retain benefits from its activities. The financial statements of the subsidiaries are included in the Consolidated financial statements on the basis of acquisition accounting, from the date that control commences until the date that control ceases.

Intercompany transactions and balances between Group entities are eliminated upon consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the equity method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, the equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the issue of debt or equity. Acquisition related expenses are accounted for as expenses in the period in which the costs are incurred and the services rendered, with the exception of directly attributable costs incurred as a result of raising equity, which are off-set against share premium, and raising debt which are capitalised and amortised over the term of the debt. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Revenue recognition

Revenue represents the fair value of sales of the Group's products to external customers at amounts excluding value added tax, and is recognised when the products have been delivered and title has passed. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from royalty income receivable under licence agreements from external customers at amounts excluding value added tax is recognised as the products under licence are sold and the revenue can be reliably measured.

Other income

This represents non-refundable up-front licence payments received for the grant of rights for the development and marketing of products, and other sundry income. The income is recognised in the income statement, over the life of each development project, in proportion to the stage of completion of each project.

3. Accounting policies continued

Finance income

Finance income relates to interest earned on cash, cash equivalents and investments. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Finance costs

Finance costs relate to finance payments associated with financial liabilities. They are recognised in the income statement as they accrue using the effective interest method.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the date the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates at the dates of the transactions. Exchange differences arising on consolidation are recognised in equity.

Hedging

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes. Details on the hedging reserve in equity are in note 31.

Taxation

Taxation expense includes the amount of current income tax payable and the charge for the year in respect of deferred taxation.

The income tax payable is based on an estimation of the amount due on the taxable profit for the year. Taxable profit is different from profit before tax as reported in the income statement because it excludes items of income or expenditure which are not taxable or deductible in the year as a result of either the nature of the item or the fact that it is taxable or deductible in another period. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for on a basis of temporary differences, except to the extent where it arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case it is dealt with within equity. It is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax laws enacted or substantively enacted by the reporting date.

Intangible assets

Acquired intellectual property rights

Intellectual property rights that are acquired in a business combination are initially recognised at their fair value. Intellectual property rights purchased outright are initially recognised at cost. Intellectual property rights are capitalised and amortised over their estimated useful economic lives, usually not exceeding 18 years. In determining the useful economic life each asset is reviewed separately and consideration given to the period over which the Group expects to derive economic benefit from the asset.

Notes Forming Part of the Consolidated Financial Statements (continued)

3. Accounting policies continued

Development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the income statement as an expense in the period in which it is incurred.

Expenditure on development activities, where research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised once it can be demonstrated that the product or process is clearly identifiable, technically and commercially feasible, will generate future economic benefits, that the development costs of the asset can be measured reliably and the Group has sufficient resources to complete development. Expenditure capitalised is stated as the cost of materials and direct labour less accumulated amortisation.

Where development expenditure results in new or substantially improved products or processes and it is probable that recovery will take place, it is capitalised and amortised on a straight-line basis over the product's useful life starting from the date on which serial production commences, which is between one and ten years. Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, which is between three and twenty years.

Software intangibles

Where computer software is not integral to an item of property, plant or equipment its costs are capitalised and categorised as intangible assets. Amortisation is provided on a straight-line basis over its economic useful life, which is in the range of three to ten years.

Property, plant and equipment

Land and buildings and plant and equipment held for use in the production of goods and services or for administrative purposes are carried in the balance sheet at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Group elected to use the fair value as the deemed cost in respect of land and buildings at the date of transition to IFRS. Fair value was calculated by reference to their existing use at the date of transition.

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment, over the expected useful life of the asset from the date that the asset is brought into use. It is calculated at the following rates:

- Freehold property and improvements – 4% per annum on cost
- Leasehold improvements – over the length of the lease
- Plant and machinery – 6.7% to 33.3% per annum on cost
- Fixtures and fittings – 33.3% per annum on cost
- Motor vehicles – 25% per annum on cost

Property, plant and equipment in the course of construction for production are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

No depreciation is provided on freehold land.

Impairment of tangible and intangible assets excluding goodwill

The carrying amount of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows. As the Group's receivables are of short duration they are not discounted.

Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Accounting policies continued

Inventory

Inventory is valued at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable direct labour costs, that have been incurred in bringing the inventories to their present location and condition and an attributable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

The Group makes provision for inventory deemed to be irrecoverable or where the net realisable value is lower than cost. This provision is established on a stock keeping unit (SKU) basis by reference to the age of the stock, the forward order book, management's experience and its assessment of the present value of estimated future cash flow.

Financial instruments

Classification of financial instruments

Financial instruments are classified as financial assets, financial liabilities or equity instruments.

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the Group to deliver cash or other financial assets that are potentially unfavourable to the Group; and
- Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Recognition and valuation of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and cash deposits and amounts under short-term guarantees usually three months or less that are held for the purpose of meeting short-term cash commitments and are subject to insignificant risk in change in value and which are readily convertible to a known amount of cash. Cash held in accounts with more than 90 days' notice that are not required to meet short-term cash commitments are shown as an investment.

Investments

Cash held in accounts with more than 90 days' notice that are not required to meet short-term cash commitments are shown as an investment. The Group invests funds which are surplus to requirements in fixed rate deposits operating within parameters for credit ratings and credit limits for individual institutions that are approved and monitored by the Board.

Under IAS 39 'Financial instruments; recognition and measurement', such investments are classified as loans and receivables and are recognised at fair value on initial recognition and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. An impairment is made when it is likely that the balance will not be recovered in full. The recoverable amount is calculated as the present value of estimated future cash flows. Estimated future cash flows are not discounted due to the relatively short period of time between recognition of trade receivables and receipt of cash.

Recognition and valuation of equity instruments

Equity instruments are stated at par value. Any premium on issue is taken to the share premium account.

Recognition and valuation of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Other loans

Other loans are initially recognised at fair value and are subsequently recognised at amortised cost.

Financial liabilities at Fair Value Through Profit or Loss ("FVTPL")

A derivative that is not designated and effective as a hedging instrument is classified as held for trading. Financial liabilities are classified as at FVTPL where the financial liabilities are held for trading.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 26.

Notes Forming Part of the Consolidated Financial Statements (continued)

3. Accounting policies continued

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 26 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss (administrative costs) immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group currently designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Derivatives with remaining maturity of less than 12 months are presented as current assets or current liabilities.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held as finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments during the lease term at the inception of the lease. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement. Lease incentives, primarily up-front cash payments or rent-free periods, are capitalised and spread over the period of the lease term on a straight line basis unless another systematic basis is more representative of the time pattern of the users' benefit. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

Pensions

The Group operates a money purchase pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against the income statement represents the contributions payable to the scheme in respect of the accounting period.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based payments'. IFRS has been applied to all options granted after 7 November 2002 that were unvested as of 1 January 2006.

The Group issues equity–settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value as determined at the grant date of equity–settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of options that will eventually vest.

Fair value is measured by use of a Black-Scholes Merton or a Binomial Theorem model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Capital management

As at 31 December 2013, the Group had net funds. Capital is managed by maximising retained profits. Working capital is managed in order to generate maximum conversion of these profits into cash and cash equivalents thereby maintaining capital.

Capital includes share capital, share premium, investment in own shares, share-based payments reserve, share-based payments deferred tax reserve, other reserve, translation reserve and retained earnings reserve. There are no externally imposed capital requirements on the Group.

Exceptional items

Exceptional items are those items that are unusual because of their size, nature or incidence, or that the directors consider should be disclosed separately to enable a full understanding of the Group's results. This includes non-recurring transaction costs (see note 6). Exceptional items have been presented separately on the face of the income statement. The directors consider that this presentation gives a fairer presentation of the results of the Group.

3. Accounting policies continued

Employee Benefit Trusts

The Group operates an Employee Benefit Trust (EBT): 'Advanced Medical Solutions Group plc UK Employee Benefit Trust'.

The Group has de facto control of the assets, liabilities and shares held by the Trust and bear their benefits and risks. The Group records assets and liabilities of the Trust as its own.

In compliance with IAS 32 'Financial Instruments: Presentation Group', shares held by the EBT are included in the consolidated balance sheet as a reduction in equity. Gains and losses on Group shares are recognised directly in reserves.

IFRS not yet effective and not adopted early

The following IFRSs have been issued but have not been adopted by the Group in these financial statements, as they are not yet effective; none of which are likely to have a material effect on the Group's results, operations or financial position:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IAS 28 Investments in Associates and Joint Ventures (2011)
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (2011)
- IAS 32 Amendments to IFRS 7 and IAS 32
- Amendments to IAS 36 Impairment of assets
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- Amendments to IFRS 10, IFRS 12 and IAS 27

Unless otherwise listed above, no other standard, amendment or interpretation is likely to have a material effect on the Group's results, operations or financial position.

4. 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.

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** – Distribution, marketing and innovation of the Group's brands sold by distributors in markets not serviced by the Group's sales team
- **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 Consolidated Financial Statements (continued)

4. Segment information continued

Segment information about these businesses is presented below.

Year ended 31 December 2013	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	22,918	8,785	23,629	4,167	–	59,499
Inter-segment sales				766	(766)	–
Total revenue	22,918	8,785	23,629	4,933	(766)	59,499
Result						
Segment result	6,023	1,654	5,790	668	–	14,135
Unallocated expenses						(409)
Profit from operations						13,726
Finance income						1
Finance costs						(583)
Profit before tax						13,144
Tax						(1,778)
Profit for the year						11,366

At 31 December 2013 Other Information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	131	15	400	72	618
Research & development	168	70	369	5	612
Property, plant and equipment	330	117	197	192	836
Depreciation and amortisation	872	310	1,037	259	2,478
Balance sheet					
Assets					
Segment assets	54,470	15,196	23,172	4,309	97,147
Consolidated total assets					97,147
Liabilities					
Segment liabilities	5,629	1,675	3,156	599	11,059
Consolidated total liabilities					11,059

4. Segment information continued

Year ended 31 December 2012	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.

At 31 December 2012 (re-presented) Other Information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	106	18	249	7	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
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.

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.

Notes Forming Part of the Consolidated Financial Statements (continued)

4. Segment information continued

Geographical segments

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

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
United Kingdom	**13,225**	10,721
Germany	**15,687**	13,944
Europe excluding United Kingdom and Germany	**17,331**	16,855
United States of America	**11,819**	10,013
Rest of World	**1,437**	1,056
	59,499	52,589

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
United Kingdom	**34,271**	36,444
Germany	**56,522**	55,132
Europe excluding United Kingdom and Germany	**6,315**	5,923
United States of America	**39**	59
	97,147	97,558

5. Profit from operations

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**1,783**	1,633
Amortisation of:		
– acquired intellectual property rights	**400**	480
– software intangibles	**91**	62
– development costs	**204**	125
Operating lease rentals – plant and machinery	**235**	174
– land and buildings	**835**	810
Research and development costs expensed to the income statement	**2,196**	1,996
Cost of inventories recognised as expense	**24,601**	23,572
Staff costs	**18,241**	15,971
Net foreign exchange loss/(gain)	**164**	(417)

6. Exceptional items

During 2013, there were no exceptional costs. In the previous year, £849,000 of exceptional costs had been incurred relating to the integration of RESORBA® into the Advanced Medical Solutions Group which attracted tax deductions of £96,000 and resulted in an impact on net profit of £753,000.

7. Auditor's remuneration

Amounts payable to Deloitte LLP and their associates in respect of both audit and non-audit services:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**20**	15
Fees payable to the Company's auditor and their associates for other services to the Group		
– the audit of the Company's subsidiaries	**67**	74
Total audit fees	**87**	89
Audit related assurance services	**17**	10
Taxation compliance services	**–**	12
Other services		
– Other assurance services	**8**	–
Total non-audit fees	**25**	22
	112	111

Fees payable to the Company's auditor, Deloitte LLP and its associates, for non-audit services to the Company are not required to be disclosed in subsidiaries' accounts because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit Committee is set out in the corporate governance section of the Annual Report which includes explanations of how the audit objectivity and independence is safeguarded when non-audit service are provided by the auditor.

8. Employees

The average monthly number of employees of the Group during the year, including Executive Directors, was as follows:

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
Production	**276**	270
Research and development	**28**	24
Sales and marketing	**101**	100
Administration	**60**	60
	465	454

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	**15,129**	13,377
Social Security costs	**2,128**	1,764
Pension costs	**584**	467
Share-based payments (see note 32)	**400**	363
	18,241	15,971

Notes Forming Part of the Consolidated Financial Statements (continued)

9. Directors' emoluments

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Remuneration for management services	**657**	503
Pension	**52**	45
Amounts paid to third parties	**26**	24
Share-based payments	**158**	123
	893	695

Executive Directors

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Salaries and short-term employee benefits	**537**	406
Pension	**52**	45
Share-based payments	**158**	113
	747	564

Highest paid Director

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Salaries and short-term employee benefits	**311**	237
Pension	**20**	14
Share-based payments	**94**	72
	425	323
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**2**	2

10. Key management

The key management of the Group comprises the directors of the Group together with senior members of the management team. Their aggregate compensation is shown below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Salaries and short-term employee benefits	**1,703**	1,187
Pension	**111**	104
Termination payments	**10**	20
Share based payments	**203**	169
	2,027	1,480

11. Finance income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Bank interest	**–**	20
Rent deposit interest	**1**	15
	1	35

12. Finance costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Finance leases	**1**	5
Other loan interest	**–**	5
Bank interest	**582**	687
Total interest expense	**583**	697

13. Taxation

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
a) Analysis of charge for the year		
Current tax:		
Tax on ordinary activities – current year	**1,010**	759
Tax on ordinary activities – prior year	**(134)**	–
	876	759
Deferred tax:		
Tax on ordinary activities – current year	**494**	(110)
Tax on ordinary activities – prior year	**72**	236
Effect of reduction in UK corporation tax rates to 20% (2012: 24%)	**336**	219
	902	345
Tax charge for the year	**1,778**	1,104

b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK (23.25%) as explained below:

Profit before taxation	**13,144**	10,796
Profit multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**3,056**	2,645
Effects of:		
Overseas tax rate versus UK corporate tax rate	**140**	55
Expenses not deductible for tax purposes and other timing differences	**346**	120
Depreciation for period (less) than capital allowances	**(72)**	–
Patent Box Relief	**(510)**	–
Utilisation and recognition of trading losses	**(577)**	(1,771)
Research and development relief	**(439)**	(192)
Share-based payments	**(104)**	11
Adjustments in respect of prior year – current tax	**(134)**	–
Adjustments in respect of prior year – deferred tax	**72**	236
Taxation	**1,778**	1,104

Legislation to reduce the main rate of UK corporation tax to 21% and 20% was passed by parliament on 18 July 2013 to take effect from 1 April 2014 and 1 April 2015. The reduction in the main rate to 20% had been substantively enacted at the balance sheet date and, therefore, the deferred tax assets and liabilities are calculated in these financial statements at this rate.

In addition to the amount charged to the income statement and other comprehensive income, the Group has recognised directly in equity:

- excess tax deductions related to share-based payments on exercised options together with
- changes in excess deferred tax deductions related to share-based payments, totalling £15,000 surplus: (2012: £451,000 surplus).

Notes Forming Part of the Consolidated Financial Statements (continued)

14. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Final dividend for the year ended 31 December 2012 of 0.35p (2011: 0.305p) per ordinary share	**712**	617
Interim dividend for the year ended 31 December 2013 of 0.19p (2012: 0.17p) per ordinary share	**399**	343
	1,111	960
Proposed final dividend for the year ended 31 December 2013 of 0.41p (2012: 0.35p) per ordinary share	**849**	716

The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements.

15. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent		
– pre exceptional items	**11,366**	10,541
– post exceptional items	**11,366**	9,692
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**205,795**	204,059
Effect of dilutive potential ordinary shares:		
share options, deferred share bonus, LTIPs	**2,869**	3,945
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**208,664**	208,004
	£'000	£'000
Profit for the year attributable to equity holders of the parent	**11,366**	9,692
Amortisation of acquired intangible assets	**400**	480
Exceptional items	**–**	849
Adjusted profit for the year attributable to equity holders of the parent	**11,766**	11,021
Earnings per share	**pence**	pence
Basic – pre exceptional	**5.52p**	5.17p
Basic – post exceptional	**5.52p**	4.75p
Diluted – pre exceptional	**5.45p**	5.07p
Diluted – post exceptional	**5.45p**	4.66p
Adjusted basic	**5.72p**	5.40p
Adjusted diluted	**5.64p**	5.30p

16. Acquired intellectual property rights, software intangibles and development costs

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000
2013			
Cost			
At beginning of year	12,538	1,388	2,237
Additions	–	618	612
Impairment	–	–	(337)
Exchange differences	224	–	3
At end of year	**12,762**	**2,006**	**2,515**
Amortisation			
At beginning of year	2,103	254	609
Charged in the year	400	91	204
Exchange differences	3	(1)	–
At end of year	**2,506**	**344**	**813**
Net book value			
At 31 December 2013	**10,256**	**1,662**	**1,702**
At 31 December 2012	10,435	1,134	1,628

Intangible assets are amortised on a straight-line basis and the amortisation is recognised within administration costs, with the exception of the RESORBA® brand name, which the directors believe has an unlimited useful economic life and has a carrying value of £8,652,000. In reaching this assessment, the Directors have considered that the RESORBA® brand has existed for over 80 years and is widely recognised as a market leader in the suture market.

Acquired intellectual property rights were initially recognised on the acquisition of MedLogic Global Limited representing patents and on the acquisition of RESORBA® representing brand names, know-how and customer listings and contracts.

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000
2012			
Cost			
At beginning of year	12,850	1,008	1,435
Additions	–	380	802
Exchange differences	(312)	–	–
At end of year	12,538	1,388	2,237
Amortisation			
At beginning of year	1,623	192	484
Charged in the year	480	62	125
At end of year	2,103	254	609
Net book value			
At 31 December 2012	10,435	1,134	1,628
At 31 December 2011	11,227	816	951

Notes Forming Part of the Consolidated Financial Statements (continued)

17. Property, plant and equipment

	Freehold land, property and improvements £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
2013							
Cost							
At beginning of year	4,788	12	19,647	600	561	130	25,738
Additions	–	–	585	8	168	75	836
Transfer of assets into use	–	–	147	–	–	(147)	–
Disposals	–	–	(200)	(7)	(179)	–	(386)
Exchange adjustment	83	–	55	1	12	–	151
At end of year	**4,871**	**12**	**20,234**	**602**	**562**	**58**	**26,339**
Depreciation							
At beginning of year	102	10	7,813	187	27	–	8,139
Provided for the year	138	–	1,456	49	140	–	1,783
Disposals	–	–	(197)	(6)	(119)	–	(322)
Exchange adjustment	7	–	22	–	3	–	32
At end of year	**247**	**10**	**9,094**	**230**	**51**	**–**	**9,632**
Net book value							
At 31 December 2013	**4,624**	**2**	**11,140**	**372**	**511**	**58**	**16,707**
At 31 December 2012	4,686	2	11,834	413	534	130	17,599

At 31 December 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £644,000 (2012: £812,000).

The net book value of plant and equipment includes £6,000 of plant and machinery (2012: £11,000) held under finance leases. The related depreciation charge for the year was £5,000 for plant and machinery (2012: £12,000).

The net book value of plant and equipment includes £295,000 of plant and machinery (2012: £322,000) of capitalised borrowing costs relating to the Winsford site.

	Freehold land, property and improvements £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
2012							
Cost							
At beginning of year	4,886	12	18,074	1,200	44	1,007	25,223
Additions	1	–	1,220	20	201	130	1,572
Transfer of assets into use	–	–	1,007	–	–	(1,007)	–
Disposals	–	–	(702)	–	(181)	–	(883)
Transfers	–	–	110	(620)	510	–	–
Exchange adjustment	(99)	–	(62)	–	(13)	–	(174)
At end of year	4,788	12	19,647	600	561	130	25,738
Depreciation							
At beginning of year	28	10	7,182	140	44	–	7,404
Provided for the year	74	–	1,398	47	114	–	1,633
Disposals	–	–	(743)	–	(131)	–	(874)
Exchange adjustment	–	–	(24)	–	–	–	(24)
At end of year	102	10	7,813	187	27	–	8,139
Net book value							
At 31 December 2012	4,686	2	11,834	413	534	130	17,599
At 31 December 2011	4,858	2	10,892	1,060	–	1,007	17,819

18. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

	Revaluation of building £'000s	Share-based payment £'000	Tax losses £'000	Advanced capital allowances £'000	Intangible assets £'000	Research and Development Assets £'000	Total £'000
At 1 January 2012	(74)	824	2,774	–	(2,947)	–	577
Charge to income	74	70	(256)	(310)	89	–	(333)
Charge to equity	–	(451)	–	–	–	–	(451)
Exchange adjustment	–	–	–	–	97	–	97
At 31 December 2012	–	443	2,518	(310)	(2,761)	–	(110)
Charge to income	–	(6)	(395)	(158)	66	(349)	(842)
Charge to equity	–	(15)	–	–	–	–	(15)
Exchange adjustment	–	–	–	–	(59)	–	(59)
At 31 December 2013	–	**422**	**2,123**	**(468)**	**(2,754)**	**(349)**	**(1,026)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2013 £'000	2012 £'000
Deferred tax liabilities	**(817)**	(310)
Deferred tax assets	**2,545**	2,961
	1,728	2,651

At the balance sheet date, the Group has unused tax losses of £14.7 million (2012: £16.7 million) available for offset against future profits. A deferred tax asset of £2.1 million (2012: £2.5 million) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining £4.2 million (2012: £5.8 million) of such losses due to the unpredictability of future profit streams.

19. Goodwill

	2013 £'000	2012 £'000
Cost		
At 1 January	**38,420**	39,419
Exchange differences	**858**	(999)
At 31 December	**39,278**	38,420

Goodwill arose on the acquisition of Advanced Medical Solutions B.V. on 30 September 2009 and the acquisition of RESORBA on 22 December 2011.

Notes Forming Part of the Consolidated Financial Statements (continued)

19. Goodwill continued

The goodwill and intangible assets with indefinite useful economic life have been allocated to the relevant business units in proportion to profit from operations on a consistent basis for all four segments, as follows:

At 31 December 2013	Branded Direct £'000	Branded Distributed £'000	OEM partner £'000	Bulk Materials £'000	Consolidated £'000
Goodwill	**30,078**	**7,577**	**357**	**1,266**	**39,278**
Intangible assets with indefinite useful life	**6,855**	**1,797**	**–**	**–**	**8,652**
	36,933	**9,374**	**357**	**1,266**	**47,930**

Further comment on the allocation of goodwill to business units is provided in note 4. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts have been determined based on a value-in-use calculation on a cash generating unit basis, which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period. These budgets have been adjusted to reflect the existing state of the business and, consequently, omit investment plans. Cash flows beyond that five-year period have been extrapolated using a steady 2% (2012: 2%) per annum growth rate, being the medium-term expected growth; the growth rate would have to fall significantly in order for an impairment to be required. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. A discount rate of 8% per annum (2012: 8%), being the Group's current pre tax weighted average cost of capital, has been applied to these cash flows, being an estimation of current market risks and the time value of money. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause any of the carrying amounts to exceed the relevant recoverable amount.

20. Inventories

	2013 £'000	2012 £'000
Raw materials	**3,808**	2,940
Work in progress	**1,540**	1,197
Finished goods	**2,694**	2,319
	8,042	6,456

There is no material difference between the replacement cost of stock and the amount at which it is stated in the financial statements.

Included above are finished goods of £nil (2012: £nil) carried at net realisable value.

	2013 £'000	2012 £'000
Total gross inventories	**8,582**	6,851
Inventory impairment	**(540)**	(395)
Net inventory	**8,042**	6,456

Inventory impairment	2013 £'000	2012 £'000
At beginning of year	**(395)**	(314)
Income statement charge	**(555)**	(610)
Provision released	**34**	41
Provision utilised	**376**	488
At end of year	**(540)**	(395)

21. Trade and other receivables

	2013 £'000	2012 £'000
Due within one year		
Trade receivables	**10,255**	9,157
Other receivables	**709**	146
Prepayments and accrued income	**1,194**	876
	12,158	10,179

	2013 £'000	2012 £'000
Amount receivable for the sale of goods	**10,470**	9,305
Provision for impairment	**(215)**	(148)
	10,255	9,157

The Group's principal financial assets are cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables.

The average credit period taken on sales of goods is 43 days (2012: 43 days). No interest is charged on the receivables within the contracted credit period. Thereafter, interest may be charged at 2% per month on the outstanding balance. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the Group's large and unrelated customer base. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for impairments.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits are reviewed on an ongoing basis and reflect current payment history.

Included in the Group's trade receivable balance are debtors which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances. The carrying amount and ageing of these debtors are summarised below:

Ageing of overdue but not impaired receivables

	2013 £'000	2012 £'000
31-60 days overdue	**237**	333
61 to 90 days overdue	**–**	33
Total	**237**	366

Movement in provision for impairment

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Balance at the beginning of the year	**148**	123
Impairment losses recognised	**104**	41
Amounts written off as uncollectible	**(36)**	(1)
Amounts recovered during the year	**(1)**	(15)
Balance at the end of the year	**215**	148

Ageing of impaired trade receivables

	2013 £'000	2012 £'000
31 to 60 days overdue	**55**	–
61 to 90 days overdue	**20**	–
Over 90 days overdue	**140**	148
Total	**215**	148

Analysis of customers

In the year ended 31 December 2013, there were no customers accounting for more than 10% of revenue (2012: same).

Notes Forming Part of the Consolidated Financial Statements (continued)

22. Investments, cash and cash equivalents

	2013 £'000	2012 £'000
Cash and cash equivalents	**5,257**	8,867
Short-term overdraft	**–**	(26)
Cash and cash equivalents net of short-term overdraft	**5,257**	8,841

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

23. Trade and other payables

	2013 £'000	2012 £'000
Current liabilities		
Trade payables	**2,379**	2,731
Other payables	**1,071**	706
Derivative financial instruments	**–**	47
Accruals and deferred income	**2,848**	2,121
	6,298	5,605
Non-current liabilities		
Other payables	**520**	572

Trade payables, other payables and accruals and deferred income principally comprise amounts outstanding for trade purchases and ongoing costs.

The average credit period taken for trade purchases is 42 days (2012: 41 days). No interest is charged on trade payables that are within pre-agreed credit terms. Thereafter, interest may be charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

24. Current financial liabilities

	2013 £'000	2012 £'000
Obligations under finance leases (see note 27)	**4**	5
Other loans	**–**	2,796
	4	2,801

25. Non-current financial liabilities

	2013 £'000	2012 £'000
Obligations under finance leases (see note 27)	**3**	7
Other loans	**–**	11,589
	3	11,596

The loan was repaid on 30 September 2013, ahead of the scheduled expiration date of July 2015. The interest rate payable was variable based on the Company's leverage and the Euribor rate. The maturity by currency of finance leases is given in note 27.

26. Financial instruments

Categories of financial instruments

All financial instruments held by the Group, as detailed in this note, are classified as 'Loans and Receivables' (trade and other receivables, cash and cash equivalents), 'Held to maturity investments' (short-term investments), 'Financial Liabilities Measured at Amortised Cost' (trade and other payables, financial liabilities and obligations under finance leases), 'Derivative instruments in designated hedge accounting relationships (cash flow hedges)' and 'Fair value through profit and loss (FVTPL)' (derivative financial instruments) under IAS 39 'Financial Instruments: Recognition and Measurement' and finance leases under IAS 17 'Leases'.

	Carrying value	
	2013 £'000	2012 £'000
Financial assets		
Derivative instruments in designated hedge accounting relationships	**651**	–
Loans and receivables (including cash and cash equivalents)	**16,778**	19,110
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**–**	47
Amortised cost	**6,825**	20,574

Page 3 of the Strategic Report provides an explanation of the financial risks faced by the Group and the objectives and policies for managing those risks. The information below deals with the financial assets and liabilities.

(a) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, of which other loans and finance lease obligations are at fixed rates and denominated in sterling whilst derivative financial instruments are non-interest bearing, is as follows:

	On demand or within one year £'000	Between one and two years £'000	Between two and five years £'000	Five years or more £'000	Total financial liabilities £'000	Interest rate %
2013						
Trade and other payables	6,298	52	158	310	6,818	–
Finance lease creditors	4	2	1	–	7	24%
At 31 December 2013	**6,302**	**54**	**159**	**310**	**6,825**	

	On demand or within one year £'000	Between one and two years £'000	Between two and five years £'000	Five years or more £'000	Total financial liabilities £'000	Interest rate %
2012						
Trade and other payables	5,605	52	158	362	6,177	–
Other loans	2,796	3,282	8,307	–	14,385	variable
Finance lease creditors	5	4	3	–	12	18.9
At 31 December 2012	8,406	3,338	8,468	362	20,574	

	Fixed rate financial liabilities weighted average period for which rate is fixed		Financial liabilities on which no interest is paid weighted average period until maturity	
	2013 Years	2012 Years	**2013 Years**	2012 Years
Finance lease creditors	**5**	5	**–**	–

26. Financial instruments continued

(b) Interest rate and currency of financial assets

The currency and interest rate profile of the financial assets of the Group is as follows:

Investments and cash and cash equivalents

	Total £'000	Floating £'000	Non-interest bearing £'000
Currency			
Sterling	3,200	1,000	2,200
US Dollar	275	1	274
Euro	1,782	1,697	85
At 31 December 2013	**5,257**	**2,698**	**2,559**

	Total £'000	Floating £'000	Non-interest bearing £'000
Currency			
Sterling	5,067	513	4,554
US Dollar	1,742	20	1,722
Euro	2,058	1,949	109
At 31 December 2012	8,867	2,482	6,385

Trade and other receivables

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	2013 £'000	2012 £'000
Sterling	**6,640**	6,077
Euro	**2,780**	1,806
US Dollar	**2,738**	2,297
	12,158	10,180

The financial assets all mature within one year.

(c) Currency exposures

At 31 December 2013, the Group had unhedged US Dollar currency exposures of £nil (2012: £nil) and unhedged Euro currency exposures of £nil (2012: £nil).

Risk sensitivity

See Strategic Report (page 3) for risk sensitivities in respect of US dollar and Euro denominated revenue and material prices.

Forward foreign exchange contracts

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

In accordance with IFRS 7 'Improving Disclosures about Financial Instruments' the Group's financial instruments are considered to be classified as level 2 instruments. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie as derived from prices).

26. Financial instruments continued

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

Outstanding contracts	Average exchange rate 2013 USD:£1	2012 USD:£1	Foreign currency 2013 USD '000	2012 USD '000	Contract value 2013 £'000	2012 £'000	Fair value 2013 £'000	2012 £'000
Cash flow hedges								
Sell US dollars								
Less than 3 months	**1.547**	1.595	**3,500**	1,650	**2,262**	1,034	**144**	13
3 to 6 months	**1.519**	1.596	**2,250**	1,350	**1,481**	846	**118**	10
7 to 12 months	**1.534**	1.595	**5,550**	3,300	**3,618**	2,070	**251**	26
Over 12 months	**1.595**	–	**1,600**	–	**1,003**	–	**31**	–
			12,900	6,300	**8,364**	3,950	**544**	49

	Average exchange rate 2013 EUR:£1	2012 EUR:£1	Foreign currency 2013 EUR '000	2012 EUR '000	Contract value 2013 £'000	2012 £'000	Fair value 2013 £'000	2012 £'000
Sell Euros								
Less than 3 months	**1.157**	1.257	**1,100**	1,100	**951**	875	**34**	(22)
3 to 6 months	**1.164**	1.256	**1,100**	1,100	**945**	876	**24**	(23)
7 to 12 months	**1.164**	1.254	**2,300**	2,400	**1,977**	1,914	**49**	(51)
			4,500	4,600	**3,873**	3,665	**107**	(96)

The fair value amounts presented above are the difference between the market value of equivalent instruments at the balance sheet date and the contract value of the instruments. No profits or losses are included in operating profit in the year (2012: £nil) in respect of FVTPL contracts. The profit of £651,000 (2012: £47,000 loss) in respect of cash flow hedges has been taken to reserves.

27. Obligations under finance leases

	Minimum lease payments 2013 £'000	2012 £'000	Present value of lease payments 2013 £'000	2012 £'000
Amounts payable under finance leases:				
Within one year	**4**	5	**3**	5
In the second to fifth years inclusive	**4**	9	**4**	7
After five years	**–**	–	**–**	–
Less: future finance charges	**(1)**	(2)	**–**	–
Present value of lease obligations	**7**	12	**7**	12
Less: Amount due for settlement within 12 months (shown under current financial liabilities)	**(4)**	(5)	**(3)**	(5)
Amount due for settlement after 12 months	**3**	7	**4**	7

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years (2012: 5 years). For the year ended 31 December 2013, the average effective borrowing rate was 24% (2012: 18.9%). Interest rates are fixed at the contract date.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates their carrying amount.

28. Fair value of financial assets and liabilities

The Directors consider that the fair value of the Group's financial instruments do not differ significantly from their book values.

Notes Forming Part of the Consolidated Financial Statements (continued)

29. Foreign exchange rates

	Average rate		Closing rate		Percentage change	
					Average	Closing
	2013	2012	**2013**	2012	%	%
Currency						
US Dollar	**1.5630**	1.5886	**1.6542**	1.6168	(2)	2
Euro	**1.1793**	1.2302	**1.1995**	1.2263	(4)	(2)

30. Share capital

Number of ordinary shares of 5p each	Allotted, called up and fully paid '000
At 1 January 2012	203,516
New issues in the year	–
Share options exercised	1,102
At 31 December 2012	204,618
New issues in the year	–
Share options exercised	2,251
At 31 December 2013	**206,869**

During the year, employees exercised share options for 1,554,725 shares (2012: 978,124) at a range of option prices from 6.75p to 83p.

During the year, 696,792 (2012: 123,848) shares were issued under the Deferred Share Bonus Scheme at the nominal value of 5p per share. At the balance sheet date, 451,000 (2012: 478,000) of shares are retained by the Trust to meet the matching requirements of the scheme.

Ordinary shares of 5p each	Allotted, called up and fully paid £'000
At 1 January 2012	10,176
At 31 December 2012	10,230
New issues in the year	–
Share options exercised	113
At 31 December 2013	**10,343**

31. Reserves

Investment in own shares
This is the nominal value of the shares held in trust on behalf of employees in respect of the DSB scheme.

Other reserve
This represents Advanced Medical Solutions Limited's share premium account arising from merger accounting.

Hedging reserve
The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve
Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Sterling, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the translation reserve.

£732,000 has been recorded in the translation reserve during the period, which would otherwise have been recognised in administration costs (2012: £1,258,000), if hedge accounting had not been adopted.

32. Share-based payments

The charge for share-based payments under IFRS 2 arises across the following schemes:

	2013 £'000	2012 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**113**	59
Long-Term Incentive Plan	**211**	143
Deferred Share Bonus Scheme	**76**	161
	400	363

Unapproved Executive Share Option Scheme and Enterprise Management Incentive Scheme (EMI) and Company Share Option Plan (CSOP)

The fair value of the executive options is calculated based on a Black-Scholes Merton model assuming the inputs below:

Grant Date	15/07/2004	16/07/2004	21/03/2005	12/09/2005	15/03/2006	06/04/2006	21/09/2006
Share price at grant date	9p	9p	10.2p	9.25p	10.75p	10.75p	11.25p
Exercise price	9p	9p	10.2p	9.25p	10.75p	10.75p	11.25p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Expected volatility	30%	30%	30%	30%	30%	30%	30%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Fair value of options	2p	1p	1p	1p	2p	1p	1p

Grant Date	12/04/2007	26/09/2007	16/04/2008	15/10/2008	20/04/2009	05/10/2009	16/04/2010	20/10/2010
Share price at grant date	16.75p	26.75p	32.25p	31.75p	33.75p	28.75p	42.0p	64.0p
Exercise price	16.75p	26.75p	32.25p	31.75p	33.75p	28.75p	42.0p	64.0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3 yrs	3 yrs	3.5yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	5.00%	5.00%	5.00%	5.00%	2.40%	2.40%	2.40%	2.40%
Expected volatility	27%	27%	38%	38%	34%	34%	34%	34%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of options	2p	4p	8p	8p	6p	5p	9p	8p

Grant Date	15/04/2011	08/09/2011	10/05/2012	20/06/2012	06/09/2012	26/04/2013	21/05/2013	19/09/2013
Share price at grant date	88.0p	86.25p	69.08p	67.5p	76.75p	77.5p	74.0p	90.0p
Exercise price	88.0p	86.25p	69.08p	67.5p	76.75p	77.5p	74.0p	90.0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	1.92%	1.92%	0.39%	0.39%	0.17%	0.36%	0.49%	0.86%
Expected volatility	18%	18%	34%	34%	34%	36%	36%	36%
Expected dividend yield	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Fair value of options	9p	9p	13p	12p	17p	15p	14p	14p

Under the terms of the Company's Share Option Schemes, approved by Shareholders in 1999 and amended in 2001 and 2002, the Board may offer options to purchase Ordinary Shares in the Company to all employees of the Company at the market price on a date to be determined prior to the date of the offer. Since 2005, individuals who are entitled to awards under the LTIP are no longer eligible to receive options under the Company's Share Option Schemes.

Performance targets are assessed over a three-year period from the date of grant. Once options have vested they can be exercised during the period up to ten years from the date of grant.

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous three years.

Notes Forming Part of the Consolidated Financial Statements (continued)

32. Share-based payments continued

Options have been granted over the following number of Ordinary Shares which were outstanding at 31 December 2013.

Date of grant	Option price (p)	Weighted average price at exercise (p)	No of options as at 1 January 2013	Remaining life 1 January 2013	Issued	Lapsed	Exercised	No of options as at 31 December 2013	Remaining life 31 December 2013
Unapproved Executive Share Option Scheme									
16.04.10	42.00	–	**388,000**	**7.3**	–	–	(308,000)	**80,000**	**6.3**
20.10.10	64.00	–	**153,125**	**7.8**	–	(153,125)	–	**–**	**–**
20.06.12	67.50	–	**584,226**	**9.5**	–	(31,112)	–	**553,114**	**8.5**
06.09.12	76.75	–	**30,000**	**9.7**	–	(15,000)	–	**15,000**	**8.7**
26.04.13	77.50	–	**–**	**–**	30,000	–	–	**30,000**	**9.3**
21.05.13	74.00	–	**–**	**–**	531,454	–	–	**531,454**	**9.4**
19.09.13	90.00	–	**–**	**–**	3,000	–	–	**3,000**	**9.8**
Enterprise Management Incentive Scheme									
15.07.04	9.00	78.88	**2,500**	**1.5**	–	(2,500)	–	**–**	**–**
16.07.04	9.00	–	**4,824**	**1.5**	–	–	–	**4,824**	**0.5**
15.03.06	10.75	–	**1,000**	**3.2**	–	–	(1,000)	**–**	**–**
21.09.06	11.25	–	**11,000**	**3.7**	–	–	(10,000)	**1,000**	**2.7**
12.04.07	16.75	82.76	**129,339**	**4.3**	–	–	(75,000)	**54,339**	**3.3**
26.09.07	26.75	83.00	**4,000**	**4.7**	–	–	(4,000)	**–**	**–**
16.04.08	32.25	83.00	**55,000**	**5.3**	–	–	(25,000)	**30,000**	**4.3**
20.04.09	33.75	–	**89,000**	**6.3**	–	–	(50,000)	**39,000**	**5.3**
05.10.09	28.75	80.55	**75,000**	**6.8**	–	–	(75,000)	**–**	**–**
16.04.10	42.00	80.38	**701,118**	**7.3**	–	(50,000)	(488,250)	**162,868**	**6.3**
Company Share Option Plan									
20.10.10	64.00	–	**71,875**	**7.8**	–	(46,875)	–	**25,000**	**6.8**
15.04.11	88.00	–	**30,000**	**8.3**	–	(5,000)	–	**25,000**	**7.3**
08.09.11	86.25	–	**54,000**	**8.7**	–	(21,000)	–	**33,000**	**7.7**
10.05.12	69.08	–	**119,000**	**9.4**	–	–	–	**119,000**	**8.4**
20.06.12	67.50	–	**360,218**	**9.5**	–	(18,888)	–	**341,330**	**8.5**
06.09.12	76.75	–	**50,000**	**9.7**	–	(5,000)	–	**45,000**	**8.7**
26.04.13	77.50	–	**–**	**–**	117,000	–	–	**117,000**	**9.3**
21.05.13	74.00	–	**–**	**–**	149,865	–	–	**149,865**	**9.4**
			2,913,225		831,319	(348,500)	(1,036,250)	**2,359,794**	

The weighted average remaining contractual life of the options outstanding at 31 December 2013 is 8.3 years (2012: 8.0 years).

	2013 Number of Options	**Weighted average exercise price (p)**	2012 Number of Options	Weighted average exercise price (p)
Outstanding at beginning of the year	**2,913,225**	**53.19**	2,747,209	41.57
Granted	**831,319**	**74.68**	1,163,444	68.74
Exercised	**(1,036,250)**	**38.19**	(677,783)	31.54
Forfeited	**(348,500)**	**57.19**	(319,645)	57.36
Expired	**–**	**–**	–	–
Outstanding at end of the year	**2,359,794**	**65.84**	2,913,225	53.19
Exercisable at end of year	**397,031**	**37.90**	371,663	25.31

32. Share-based payments continued

Long Term Incentive Plan (LTIP)

The fair value of the LTIP is calculated based on a binominal tree model assuming the inputs below:

Grant date	12/10/2005	12/04/2007	15/10/2008	23/04/2009	15/04/2011	20/06/2012	06/09/2012	21/05/2013	19/09/2013
Share price at grant date	8.75p	16.75p	31.75p	33.3p	88.00p	67.5p	76.75p	74.0p	90.0p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	4.50%	5.00%	4.20%	2.40%	1.92%	0.39%	0.39%	0.49%	0.86%
Expected volatility	30%	27%	33%	34%	33%	34%	34%	35%	36%
Expected dividend yield	0%	0%	0%	0%	0.7%	0.7%	0.7%	0.7%	0.7%
Probability of performance conditions	40.4%	42.5%	100%	43%	52%	44%	49%	64%	70%
Fair value of option	2p	4p	31.7p	14.5p	76.5p	28.8p	36.4p	46.3p	60.9p

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous three years.

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on pages 25 and 26. The numbers shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved.

Date of grant	Market price at date of Grant (p)	**Number of LTIPs at 1 January 2013**	**Remaining life 1 January 2013**	Issued	Lapsed	Exercised	**Number of LTIPs 31 December 2013**	**Remaining life 31 December 2013**
Long Term Incentive Plan								
15.10.08	31.75	**12,993**	**5.8**	–	–	(12,993)	**–**	**–**
23.04.09	33.30	**940,460**	**6.3**	–	–	(425,682)	**514,778**	**5.3**
16.04.10	42.00	**110,000**	**7.3**	–	(24,200)	(85,800)	**–**	**–**
15.04.11	88.00	**465,944**	**9.3**	–	–	–	**465,944**	**8.3**
20.06.12	67.50	**550,000**	**9.5**	–	(100,000)	–	**450,000**	**8.5**
06.09.12	76.75	**462,540**	**9.7**	–	–	–	**462,540**	**8.7**
21.05.13	74.00	**–**	**–**	100,000	–	–	**100,000**	**9.4**
19.09.13	90.00	**–**	**–**	403,122	–	–	**403,122**	**9.8**
		2,541,937		503,122	(124,200)	(524,475)	**2,396,384**	

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2013 is 8.1 years (2012: 8.1 years).

	2013 Number of Options	2012 Number of Options
Outstanding at beginning of the period	**2,541,937**	1,952,429
Granted	**503,122**	1,112,540
Exercised	**(524,475)**	(287,007)
Forfeited	**(124,200)**	(236,025)
Outstanding at end of the period	**2,396,384**	2,541,937
Exercisable at end of period	**514,778**	953,453

The exercise price of these options is £1 for each issue of LTIPs.

Notes Forming Part of the Consolidated Financial Statements (continued)

32. Share-based payments continued

Deferred Share Bonus Scheme (DSB)

The fair value of the DSB are calculated based on a Black-Scholes Merton model assuming the inputs below:

Grant date	12/04/2007	12/04/2007	02/05/2008	04/06/2008	23/04/2009	05/05/2010
Share price at grant date	18.25p	18.25p	35.50p	35.50p	34.00p	40.32p
Exercise price	0p	0p	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.5 yrs	3.0 yrs	5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	5.00%	5.00%	5.00%	5.00%	2.40%	2.40%
Expected volatility	27%	27%	38%	38%	30%	34%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Probability of performance conditions	100%	66.7%	100%	100%	100%	100%
Fair value of option	14p	9p	30p	28p	29p	34p

Grant date	05/05/2010	11/05/2011	11/05/2011	10/05/2012	10/05/2012	02/07/2013
Share price at grant date	40.32p	83.00p	83.00p	70.625p	70.625p	74.125p
Exercise price	0p	0p	0p	0p	0p	0p
Expected life	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	2.40%	1.92%	1.92%	0.39%	0.39%	0.69%
Expected volatility	34%	18%	18%	34%	34%	36%
Expected dividend yield	0%	0.7%	0.7%	0.7%	0.7%	0.7%
Probability of performance conditions	100%	100%	100%	100%	100%	100%
Fair value of option	34p	72p	72p	61p	62p	14p

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous 3 years.

The entitlement to shares under the DSB is subject to a 3 year holding period. Additionally, for certain levels of share matching, additional performance conditions also need to be achieved. The actual number of shares that will be matched will depend on these performance conditions. Details on the DSB are given on page 26.

Date of grant	Market price at date of grant (p)	**Number of DSB matching shares at 1 January 2013**	**Remaining life 1 January 2013**	Issued	Lapsed	Exercised	**Number of DSB matching shares at 31 December 2013**	**Remaining life 31 December 2013**
Deferred Share Bonus Plan								
12.04.07	18.25	**126,456**	**4.3**	–	–	(44,380)	**82,076**	**3.3**
02.05.08	35.50	**71,595**	**5.3**	–	–	(31,003)	**40,592**	**4.3**
04.06.08	35.50	**141,787**	**5.4**	–	–	(107,460)	**34,327**	**4.4**
23.04.09	34.00	**283,153**	**6.3**	–	–	(106,452)	**176,701**	**5.3**
05.05.10	40.32	**779,071**	**7.3**	–	–	(511,996)	**267,075**	**6.3**
11.05.11	83.00	**99,493**	**8.4**	–	(1,505)	–	**97,988**	**7.4**
10.05.12	70.625	**66,968**	**9.4**	–	(453)	–	**66,515**	**8.4**
02.07.13	74.125	**–**	**–**	438,249	–	–	**438,249**	**9.5**
		1,568,523		438,249	(1,958)	(801,291)	**1,203,523**	

The weighted average remaining contractual life of the DSBs outstanding at 31 December 2013 is 7.2 years (2012: 6.8 years).

32. Share-based payments continued

Deferred Share Bonus Scheme (DSB)

	2013 Number of Options	2012 Number of Options
Outstanding at beginning of the period	**1,568,523**	1,727,697
Granted	**438,249**	69,374
Exercised	**(801,291)**	(198,054)
Forfeited	**(1,958)**	(30,494)
Outstanding at end of the period	**1,203,523**	1,568,523
Exercisable at end of period	**600,771**	622,991

The exercise price of the matching shares is £nil.

33. Commitments under operating leases

As at 31 December 2013, the Group had outstanding commitments under operating leases, which fall due as follows:

	2013 Land and buildings £'000	2013 Other £'000	2012 Land and buildings £'000	2012 Other £'000
Amounts payable under operating leases:				
Within one year	**869**	**81**	873	134
In two to five years	**3,500**	**90**	3,457	85
After five years	**6,225**	**–**	6,533	–
	10,594	**171**	10,863	219

34. Related party transaction

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Company Balance Sheet

At 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	3	**52,017**	58,403
Deferred tax assets	4	**484**	501
		52,501	58,904
Current assets			
Debtors – due within one year	4	**13**	12
Cash at bank and in hand		**1,944**	2,652
		1,957	2,664
Creditors: amounts falling due within one year	5	**(1,370)**	(3,114)
Net current assets/(liabilities)		**587**	(450)
Creditors: after more than one year	6	**–**	(11,589)
Net assets		**53,087**	46,865
Capital and reserves			
Called up share capital		**10,343**	10,230
Share-based payments reserve		**1,326**	1,122
Investment in own shares		**(144)**	(77)
Share premium account		**32,364**	31,887
Profit and loss account		**9,198**	3,703
Equity shareholders' funds		**53,087**	46,865

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 66 to 69 were approved by the Board of Directors and authorised for issue on 8 April 2014 and were signed on its behalf by:

C Meredith
Chief Executive Officer
8 April 2014

Notes Forming Part of the Company Financial Statements

Year ended 31 December 2013

1. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

The Company has taken advantage of the exemption of FRS8 'Related Party Disclosures' from disclosing transactions with other members of the Group and the exemption in FRS29 'Financial Instruments' for making disclosures in relation to financial instruments.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in note 2 of the consolidated financial statements.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Share-based payments

The Group has applied the requirements of FRS20 'Share-based Payments'. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as at 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value as determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes Merton model. The expected life used in the model has been adjusted, based on management's best-estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Liquid resources

Liquid resources comprise variable term deposits that are accessible with less than 12 months' notice.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. AMS Group plc reported a profit for the financial year ended 31 December 2013 of £6,606,000 (2012: profit of £2,942,000).

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

The average number of employees in the year was 10 (2012: 8). The directors' remuneration is detailed in note 9 to the consolidated financial statements and in the Remuneration Report.

Notes Forming Part of the Company Financial Statements (continued)

Year ended 31 December 2013

3. Fixed asset investments

	Investments in subsidiaries £'000	Loans £'000	Total £'000
Cost			
At 1 January 2013	5,628	89,501	95,129
Additions	–	–	–
Movement	–	(11,994)	(11,994)
Transfer	27,000	(27,000)	–
Exchange adjustments	–	347	347
At 31 December 2013	**32,628**	**50,854**	**83,482**
Provisions for impairment			
At 1 January 2013	1,670	35,056	36,726
Movement	–	(5,261)	(5,261)
Transfer	27,000	(27,000)	–
At 31 December 2013	**28,670**	**2,795**	**31,465**
Net Book value			
At 31 December 2013	**3,958**	**48,059**	**52,017**
At 31 December 2012	3,958	54,445	58,403

Shares in Group undertakings and loans to Group undertakings have been written down to recognise losses in subsidiary companies.

In the year to 31 December 2013 Advanced Medical Solutions Group plc wrote off £27,000,000 of loan funding utilised by Advanced Medical Solutions Ltd, a wholly owned subsidiary in exchange for issued Share Capital of £27,000,000.

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated accounts.

Name	Country of Operation	Proportion of voting rights and ordinary share capital Held	Nature of business
Advanced Medical Solutions Limited	England	100%	Development and manufacture of medical products
Advanced Medical Solutions (UK) Limited	England	100%	Holding Company
Advanced Medical Solutions Trustee Company Limited	England	100%	Trustee Company
Advanced Medical Solutions (Plymouth) Limited	England	100%	Development and manufacture of medical products
Advanced Healthcare Systems Limited	England	100%*	Dormant
Advanced Medical Solutions Group Inc.	USA	100%†	Holding Company
Advanced Medical Solutions (US) Inc	USA	100%§	Marketing support of medical products
MedLogic Global Holdings Limited	England	100%¶	Holding Company
Innovative Technologies Limited	England	100%‡	Dormant
Advanced Medical Solutions BV	Netherlands	100%	Development and manufacture of medical products
Advanced Medical Solutions (Germany) GmbH	Germany	100%	Holding Company
Resorba Medical GmbH	Germany	100%#	Development and manufacture of medical products
Resorba s.r.o.	Czech Republic	100%#	Manufacture and sales office of medical products
Resorba ooo	Russia	100%#	Sales office of medical products
MPN Medizin Produkte Neustadt GmbH	Germany	100%#	Manufacturer of medical products
Advanced Medical Solutions (USA) Inc	USA	100% ¶	Marketing support of medical products
Advanced Medical Solutions (Europe) Limited	England	100%	Providing financial support to other Group entities

* Held indirectly through Advanced Medical Solutions Limited
‡ Held indirectly through MedLogic Global Holdings Limited
† Held indirectly through Advanced Medical Solutions (UK) Limited
§ Held indirectly through Advanced Medical Solutions Group Inc
¶ Held indirectly through Advanced Medical Solutions (Plymouth) Limited
# Held indirectly through Advanced Medical Solutions (Germany) GmbH

The above table reflects the situation at the year-end.

4. Debtors

	2013 £'000	2012 £'000
Due within one year		
Prepayments and accrued income	**11**	11
Other debtors	**2**	1
	13	12
Due after more than one year		
Deferred tax assets	**484**	501

5. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**23**	41
Other creditors	**23**	1
Loan	**–**	2,796
Accruals and deferred income	**1,324**	276
	1,370	3,114

6. Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Loan	**–**	11,589

7. Share capital

Details on the share capital of the Company are provided in note 30 to the Group's accounts.

8. Reserves

	Share-based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2013	1,122	(77)	31,887	3,703	36,635
Share-based payments	400	–	–	–	400
Share options exercised	(196)	–	477	–	281
Shares purchased by EBT	–	(277)	–	–	(277)
Shares sold by EBT	–	210	–	–	210
Profit for the year	–	–	–	6,606	6,606
Dividends paid	–	–	–	(1,111)	(1,111)
Dividends received	–	–	–	–	–
At 31 December 2013	**1,326**	**(144)**	**32,364**	**9,198**	**42,744**

9. Share-based payments

The charge for share-based payments under FRS20 arises across the following schemes:

	2013 £'000	2012 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**113**	59
Long-Term Incentive Plan	**211**	143
Deferred Share Bonus Scheme	**76**	161
	400	363

Details on the share-based payments of the Company are provided in note 32 on pages 61 to 65 in the notes to the Group's accounts.

Five Year Summary

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Consolidated income statement (Pre-exceptional)						
Revenue	**59.5**	52.6	34.4	31.9	24.1	20.3
Profit from operations	**13.7**	12.3	6.4	5.3	4.1	2.7
Finance income	**–**	–	–	–	–	0.3
Profit attributable to equity holders of the parent	**11.4**	10.5	6.7	5.8	4.5	3.3
Basic earnings per share	**5.5p**	5.2p	4.3p	3.8p	3.1p	2.3p
Consolidated statement of financial position						
Net assets employed						
Non-current assets	**71.3**	71.9	74.2	20.3	17.7	9.8
Current assets	**25.8**	25.7	25.3	12.7	12.1	14.7
Total liabilities	**(11.0)**	(23.9)	(33.3)	(5.2)	(6.9)	(4.6)
Net assets	**86.1**	73.7	66.2	27.8	22.9	19.9
Shareholders' equity						
Share capital and investment in own shares	**10.2**	10.2	10.2	7.7	7.2	7.2
Share-based payments reserve	**1.3**	1.1	0.8	0.5	0.5	0.3
Share-based payments deferred tax reserve	**0.2**	0.2	0.6	0.4	0.6	0.6
Share premium account	**32.4**	31.9	31.7	0.3	0.1	–
Other reserve	**1.5**	1.5	1.5	1.5	1.5	1.5
Hedging reserve	**0.7**	(0.1)	–	(0.1)	–	–
Translation reserve	**(0.7)**	(1.4)	(0.1)	–	0.3	0.4
Retained earnings	**40.5**	30.3	21.5	17.5	12.7	9.9
Equity attributable to equity holders of the parent	**86.1**	73.7	66.2	27.8	22.9	19.9

Notice of Meeting

Notice is hereby given that the twentieth Annual General Meeting of the Company will be held at 11.00 am on 20 May 2014 at the offices of Tavistock Communications, 131 Finsbury Pavement, London, EC2A 1NT for the following purposes:

As ordinary business:

1. To receive the Report of the Directors and the Financial Statements of the Company for the year ended 31 December 2013 (together with the report of the auditor thereon).
2. To approve the Directors' Remuneration Report for the year ended 31 December 2013.
3. To reappoint Deloitte LLP as auditor and to authorise the directors to fix their remuneration.
4. To re-elect Steve Bellamy (who retires by rotation in accordance with the Articles of Association) as a Director of the Company.
5. To re-elect Peter Allen, (who formally retires as Non-Executive Chairman and offers himself for reappointment at the first AGM following his appointment) as a Director of the Company.
6. To re-elect Peter Steinmann (who formally retires and offers himself for reappointment at the first AGM following his appointment) as a Director of the Company.
7. To declare a final dividend of 0.41p per Ordinary Share, payable on 28 May 2014 to shareholders on the register at close of business on 2 May 2014.

As special business:

To consider and, if thought fit, to pass Resolutions 8, 9 and 10, which will be proposed as Ordinary Resolutions, and Resolutions 11 and 12, which will be proposed as Special Resolutions.

8. To approve the Advanced Medical Solutions Group plc Deferred Annual Bonus Plan 2014 THAT:
   (i) the rules of the Advanced Medical Solutions Group plc Deferred Annual Bonus Plan 2014 (2014 DAB), described in the circular of which the notice containing this resolution forms a part and produced in draft to the meeting and, for the purposes of identification initialled by the Chairman of the meeting, be and are hereby approved and adopted; and
   (ii) the Directors of the Company be and are hereby authorised: (a) to make such modifications to the 2014 DAB as they may consider appropriate and to do all such other acts and things as they may consider appropriate to implement the 2014; and (b) to adopt further plans based on the 2014 DAB but modified to take account of local tax, exchange control or securities law in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the 2014 DAB.
9. To approve the Advanced Medical Solutions Group plc Long Term Incentive Plan 2014 THAT:
   (i) the rules of the Advanced Medical Solutions Group plc Long Term Incentive Plan 2014 (2014 LTIP), described in the circular of which the notice containing this resolution forms a part and produced in draft to the meeting and, for the purposes of identification initialled by the Chairman of the meeting, be and are hereby approved and adopted; and
   (ii) the Directors be and are hereby authorised: (a) to make such modifications to the 2014 LTIP as they may consider appropriate and to do all such other acts and things as they may consider appropriate to implement the 2014 LTIP; and (b) to adopt further plans based on the 2014 LTIP but modified to take account of local tax, exchange control or securities law in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the 2014 LTIP.
10. To authorise the Directors generally and unconditionally for the purposes of section 551 of the Companies Act 2006 (the '2006 Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (each an allotment of 'relevant securities') up to an aggregate nominal amount of £3,458,432 provided that this authority is for a period expiring upon the earlier of the date of the Company's next Annual General Meeting and fifteen months after the date of the passing of this Resolution but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.
11. Subject to the passing of resolution 10 above, to authorise the Directors pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act) wholly for cash pursuant to the authority conferred by resolution 10 above as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
   (a) in connection with an offer of such securities by way of rights to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;
   (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £1,037,530; and
   (c) which shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and fifteen months after the date of the passing of this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Notice of Meeting (continued)

12. That the Company is hereby generally and unconditionally authorised for the purposes of Section 701 of the 2006 Act to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of any of its Ordinary Shares of 5p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine provided that:
    (a) the maximum number of Ordinary Shares which may be purchased is 10,375,297;
    (b) the minimum price which may be paid for each Ordinary Share is 5p which amount shall be exclusive of expenses, if any;
    (c) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share shall not be more than 5% above the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
    (d) unless previously renewed, revoked or varied, this authority shall expire upon the earlier of the date of the Company's next Annual General Meeting and fifteen months after the date of the passing of this Resolution; and
    (e) under this authority the Company may make a contract to purchase Ordinary Shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of Ordinary Shares pursuant to it as if this authority had not expired.

By order of the Board

Mary Tavener
Company Secretary
8 April 2014

Registered office:
Premier Park, 33 Road One, Winsford Industrial Estate,
Winsford, Cheshire, CW7 3RT.

Notes

1. A member entitled to attend and vote at the meeting convened by the notice set out above may appoint a proxy to attend, speak and, on a poll to vote in his place. A holder of more than one ordinary share may appoint different proxies in relation to each or any of those ordinary shares.
2. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy notice must be given to the Company's Registrars not later than 48 hours before the time appointed for the holding of the meeting.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out at note 1 of the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. On a vote on a resolution on a show of hands at the meeting, a proxy has one vote for and one vote against if the proxy has been appointed by more than one member and the proxy has been instructed by one or more of the members to vote for the resolution and by one or more other member to vote against it.
5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. A form of proxy is enclosed for use by members. To be effective, it must be completed and arrive not later than 48 hours before the time fixed for the Meeting at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. You may also deliver by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU during usual business hours.
7. The register of directors' interests in the shares of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday (public holidays excepted) until the date of the Meeting and also on that date and at the place of the Meeting from 9.00 a.m. until the conclusion of the Meeting.
8. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 6:00 p.m. on 18 May 2014 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their names at that time. Changes in the entries in the relevant register of Securities after 6:00 p.m. on 18 May 2014 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
9. The draft rules of the Advanced Medical Solutions Group plc Deferred Annual Bonus Plan 2014 and the Advanced Medical Solutions Group plc Long Term Incentive Plan 2014 will be available for inspection during normal business hours on Monday to Friday (excluding bank holidays) at our registered office and at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London, EC1Y 4AG from the date of this document until the close of the AGM and at the place of the AGM for at least 15 minutes before the AGM and during the AGM.

Notes on special business

Resolutions 8 and 9: Approval of the Advanced Medical Solutions Group plc Deferred Annual Bonus Plan 2014 (2014 DAB) and the Advanced Medical Solutions Group plc Long Term Incentive Plan 2014 (2014 LTIP)

The Company's current long term incentive plan is due to expire on 24 May 2015 and therefore shareholders are being asked to approve a replacement plan, the main features of which are set out in Appendix 1 on pages 74 to 78 of this document. The Remuneration Committee of the Company considers the 2014 DAB and the 2014 LTIP to be an important means of motivating the Executive Directors and Senior Management and align the interests of the Executive Directors and senior management with those of the Company's shareholders.

Resolution 10: Authority to Allot Shares and other relevant securities

This resolution would give the Directors the authority to allot Ordinary Shares up to an aggregate nominal amount equal to £3,458,432 (representing 69,168,648 Ordinary Shares of 5p each). This amount represents approximately one-third of the issued Ordinary Share capital of the Company as at 31 March 2014, the latest practicable date prior to publication of this Notice.

The authority sought under this resolution will expire at the conclusion of the Annual General Meeting of the Company held in 2015 or, if earlier, 15 months after the passing of the resolution.

While the Directors have no present intention of issuing any of the authorised but unissued share capital, it is considered prudent and appropriate to maintain the flexibility that this authority provides.

Resolution 11: Disapplication of Pre-emption Rights

Your Directors also require additional authority from shareholders to allot shares or grant rights over shares or sell treasury shares where they propose to do so for cash and otherwise than to existing shareholders in proportion to their existing holdings. Accordingly, Resolution 11 will be proposed as a special resolution to grant such authority. Apart from rights issues, open offers or any other pre-emptive offer as mentioned the authority will be limited to the issue of shares and sales of treasury shares for cash up to an aggregate nominal value of £1,037,530 (being 10% of the Company's issued Ordinary Share capital at 31 March 2014, the latest practicable date prior to publication of this Notice). This is in keeping with the extent for which such authority has been sought and given at each previous Annual General Meeting of the Company since 2006.

Allotments made under the authorisation in paragraph (a) of Resolution 11 would be limited to allotments by way of a rights issue only (subject to the right of the directors to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters).

If given, this authority will expire at the conclusion of the Annual General Meeting of the Company held in 2015 or, if earlier, 15 months after the passing of the resolution.

Resolution 12: Purchase by the Company of its own Shares

In certain circumstances, it may be advantageous for the Company to purchase its own shares. Under Section 701 of the 2006 Act, the Directors of a company may make market purchases of that company's shares if authorised to do so. Your Directors believe that granting such approval would be in the best interests of shareholders in allowing directors the flexibility to react promptly to circumstances requiring market purchases.

Accordingly, Resolution 12, which will be proposed as a special resolution, will give the Directors the authority to purchase issued shares of the Company under Section 701 of the 2006 Act.

The authority contained in this resolution will be limited to an aggregate nominal value of £518,765 (representing 5% of the issued Ordinary Share capital of the Company as at 31 March 2014 the latest practicable date prior to publication of this Notice; representing 10,375,297 Ordinary Shares of 5p each). The price which may be paid for those shares is also restricted as set out in the resolution.

This authority will expire at the conclusion of the Annual General Meeting of the Company held in 2015 or, if earlier, 15 months after the passing of the resolution.

The Board has no present intention of exercising this authority. However, this will be kept under review, and the Board will use this power only if and when, taking account of market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Group, they believe that the effect of such purchases will be in the best interests of shareholders generally and that they will result in an increase in earnings per share.

Shares purchased under this authority may be held as treasury shares. Shares held in treasury do not carry voting rights and no dividends will be paid on any such shares. Shares held in treasury in this way can be sold for cash or cancelled. This would allow the Company to manage its capital base more effectively and to replenish its distributable reserves.

If and when the Board resolves to exercise its authority to make market purchases, it will at that time decide whether shares purchased are to be cancelled or held in treasury.

As at 31 March 2014, the latest practicable date prior to publication of this Notice, there were share options outstanding over ordinary shares, representing 2.9% of the Company's issued ordinary share capital. The Company has no warrants in issue in relation to its shares. If the buyback authority was to be exercised in full, these options would represent 3.0% of the Company's ordinary issued share capital.

Appendix 1 (which summarises the 2014 DAB & 2014 LTIP)

1. SUMMARY OF THE MAIN PROVISIONS OF THE ADVANCED MEDICAL SOLUTIONS GROUP PLC DEFERRED ANNUAL BONUS PLAN 2014 (2014 DAB)

2 Eligibility

The 2014 DAB will be operated and administered by the Remuneration Committee of the Board of Directors of the Company **(Remuneration Committee)**. The Remuneration Committee will determine who may participate in the 2014 DAB **(Participants)** and this will extend to any employee (including an Executive Director) of the Company or any of the Company's subsidiaries.

3 Terms of Award

Under the 2014 DAB, Participants will compulsorily defer part of their bonus for the relevant financial year. The Remuneration Committee's current intention is that Participants will defer up to 25% of their bonuses, although the Remuneration Committee can determine this from time to time. Awards under the 2014 DAB equivalent to the value of the deferred bonus may be in the form of:

- a conditional right to acquire shares in the Company; or
- a nominal or nil cost option to acquire shares in the Company

(together the **Awards**).

Such Awards may be granted over newly issued shares, treasury shares or shares purchased in the market. No payment will be required from Participants either for the grant of Awards or for the shares themselves. At the time of vesting, the Remuneration Committee may determine that, in substitution for their right to acquire shares, the Participant shall be paid a sum equal to the cash equivalent.

Awards in the form of an option will normally lapse on the date immediately before the tenth anniversary of the date of grant if they remain unexercised at that date.

Awards under the 2014 DAB may only be granted within the period of 42 days following the approval of the 2014 DAB by the Company's shareholders, the announcement of the Company's results for any period, the lifting of any restrictions stopping the grant of Awards or any day on which the Remuneration Committee determines that exceptional circumstances exist.

4 Deferral period

Awards will generally only vest or become exercisable at the end of a three year period **(Deferral Period)** determined by the Remuneration Committee at the time of grant.

5 Vesting of Awards and Leavers

An Award will normally vest at the end of the Deferral Period unless it lapses earlier as set out below.

In the case of death, the Award will normally vest as soon as practicable following the death of the Participant unless the Remuneration Committee determines otherwise. The unvested Award will vest in full on death.

Awards will lapse immediately where the Participant is lawfully dismissed without notice.

Where the Participant ceases to be employed by any member of the Group for any other reason **(Good Leaver Circumstances)**, a Participant's unvested Award will usually continue and the Award will vest at the end of the Deferral Period unless the Remuneration Committee determines otherwise. The unvested Award will vest in full in Good Leaver Circumstances.

In all of the above circumstances, Awards in the form of options will normally be exercisable for a period of six months after vesting, save in the case of death, where it will be twelve months.

6 Corporate events

In the event of a change of control of the Company, Awards will vest. Where the event occurs during the Holding Period, the period of time which has elapsed since the start of the Performance Period and the relevant event shall also be taken into account, unless the Remuneration Committee determines otherwise. Where an Award is in the form of an option, this will then be exercisable for a period of one month.

Alternatively, the Remuneration Committee may permit or require Awards to be exchanged for equivalent awards which relate to shares in a different company.

7 Limits on the issue of shares

The number of shares which can be issued under the 2014 DAB will be restricted by the general limit of 15% of the Company's issued share capital in a ten year period which applies for all of the Company's share incentive schemes.

8 Malus
The Remuneration Committee may take such steps as it considers appropriate to reduce the number of shares subject to an Award (to nil if appropriate) and/or impose further conditions on the Award in certain circumstances. Such circumstances include, but are not limited to:
- a material misstatement of the Company's audited financial results;
- a serious failure of risk management by the Company, any Group member or a relevant business unit; or
- reputational damage to the Company, any Group member or a relevant business unit as a result of the Participant's misconduct or otherwise.

9 Dividends
The Remuneration Committee may determine that on the vesting of an Award in the form of a conditional share award or cash award, or on the exercise of an Award in the form of an option, a Participant shall receive an amount in cash and/or shares equivalent to the value of some or all of the dividends (and special dividends at the discretion of the Remuneration Committee) that would have been paid on the vested shares between the date of grant of the Award and the date of vesting.

10 Non-transferability of Awards
Each Award is personal to the Participant and accordingly, Participants may not transfer, assign, charge, encumber or otherwise alienate their Awards or shares subject to their Awards nor create in favour of any third party any interest therein (nor, in any case, attempt so to do).

11 Rights attaching to shares
All shares issued or transferred under the 2014 DAB will rank pari passu with all other shares of the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of issue or transfer to the Participant).

12 Variation of capital
In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the Ordinary Share capital of the Company, the Board may make such adjustment as it considers appropriate to the number of shares subject to an Award and/or the price payable on the exercise of options (where an Award takes the form of an option).

13 Amendments to the 2014 DAB
The Remuneration Committee may alter the provisions of the 2014 DAB in any respect provided that the prior approval of shareholders in general meeting is obtained for alterations or additions which are to the advantage of Participants and relate to eligibility, limits, the basis for determining a Participant's entitlement to, and the terms of, the Shares or cash comprised in an Award and the impact of any variation of capital.

The requirement to obtain the prior approval of shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and made to benefit the administration of the 2014 DAB, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any of its subsidiaries or for Participants.

14 Termination
The 2014 DAB will terminate on the tenth anniversary of its adoption, or such earlier time as the Board may determine but the rights of existing participants will not be affected by such termination. In the event of termination, no further Awards will be granted.

15 Benefits not pensionable
Awards under the 2014 DAB are non-pensionable.

SUMMARY OF THE MAIN PROVISIONS OF THE ADVANCED MEDICAL SOLUTIONS GROUP PLC LONG-TERM INCENTIVE PLAN 2014 (2014 LTIP)

16 Eligibility

The 2014 LTIP will be operated and administered by the Remuneration Committee. The Remuneration Committee will determine who may participate in the 2014 LTIP **(Participants)** and this will extend to any employee (including an Executive Director) of the Company or any of the Company's subsidiaries.

17 Terms of Award

Awards under the 2014 LTIP may be in the form of:

- a conditional right to acquire shares in the Company; or
- a nominal or nil cost option to acquire shares in the Company

(together the **Awards**).

Such Awards may be granted over newly issued shares, treasury shares or shares purchased in the market. No payment will be required from Participants either for the grant of Awards or for the shares themselves. At the time of vesting, the Remuneration Committee may determine that, in substitution for their right to acquire shares, the Participant shall be paid a sum equal to the cash equivalent.

Awards in the form of an option will normally lapse on the date immediately before the tenth anniversary of the date of grant if they remain unexercised at that date.

Awards under the 2014 LTIP may only be granted within the period of 42 days following the approval of the 2014 LTIP by the Company's shareholders, the announcement of the Company's results for any period, the lifting of any restrictions stopping the grant of Awards or any day on which the Remuneration Committee determines that exceptional circumstances exist.

18 Individual limits

Awards will not be granted to a Participant under the 2014 LTIP over shares with a market value in excess of 200 per cent of salary in each of the Company's financial years.

19 Performance conditions and holding period

Awards will generally only vest or become exercisable subject to the satisfaction of a performance condition measured over a three year period **(Performance Period)** determined by the Remuneration Committee at the time of grant.

Awards will vest dependent on the satisfaction of performance conditions determined by the Remuneration Committee prior to the date of grant. The performance conditions must contain objective conditions, which must be related to the underlying financial performance of the Company. It is intended that Awards granted in 2014 shall be subject to the following performance conditions:

Performance Condition	% of Award subject to the Performance Condition
TSR Condition	50%
EPS Condition	50%

The TSR Condition is based on Total Shareholder Return **(TSR)** measured over a three-year period against the TSR of the AIM All-Share Supersector Health Care Index **(Index)**.

Performance will be measured over periods of three years. The initial Performance Period for TSR will commence on the date of grant of the 2014 Awards for the TSR Condition and on 1 January 2014 for the EPS Condition.

Performance measurement for the TSR Condition for the 2014 Awards will be based on the average price over the 90 dealing day period to the date of grant measured against the 90 dealing day period prior to the three year anniversary following the date of grant. Awards will vest on a sliding scale from 25% to 100% for performance above median to upper quartile performance against the Index. No Awards will vest for performance below median.

The EPS Condition is based on the Company's earnings per share measure over a three year Performance Period. For the 2014 Awards this will start at the beginning of the 2014 Financial Year, 1 January 2014.

Performance measurement for the EPS Condition for the 2014 Awards will be based on the % increase of the Company's EPS over the performance period. Awards will vest on a sliding scale from 25% to 100% for an average increase of EPS over target EPS to an average increase of EPS of 20% over the Performance Period. No Awards will vest for an average increase of EPS below target EPS. In 2014, the target EPS will be set at 5%.

The Remuneration Committee will have the flexibility to make appropriate adjustments to the performance conditions, to ensure that the award achieves its original purpose.

Any vesting is also subject to the Remuneration Committee being satisfied that the Company's performance on these measures is consistent with underlying business performance.

20 Vesting of Awards and Leavers
An Award will normally vest on the date, following the end of the Performance Period, on which the Remuneration Committee determines the extent of which the performance condition has been satisfied unless it lapses earlier as set out below.

Where the Participant ceases to be employed by any member of the Group by reason of ill health, injury, disability, a sale of the entity that employee the Participant out of the Group or for any other reason at the Remuneration Committee discretion **(Good Leaver Circumstances)**, a Participant's unvested Award will usually continue and the Award will vest on the normal vesting date unless the Remuneration Committee determines otherwise.

The Remuneration Committee will decide the extent to which an unvested Award will vest in Good Leaver Circumstances, taking account of: (i) the period of time that has elapsed since the start of the Performance Period until the date of cessation of employment (unless the Remuneration Committee decide otherwise); and (ii) the extent to which any performance condition is satisfied at the end of any Performance Period or, as appropriate, at the date on which the Participant ceases to be employed by a Group company.

In the case of death, the Award will normally vest as soon as practicable following the death of the Participant unless the Remuneration Committee determines otherwise. The Remuneration Committee will decide the extent to which an unvested Award will vest on death, taking account of: (i) the period of time that has elapsed since the start of the Performance Period until the date of death (unless the Remuneration Committee decide otherwise); and (ii) the extent to which any performance condition is satisfied at the end of any Performance Period or, as appropriate, at the date of death.

In all of the above circumstances, Awards in the form of options will normally be exercisable for a period of six months after vesting. Awards will lapse immediately where the Participant is lawfully dismissed without notice.

21 Corporate events
In the event of a change of control of the Company, Awards will vest taking into account the extent to which any performance condition has been satisfied at the date of the change of control. Where the event occurs during the Performance Period, the period of time which has elapsed since the start of the Performance Period and the relevant event shall also be taken into account, unless the Remuneration Committee determines otherwise. Where an Award is in the form of a nil-cost option, this will then be exercisable for a period of one month.

Alternatively, the Remuneration Committee may permit or require Awards to be exchanged for equivalent awards which relate to shares in a different company.

22 Limits on the issue of shares
The number of shares which can be issued under the 2014 LTIP will be restricted by the general limit of 15% of the Company's issued share capital in a ten year period which applies for all of the Company's share incentive schemes.

23 Malus
The Remuneration Committee may take such steps as it considers appropriate to reduce the number of shares subject to an Award (to nil if appropriate) and/or impose further conditions on the Award in certain circumstances. Such circumstances include, but are not limited to:
- a material misstatement of the Company's audited financial results;
- a serious failure of risk management by the Company, any Group member or a relevant business unit; or
- reputational damage to the Company, any Group member or a relevant business unit as a result of the Participant's misconduct or otherwise.

24 Dividends
The Remuneration Committee may determine that on the vesting of an Award in the form of a conditional share award or cash award, or on the exercise of an Award in the form of an option, a Participant shall receive an amount in cash and/or shares equivalent to the value of some or all of the dividends (and special dividends at the discretion of the Remuneration Committee) that would have been paid on the vested shares between the date of grant of the Award and the date of vesting.

25 Non-transferability of Awards
Each Award is personal to the Participant and accordingly, Participants may not transfer, assign, charge, encumber or otherwise alienate their Awards or shares subject to their Awards nor create in favour of any third party any interest therein (nor, in any case, attempt so to do).

26 Rights attaching to shares
All shares issued or transferred under the 2014 LTIP will rank pari passu with all other shares of the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of issue or transfer to the Participant).

27 Variation of capital
In the event of any rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the Ordinary Share capital of the Company, the Board may make such adjustment as it considers appropriate to the number of shares subject to an Award and/or the price payable on the exercise of options (where an Award takes the form of a share option).

Notice of Meeting (continued)

28 Amendments to the 2014 LTIP
The Remuneration Committee may alter the provisions of the 2014 LTIP in any respect provided that the prior approval of shareholders in general meeting is obtained for alterations or additions which are to the advantage of Participants and relate to eligibility, limits, the basis for determining a Participant's entitlement to, and the terms of, the Shares or cash comprised in an Award and the impact of any variation of capital.

The requirement to obtain the prior approval of shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and made to benefit the administration of the 2014 LTIP, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any of its subsidiaries or for Participants.

29 Termination
The 2014 LTIP will terminate on the tenth anniversary of its adoption, or such earlier time as the Board may determine but the rights of existing participants will not be affected by such termination In the event of termination, no further Awards will be granted.

30 Benefits not pensionable
Awards under the 2014 LTIP are non-pensionable.

Advisors

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Investec Bank plc
2 Gresham Street
London EC2V 7QP

Auditor
Deloitte LLP
Chartered Accountants and Statutory Auditor
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2 Hardman Street
Manchester M60 2AT

Solicitors
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70 Great Bridgewater Street
Manchester M1 5ES

Addleshaw Goddard LLP
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Manchester M2 3AB

Registrars and Transfer Office
Capita Registrars
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34 Beckenham Road
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99–101 Lord Street
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Manchester Office
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Palo Alto CA 94306

Public Relations
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Notes

Advanced Medical Solutions Group plc

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