Advanced Medical Solutions Group plc

Annual Report 2014

Creating growth, innovation and value

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

Company Overview

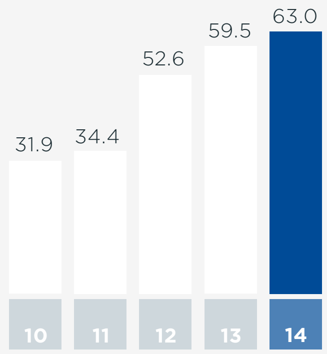
Strategic Report

Governance

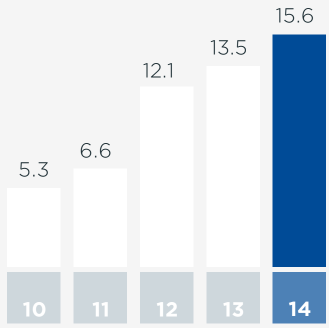
Financial Statements

Highlights 2014

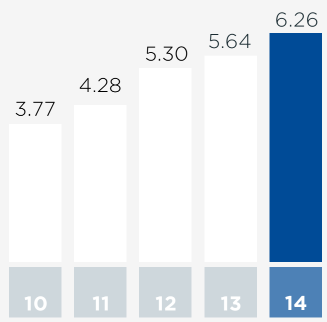
GROUP REVENUE (£m)



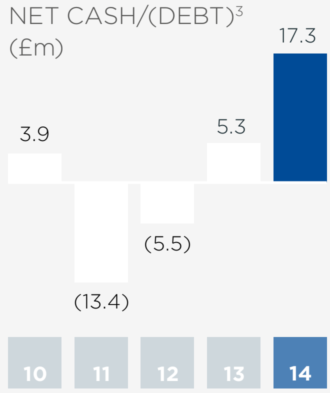
ADJUSTED[2] PROFIT BEFORE TAX (£m)



ADJUSTED[2] DILUTED EARNINGS PER SHARE (p)



NET CASH/(DEBT)[3] (£m)



Financial

	2014	2013	Reported growth	Growth at constant currency[1]
Group revenue (£ million)	**63.0**	59.5	6%	9%
Operating margin (%)	**24.1**	23.1	100bps	–
Adjusted[2] profit before tax (£ million)	**15.6**	13.5	15%	–
Profit before tax (£ million)	**15.2**	13.1	16%	–
Adjusted[2] diluted earnings per share (p)	**6.26**	5.64	11%	–
Diluted earnings per share (p)	**6.08**	5.45	12%	–
Net cash (£ million)	**17.3**	5.3	226%	–

- New five-year, £30 million, multi-currency, revolving credit facility agreed
- Proposed final dividend of 0.48p per share, making a total dividend for the year of 0.70p (2013: 0.60p), up 16.7%

Business

- Good revenue growth across the major Business Units
  - Branded Direct up 3% to £23.6 million (2013: £22.9 million), and up 6% at constant currency
  - Branded Distributed up 17% to £10.2 million (2013: £8.8 million), and up 24% at constant currency
  - OEM up 7% to £25.3 million (2013: £23.6 million), and up 9% at constant currency
  - Bulk Materials down 7% to £3.9 million (2013: £4.2 million), and down 4% at constant currency
- Strong performance in the US with LiquiBand® tissue adhesive range
  - Revenues up 43% at constant currency to £4.1 million
  - As at 31 December 2014, market share by volume increased to 19% (July 2014: 18%) in the non-hospital market and to 7% (July 2014: 6%) in the hospital segment
- ActivHeal® continued to make good progress in the NHS, with an 8% increase in revenues and increase in market share to 7% (2013: 5%)
- Steady progress with RESORBA® brands in Germany, resulting in 4% growth at constant currency
- Silver alginate revenues increased by 10% at constant currency to £13.1 million (2013: £12.1 million)
- Hernia mesh fixation device LiquiBand® Fix8™ successfully launched

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 2014 were £nil (2013: £nil) and before amortisation of acquired intangible assets which, in 2014, were £0.4 million (2013: £0.4 million) as defined in the financial review. In 2010 they were £1.0m, in 2011 £1.8m and in 2012 £0.8m
3. Net debt is defined as financial liabilities and bank loans less cash and cash equivalents plus short-term investments

At a Glance

The Group operates through four Business Units which are each responsible for their respective sales, marketing and Research and Development (R&D) activities. Each Business Unit focuses on a different strategic route to market.

Our Business Units

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 page 13

Branded Distributed

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

More on page 14

OEM

Sales of finished products to our OEM partners.

More on page 15

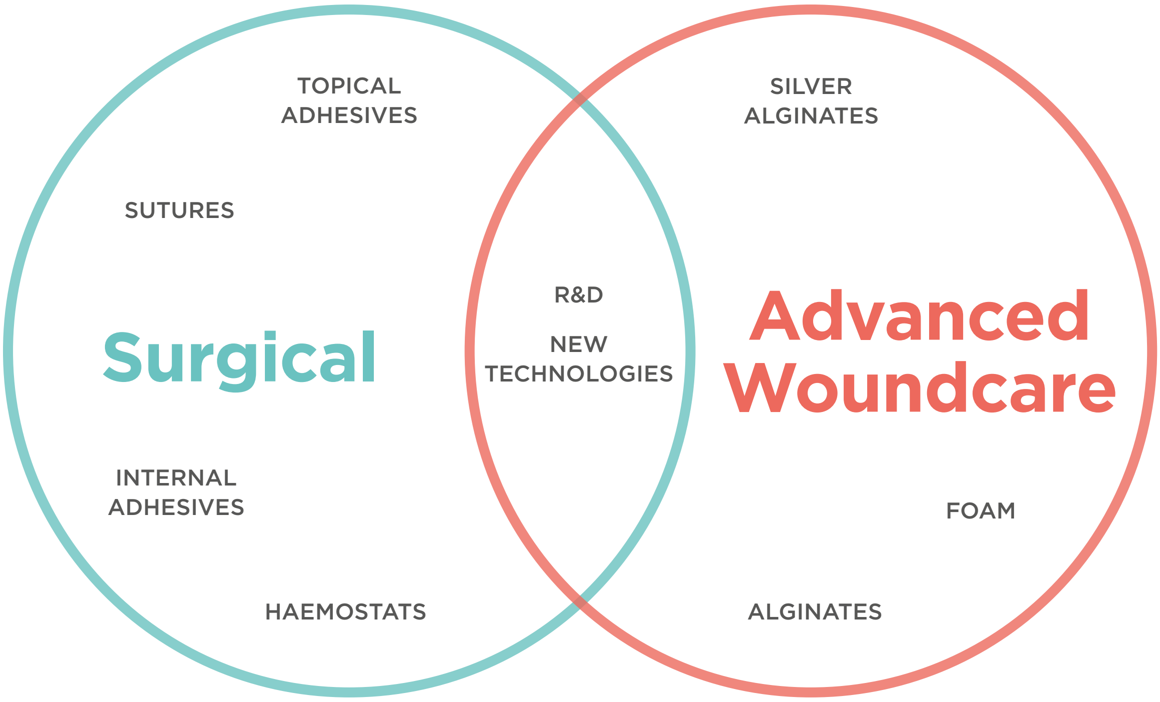
Bulk Materials

Sales of bulk materials to converters and healthcare companies.

More on page 16

The Group is 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 tissue.

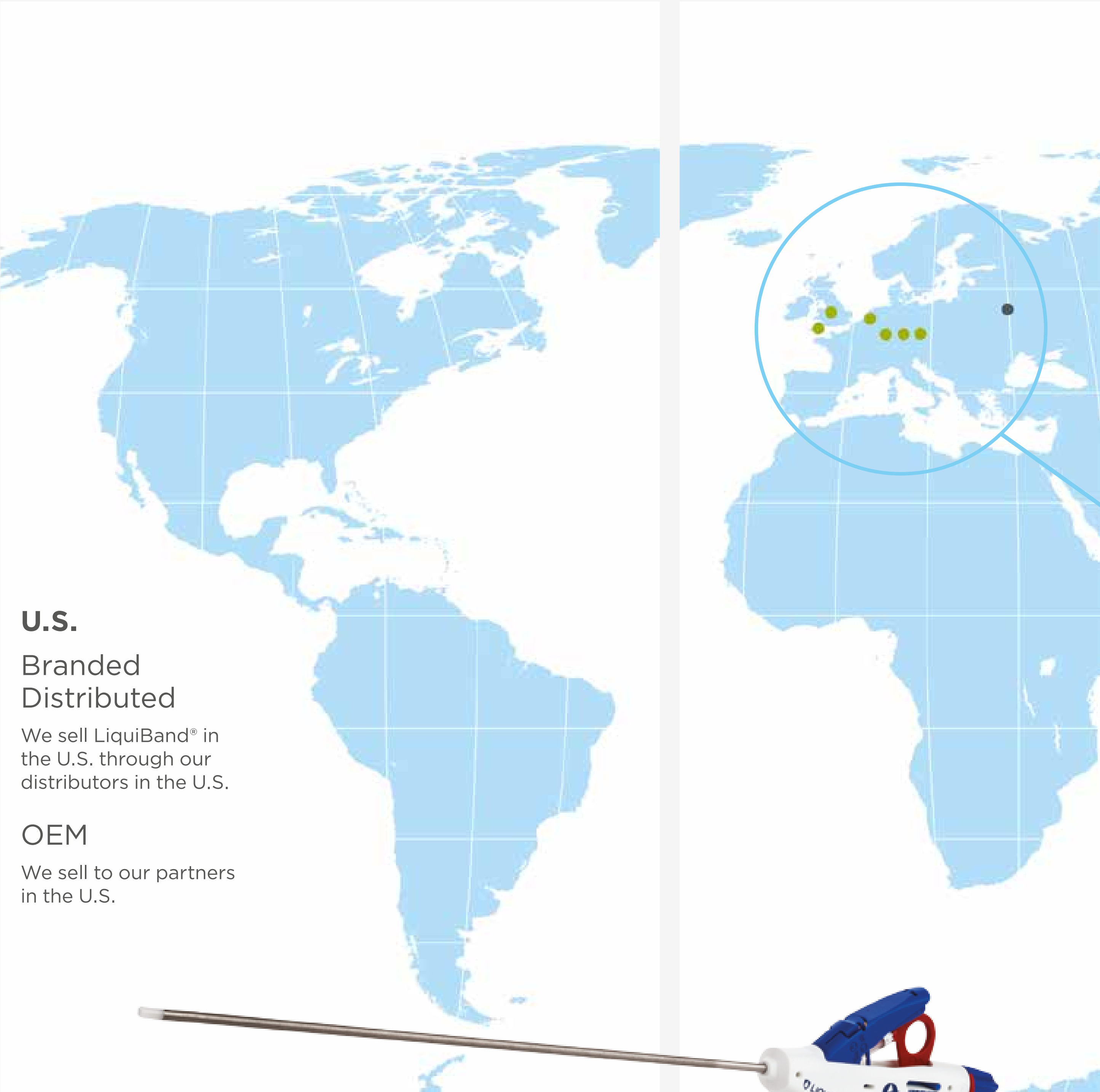
AMS Products and Markets



Surgical market:
- Market size $7bn – growing approximately 4–5% per annum
- Sutures – 45% of total market
- Tissue adhesives – growing at 8% per annum
- US – dominant market for tissue adhesives

Advanced woundcare market:
- Global advanced woundcare market $3.2bn – growing at 2-3% per annum
- Focus on moist wound healing – faster, less pain and scarring
- Treatment of chronic wounds (e.g. ulcers, pressure sores) – link to diabetes and obesity

Our Global Network



U.S.

Branded Distributed

We sell LiquiBand® in the U.S. through our distributors in the U.S.

OEM

We sell to our partners in the U.S.

OUR PRODUCTS ARE SOLD IN 65 COUNTRIES WORLDWIDE.

Europe
Branded Direct

We sell directly in the U.K., Germany and Czech Republic through our own sales forces.

Branded Distributed

We sell our LiquiBand® and RESORBA® brands through our network of distributors where we do not have our own sales force.

OEM & Bulk

We sell to our partners who sell globally or nationally.

RoW
Branded Distributed

We sell LiquiBand® and RESORBA® through our distributors in RoW.

OEM

We sell to partners who sell globally or nationally.

SIX MANUFACTURING FACILITIES IN EUROPE WITH HEADQUARTERS IN THE U.K.

- Manufacturing
- Sales office

1 Winsford, U.K. HQ: Woundcare manufacturing, R&D, sales & marketing

2 Plymouth, U.K.: tissue adhesives manufacturing, R&D, sales & marketing

3 Etten Leur, Netherlands: bulk foam roll-stock manufacturing, sales

4 Nuremberg, Germany: haemostats manufacturing, R&D, sales & marketing

5 Domazlice, Czech Republic: RESORBA® sutures manufacturing, sales

6 Neustadt, Germany: sutures manufacturing

7 Moscow, Russia: sales

Our Vision and Strategy

To become the best developer, producer, and supplier of innovative medical devices in the areas of accelerating healing and managing wounds, minimising adverse surgical outcomes and sealing and closing tissue.

Market Outlook

There is a rising incidence of both chronic and acute wounds. Predisposing factors are on the increase such as obesity, diabetes and old age. There is also an increasing demand from emerging healthcare markets.

A continuing trend towards minimally invasive surgery further provides opportunities for innovations and market growth. Healthcare economics demand cost-effective product solutions. AMS's mission is to meet these needs.

Our Strategy for Growth

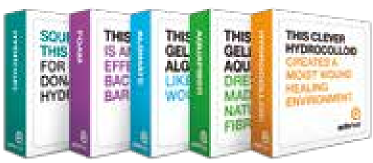
- Add value for payors in advanced woundcare and surgical markets
- Increase direct distribution of surgical products through AMS sales forces in target markets
- Continue to drive geographic expansion
- Enhance product portfolio, technologies and pipeline through investment in in-house R&D, acquisitions and in-licensing

Our Brands

activheal

LIQUIBAND®

RESORBA®
REPAIR AND REGENERATE



ActivHeal®
AMS's brand of advanced woundcare products sold to the NHS in the U.K. providing significant cost savings to the payor without compromising on clinical effectiveness.

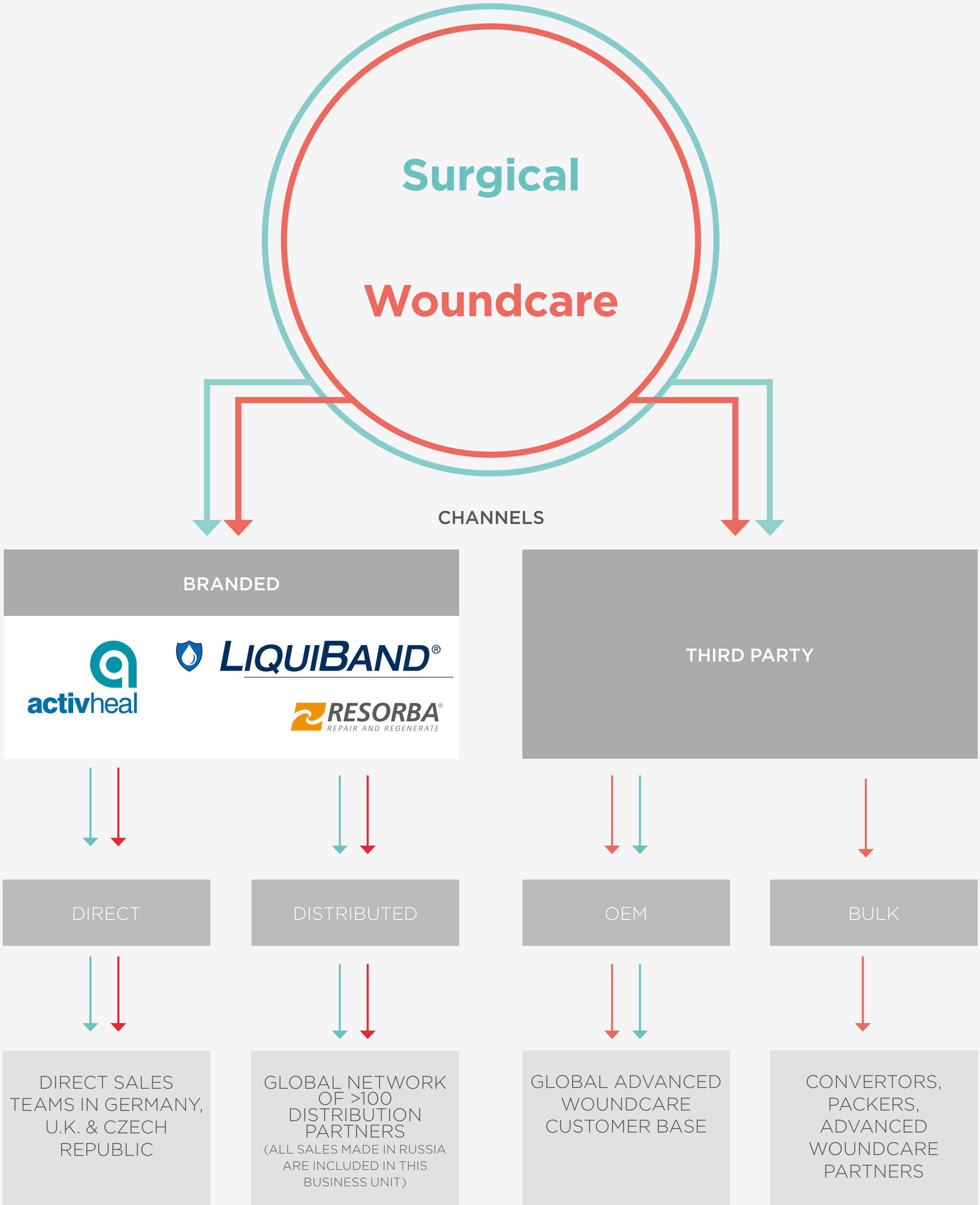
LiquiBand®
The Group's range of medical adhesives, based on cyanoacrylate. The Group has a range of formulations and applicators and now has approval to use the adhesive internally for hernia mesh fixation.

RESORBA®
The Group's comprehensive range of sutures, approved for use in Europe. Approval to sell the sutures in the U.S. is currently being obtained.

The Group also has a range of haemostats approved for use in Europe.

Our Business Model

Our advanced woundcare and surgical products are sold both under our brands and also to our OEM partners.



Strategy in Action

Growth

Expanding our global presence

We are working on obtaining approval to supply our RESORBA® sutures and haemostats into the U.S.. We have received approval for one type of suture into the U.S. market and are on target for the remainder of the range to be approved in 2015.

We expect to sell our sutures and haemostats through our Branded Distributed and OEM Business Units.

Regulatory approval for LiquiBand® in China is progressing and we expect approval in 2015.

Revenues of our LiquiBand® tissue adhesive range into the U.S. have grown by 43%* at constant currency against the prior year. We now have a total market share by volume of 9% of the U.S.; the largest market for tissue adhesives. Our market share by volume in the hospital market is 7% and 19% in the non-hospital market.

CASE STUDY

U.S. success with LiquiBand®

"Since 2010 McKesson Medical Surgical and AMS have partnered to provide our customers with quality, savings and innovation via the Liquiband range of topical adhesives. The inclusion of AMS' products in our McKesson Brands private-label portfolio has clearly benefitted our customers and, in turn, helped us exceed our sales expectations. We are very pleased with our ongoing partnership and look forward to strong future growth with AMS across the entire U.S. market."

Stanton McComb,
President, McKesson Medical Surgical

McKESSON
Empowering Healthcare

LIQUIBAND®
REVENUE IN U.S.

£4.1m

+43%* on 2013

*at constant currency

History of LiquiBand® in the US

- Approval to market LiquiBand® in the U.S. received December 2009
- Launched product into U.S. in 2010. Market volume share of 5% obtained at the end of year
- Market volume share of 5% in hospital sector and 8% non-hospital market obtained at the end of 2011
- 2012 – Market volume share in non-hospital market increased to 13%. Market volume share in hospital market slipped to 4%
- 2013 – Renegotiated distributor contracts. Strengthened partner position and gained approval for new LiquiBand® formulations
- 2014 – Gains in market volume share in both hospital and non-hospital market. Total market share by volume 9%. Market volume share in hospital market 7%, market share in non-hospital market 19%

Innovation

Designing and developing leading products

The launch of our hernia mesh fixation LiquiBand® Fix8™ device was an important development for the Group as it was our first approval for an internal application of tissue adhesives.

It opens up potential new markets as we seek to extend the use of our tissue adhesives to other internal procedures.

LiquiBand® tissue adhesives
We're extending our applications of tissue adhesives for internal use beyond that of hernia mesh fixation. LiquiBand® Fix8™ is approved for use in Europe and we are looking to get approval in the U.S., opening up the opportunity to the larger U.S. market.

We continue to work on improving our base formulations as well as our application to ensure our tissue adhesives meet the needs of our users.

Foam dressings
We are well advanced in extending our foam range to include both an antimicrobial and an atraumatic foam. Approvals are expected soon, with products launching later this year.

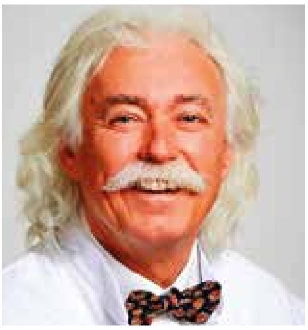
Collagens
We continue to improve the attributes of our collagens and are working on an enhanced collagen cone that brings benefits to oral surgery.

We are also developing new antibiotic haemostats that will have applications in surgical procedures.

CASE STUDY

Hernia Mesh Fixation E.U. Expansion

"LiquiBand® Fix8™ was developed to enable a controlled delivery of an exact amount of adhesive where it is needed and to prevent unintentional dripping. Each click of the trigger sets 0.0125g of adhesive free. Altogether there are 33 'stamp-like' drops. The property of the instrument tip material allows direct, atraumatic contact with mesh and underlying tissue when applying the glue without immediate polymerisation and obstruction of the tip. The simple instrument handling allows for a precise application, up to 105˚ angle. With a high viscosity of glue and an easy to use applicator, even a surgeon in his early learning curve can fix the hernia mesh fast and safely with LiquiBand® Fix8™."



Jan F. Kukleta, MD, FMCH
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Jan F. Kukleta is a member of the International Endoscopic Hernia Society and developed Guidelines for laparoscopic (TAPP) and endoscopic (TEP) Treatment of hernias 2011 – 2014.

Strategy in Action continued

Value

Offering cost-effective product solutions

The demand for healthcare continues to increase worldwide. With ageing populations and the increased prevalence of chronic illness as well as greater expectation of an active lifestyle, healthcare budgets are continually being stretched. By offering cost-effective product solutions without compromising on clinical outcomes, our proposition is compelling.

ActivHeal®
ActivHeal® is our brand of advanced woundcare dressings that we sell to the NHS. Within this range are aquafibers, foams, alginates, hydrogels and hydrocolloids.

We provide support and education. Our free, on-line education modules are approved by the University of Chester and cover a variety of woundcare subjects.

ACTIVHEAL® REVENUES
£6.0m
+8% on 2013

CASE STUDY

ActivHeal®

"ActivHeal® offers a comprehensive range of products that have provided significant savings to the Trust, without compromising patient care. The clear and unambiguous packaging, together with the bespoke education and support provided to our staff, has ensured that the implementation of ActivHeal® products has been seamless and problem free".

Cherith Haythornthwaite
Clinical Improvement Manager, Blackpool Victoria Hospitals NHS Foundation Trust

activheal

Strategic Review

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 U.K.

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 Materials which are each responsible for their respective sales, marketing and 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 supports 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 U.K. and Europe, are such that governments are looking to reduce spend on public services, including spend on healthcare, while other governments, such as in the U.S., 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 and obesity leading to increased chronic illnesses, 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 as well as expecting to lead longer and more active lives increasing the need for surgical 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 or covered by know-how whenever possible as well as providing a complete service to its customers to mitigate this risk.

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 TÜV (Technischer Überwachungsverein), as well as regulatory bodies in other countries.

Strategic Review continued

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.

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 in a stage gate process 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 provides 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 and over £17m of cash, so does not consider liquidity or interest rates to be a significant risk.

Currency
The Group's main currency exposure is to the U.S. 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 on a rolling basis hedged. Its currency exposure is reviewed regularly.

In 2014, 18% of the Group's sales were in U.S. dollars and 34% of its sales were in Euros. If in 2014, the average U.S. dollar rate had depreciated against sterling by an additional 10%, there would have been a £1.2 million (2013: £1.0 million) adverse impact on revenue and the gross margin and profit would have been reduced by 50bps (2013: 60bps).

In 2014, if the average Euro rate had depreciated against sterling by an additional 10%, there would have been a £2.2 million (2013: £2.2 million) adverse impact on revenue and the gross margin and profit would have been reduced by 0bps (2013: 10bps). Euro impact is minimal as a significant proportion of our revenues are naturally hedged against our Euro cost base.

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 before delivery 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 2014 and the Group had been unable to pass the increase on, there would have been a negative impact of £0.7 million (2013: £0.6 million) to the cost and the gross margin would have reduced by 110bps to (2013: 100bps).

Divisions

Branded Direct

The Branded Direct Business Unit is responsible for driving sales of our own brands: ActivHeal®, LiquiBand® and RESORBA® to end users in the U.K., 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', 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, is used to close and protect wounds in a safe and secure way. In the U.K., LiquiBand® is well recognised in the majority of Accident & Emergency (A&E) units where its high strength attribute makes it the product of first choice for closing trauma wounds. We are now also selling LiquiBand® into the Operating Room (OR) in the U.K. where it is used to make the final topical skin closure following the surgical procedure. LiquiBand® is sold for use in the OR in Germany. Until recently our LiquiBand® products have only been approved for topical use. In May 2014, however, we received approval to use LiquiBand® internally for hernia mesh fixation. We have now launched LiquiBand® Fix8™ with both our German and U.K. sales forces and expect to report further progress on this in 2015.

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, e.g. PARASORB® Sombrero® is a collagen cone used for dental implants. Our model of providing 'good value' ranges to the NHS is applicable to our RESORBA® suture range and we are actively working to promote our RESORBA® products within the NHS.

We are also aiming to extend the use of RESORBA®'s sutures within the German hospital system.

REVENUE

+6%*

to £23.6m

* at constant currency

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

ActivHeal®:

- Ensuring ActivHeal® is included on relevant NHS tenders
- Extending the ranges used in hospitals where ActivHeal® is listed
- Converting new hospitals to ActivHeal®
- Extending the range of dressings offered, e.g. the new antimicrobial and atraumatic foam dressings will be included in the ActivHeal® range

LiquiBand®:

- Increasing the usage in the OR in U.K. through the new U.K. surgical sales team and through the existing sales teams in Germany and the Czech Republic; and
- Promote the hernia mesh fixation device LiquiBand® Fix8™ into the OR in the U.K. and Germany

RESORBA®:

- Ensuring that RESORBA® is included in German and U.K. hospital tender processes
- Targeting Group Purchase Organisations (GPO) in Germany
- Increasing the usage in the OR in the U.K. through the U.K. surgical sales team, cross selling RESORBA® sutures and collagens with LiquiBand® products
- Developing the collagen range, e.g. 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

Divisions continued

Branded Distributed

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 worldwide, accessing over 65 countries.

The largest market for tissue adhesives is the U.S. which is estimated to be $220 million and this is the most significant opportunity for LiquiBand®. Approval to sell LiquiBand® in the U.S. was obtained in 2009. This Business Unit is also distributing LiquiBand® Fix8™ through some European distributors who have the expertise to support the product.

The RESORBA® suture and collagen ranges are sold throughout Europe and parts of Asia and the Middle East but do not yet have approval to be marketed in the U.S.

REVENUE

+24%*

to £10.2m

* at constant currency

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 U.S.:

- Partner with key distributors that access the U.S. hospital and alternative site (non-hospital) segments
- Provide new products
- Help train and provide account support

Developing and launching new products:

- Internal application of cyanoacrylate for the fixation of hernia mesh in Europe

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 U.S.
- Gaining approval for LiquiBand® Fix8™ in the U.S.
- Identify new market opportunities

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 for them Some countries are also actively encouraging locally manufactured products rather than imported products	• Contracts have agreed set minimas which allow terms to be renegotiated or agreements terminated. • The Group's diversified approach with markets and products reduces the impact of any one project causing substantial risk to the business.
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 Europe and the U.S. Increasingly, local regulatory approvals are taking longer to obtain	• 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
Foreign exchange risk reduces profitability	This Business Unit has most exposure to foreign exchange risk through the U.S. 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
Economic conditions	Economic conditions in some markets deteriorate resulting in a decline of sales	• The Group's diversified approach to markets reduces the impact of any one geographical region

OEM

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. This 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.

REVENUE

+9%*

to £25.3m

* at constant currency

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:

- Antimicrobial and atraumatic foam
- Expansion of the fibre range

Risk	Description	Mitigating Actions
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

Divisions continued

Bulk Materials

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

REVENUE

-4%*

to £3.9m

* at constant currency

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 customer 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 and cost-effectiveness are key to AMS's operations.

Safety

Measurable safety regimes have been implemented on all sites. Risks are identified at the earliest opportunity, near miss events are highlighted and a common All Incident Rate (AIR) reporting metric is used.

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 2014 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 U.S. and Europe as well as extending regulatory registrations to new markets such as the Middle East. AMS works with its distributors and OEM partners to meet local regulatory requirements. The regulatory team has been strengthened to meet increasing regulatory requirements.

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.

Corporate Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY (CSR) IS IMPORTANT FOR US. WE ARE COMMITTED TO ENSURING THAT OUR BUSINESS IS CONDUCTED IN A RESPONSIBLE MANNER

Health, Safety and Environment
The health and safety of our staff and visitors to our facilities is a priority for the business. AMS has established Health, Safety and Environment Committees at each site which meet monthly. These Committees report monthly to the Senior Management Team (SMT) and at each Board meeting. We focus on the prevention of accidents and incidents through proactive reporting of potential hazards.

Ensuring that the Group maintains excellent environmental standards is integral to AMS. 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 our operations on the environment.

Employees
AMS is focused on attracting and retaining the right calibre of people, which is critical for the Company's long-term success. We are committed to supporting and developing our employees through training and communication.

We invest in our employees and build on their skills to benefit the business. We implemented a Leadership Development Programme in 2012 targeted at continuous improvement. Managers are encouraged to participate in a Management Development Programme to enhance their management skills and equip them to deliver the vision of the business. We have also rolled out a Lean Training Programme across the Group to improve skills at all levels and have implemented an apprenticeship scheme in 2014 which we are extending in 2015. Language lessons are also provided across our sites.

Additionally, employees are encouraged to put forward their views to the Company through monthly briefing meetings and also through our annual employee survey.

Ethical Standards
Our core Company values of 'Determination to Succeed, Drive for Results, Inspired Standards, Positive Outlook, Collaboration and Honesty' are the values that set the culture of the organisation and we expect our employees to embrace.

We continue to review how we operate as a business to ensure that we act in a responsible and ethical way and to be respectful of others. The Company has policies and procedures in place covering Anti-Corruption and Bribery, Gifts and Hospitality and Whistleblowing.

Community
We are developing our links with the local communities in which we operate. We consider involvement with both local and national charities to be important for the business. We sponsor a number of children in Africa and Asia through Plan International, a charity that promotes child rights and aims to end child poverty.

We are a joint sponsor of the 2015 Cheshire Classic Womens' Road Cycling Race organised by the Weaver Valley Cycling Club and part of the British Cycling National Series.

We are also sponsoring a running race organised by our local running club, Vale Royal Athletics Club and will be actively encouraging our employees to train and take part.

Commenting on the sponsorship, race organiser Andy Wood said: "I am thrilled to have Advanced Medical Solutions Group on board; it demonstrates the quality of the race when we have industry leading companies like AMS, which employs more than 470 employees and sells products in over 65 countries, approaching us to sponsor the race. I really liked their approach to the race and I can confirm that it will be a headline sponsor of the Team Prize competition."

2014 Cheshire Classic

Chairman's Statement

AMS IS IN ROBUST FINANCIAL HEALTH AND IS WELL POSITIONED FOR THE FUTURE.

2014 was another year of good growth across the business – both operationally and financially. AMS continues to progress as a leading, international provider of high quality, high value innovative and technologically advanced products for the woundcare and wound closure markets.

Operationally, the performance of LiquiBand® in the U.S. was particularly strong and we made considerable progress towards our goal of building a 20% market share. We also launched our LiquiBand® Fix8™ hernia mesh fixation device for use as a medical adhesive inside the body. This was an important development for the Group, opening up potential new markets as we seek to extend the application of our tissue adhesives to other internal procedures.

Financially, we are pleased to report a 6% increase in revenue to £63.0 million (2013: £59.5 million), representing growth of 9% on a constant currency basis and an increase in adjusted profit[1] before tax of 15% to £15.6 million (2013: £13.5 million).

The Group continues to work on a number of significant opportunities to drive growth resulting from existing products and geographic markets as well as from new products in development.

The Group ended the year with net cash of £17.3 million (2013: £5.3 million), and has taken advantage of the favourable terms available for borrowing to put in place a new, five-year, unsecured, multi-currency credit facility for £30 million. This facility is as yet unused. AMS continues to be in robust financial health and is well positioned to invest in internal development projects as well as potential licensing opportunities and acquisitions in line with the Group's strategy.

Dividend

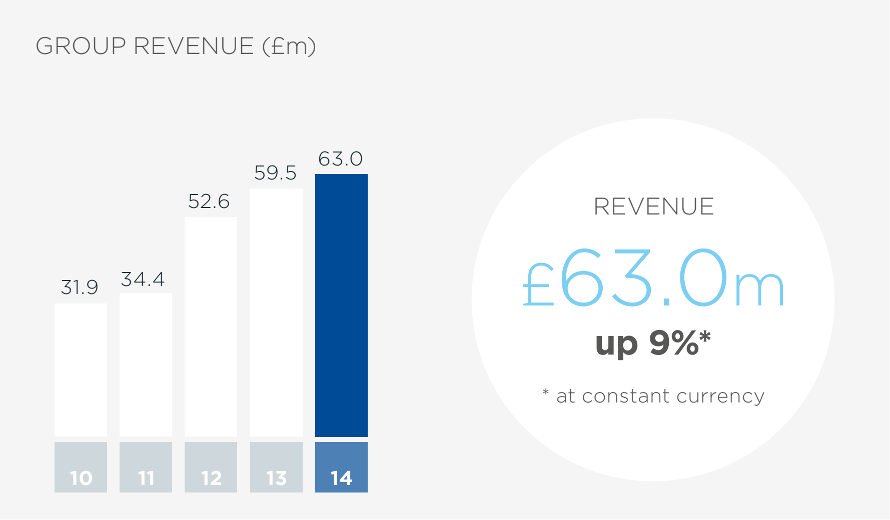
The Board is proposing a final dividend of 0.48p per share, making a total dividend for the year of 0.70p per share, a 16.7% increase on 2013. If approved at the Annual General Meeting on 21 May 2015, this will be paid on 29 May 2015 to shareholders on the register at the close of business on 8 May 2015.

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 past year.

Peter Allen
Chairman

1. All items are shown before amortisation of acquired intangible assets which, in 2014, were £0.4 million (2013: £0.4 million) as defined in the Financial Review



Chief Executive's Statement

DUE TO THE STRONG PERFORMANCE OF OUR EXISTING PRODUCTS, NEW PRODUCTS PROGRESSING WELL AND OUR ANTICIPATED BROADENING INTO NEW GEOGRAPHIES, THE GROUP IS WELL PLACED TO DRIVE FURTHER GROWTH.

I am pleased to report good growth across our major Business Units despite foreign exchange headwinds. With more than 75% of our sales outside the U.K., our business is truly international and therefore affected by currency fluctuations.

Branded Direct

The Branded Direct Business Unit reports sales of our branded products through our own sales forces in the U.K., Germany and Czech Republic. Its revenue grew 3% to £23.6 million (2013: £22.9 million) and by 6% at constant currency.

ActivHeal®

ActivHeal®, which delivers a range of woundcare dressings that offer significant cost savings without compromising on clinical outcomes or patient care, continues to be a compelling proposition for the NHS. Sales of our ActivHeal® range increased by 8% to £6.0 million (2013: £5.5 million). We are encouraged by the most recent data confirming that AMS had further increased its market share to 7.1% (2013: 5.5%) at the end of 2014. Encouragingly, ActivHeal® has had a strong start to 2015 with a number of tender and formulary wins from new NHS Hospital Trusts and we expect increased growth throughout the year.

LiquiBand®

We continue to make good progress in the U.K. with LiquiBand®. In the Accident and Emergency Room (A&E) sales grew 8% to £2.6 million (2013: £2.5 million) and sales into the Operating Room (OR) increased 34% to £0.6 million (2013: £0.45 million). AMS's products have been used in A&E for a number of years and the good growth we have seen reflects the progress made by our focused sales team in this sector. The U.K. surgical sales team, now in its second year, is accessing the OR with a growing range of products that now includes sutures and haemostats. This team will also start selling LiquiBand® Fix8™, our hernia mesh fixation device.

Sales of LiquiBand® in Germany were flat at £1.4 million at a reported level, but increased by 5% at constant currency. Steady progress is expected to continue in Germany.

RESORBA®

Sales of RESORBA® branded products in Germany and the Czech Republic were slightly lower at £13.0 million (2013: £13.1 million) at a reported level and increased by 4% at constant currency. Sales of haemostats increased by 12% at constant currency to £3.6 million (2013: £3.4 million) and sales of sutures and collagens into the dental market were unchanged at £3.8 million, whilst sales of sutures into hospitals grew 2%, reversing the decline reported in 2013.

Although the German suture market continues to be challenging and is expected to remain so over the next year, we believe we are well placed to benefit from the competitive pressures in the market with our extensive range of competitively priced products. Our German commercial operations were strengthened by the appointment of a national sales manager in February 2015. The introduction of the LiquiBand® Fix8™ device is also expected to support progress in 2015 and we are reviewing the optimal way to service the dental market in Germany which involves multiple call points.

In the U.K., we are actively working on a number of hospital tenders and evaluations with the goal of becoming the main suture supplier to those hospitals. We believe our ability to supply a comprehensive range of top quality sutures that provide cost savings to hospitals is compelling. Winning any one of these current evaluations would significantly increase the presence of our brand in the U.K..

In R&D, our focus is on extending the attributes of our collagens to meet the needs of dental practitioners and oral surgeons. We expect to obtain approval for an enhanced collagen cone in 2015 as well as making good progress in including new antibiotics in our haemostats.

Branded Distributed

The Branded Distributed Business Unit reports the sales of our brands through distributors in territories where we do not have a national sales team.

Branded Distributed revenue was 17% higher at £10.2 million (2013: £8.8 million) and 24% higher at constant currency. The main contributor to this growth was LiquiBand® sales in the U.S., which totalled £4.1 million and accounted for 40% of total sales.

Chief Executive's Statement continued

LiquiBand® in the U.S.

Sales of LiquiBand® in the U.S. increased by 36% to £4.1 million (2013: £3.0 million) and by 43% at constant currency. The new distribution partner added at the end of 2013 performed well throughout the year and contributed to the growth in sales alongside existing partners. Given the high level of sales in the second half of 2013, which included some pipeline filling at the end of the year, our sales growth performance in 2014 was particularly strong. The latest data for December 2014 shows our volume market share increasing to 7%, up from 6% at July 2014, in the U.S. hospital sector, while our volume market share in the U.S. non-hospital, or alternate site market is now estimated at 19%, up from 18% at July 2014.

We launched our 2-octyl cyanoacrylate formulation with one of our existing distribution partners in the second half of 2014 and have already added additional partners since the start of 2015. A strength of the business is the range of formulations of cyanoacrylate on offer, including very fast setting formulations with applicators allowing for quick, precision closure, and film-forming formulations that provide a barrier layer over wounds as well as closing the wound itself. With formulations that have properties in between, we have products that can accommodate the full spectrum of wound closing needs.

LiquiBand® in Europe and ROW

Elsewhere, within Europe and R.O.W, LiquiBand® sales through our distributors, continued to show good growth, with our distributors in France and Italy continuing to perform well. Overall sales increased by 15% to £1.5 million (2013: £1.3 million) at reported currency and constant currency.

The regulatory approval process for LiquiBand® in China is progressing, however, owing to changes in the regulatory pathway, we now expect approval later in 2015.

Hernia Mesh Fixation Device – LiquiBand® Fix8™

We received approval to market this product in Europe on 29 May 2014 and it has now been launched in the U.K. and Germany with our own sales teams as well as through some European distributors who are able to support the product. The initial response has been very positive, with a number of surgeons keen to endorse the product. We are also receiving valuable feedback about other possible applications suitable for this type of device which we are currently working on.

We do not anticipate significant sales in the first half of the year as surgeons are individually trained on how to use the device and we wait to see the outcome of their surgery. Following positive feedback, we are confident that the product will contribute to growth in the second half of 2015 and thereafter.

RESORBA®

Sales of RESORBA® products to all export markets other than Russia grew by 6% at reported currency to £2.9 million (2013: £2.8 million) and by 10% at constant currency. Growth was seen across several territories, with our French, Italian and Chinese distributors performing strongly. Sales in Russia increased by 4% at constant currency but decreased 18% to £1.3 million (2013: £1.6 million) at reported currency, reflecting the weakening rouble. The Russian market is unlikely to grow in the forseeable future.

Work continues to gain approval to supply RESORBA® sutures and haemostats into the U.S. We have received our first approval for the sale of one type of suture for the U.S. market and are still on target for the remainder of the suture range to be approved in the first half of 2015, with the expectation that we can launch the products in the second half of 2015.

In R&D our focus is on continuing to improve the formulations of the base monomers that are used in our adhesives as well as extending the applications of tissue adhesives for internal use.

OEM

The OEM Business Unit reports the sales of products that are sold under third parties' brands.

OEM revenue increased by 7% at reported currency to £25.3 million (2013: £23.6 million) and by 9% at constant currency.

Our silver alginate range of dressings continued to perform well, with sales increasing by 8% at reported currency and by 10% at constant currency to £13.1 million (2013: £12.1 million). Our partners continue to do well with the range of silver fibre dressings we provide gaining market share as well as accessing new geographical markets. We continue to support them with regulatory approvals and marketing data.

Sales of our foam-based dressings were flat at £1.8 million. This was due to one of our partners launching a new product range last year with sales following the typical second year post launch sales pattern reduction. Adjusting for this, sales elsewhere were encouraging and up 20% on a proforma basis. Our other woundcare and skin protectant products delivered good growth growing by 9% to £9.7 million (2013: £8.9 million), while the collagen OEM business acquired with RESORBA® was flat year-on-year at £0.8 million, with little change expected in 2015.

In R&D the focus is on further developing our foam range to include both an antimicrobial and an atraumatic foam. These products are well advanced and we expect approvals in the first half of 2015, with a launch later this year.

Bulk Materials

The Bulk Materials Business Unit reports sales of bulk materials to third party convertors.

Bulk Materials revenue decreased by 7% at reported currency to £3.9 million (2013: £4.2 million) and by 4% at constant currency.

Rollstock foam contributed around 85% of Bulk Materials revenue and good growth was seen by one significant customer that had destocked in 2013. However, sales by some newer and smaller partners were disappointing. Until sufficient scale of revenue is achieved with the customer base, the Bulk Materials Unit will remain vulnerable to the ordering patterns of its partners and customers.

In R&D the focus is on developing new foam formulations with antimicrobials, working in conjunction with the OEM Business Unit. These products are expected to be launched in 2015.

Operations

Efficiency and Gross Margins

We continue to strive for operational improvements by reducing set-up times, eliminating non-value added activities and increasing outputs. These incremental efficiencies are helping to improve gross margins across the Group and have helped to generate an improvement of approximately 100 basis points in 2014, offsetting some of the negative impact resulting from movements in currency. We have invested in improving our converting capability in Winsford. This equipment is still being commissioned. We expect to increase our operational flexibility and improve efficiency in 2015 as a result.

Capacity and Resource

We have also identified the need to increase the capacity of our collagen plant in Germany. We anticipate that £1.0 million of investment is required in the plant in the second half of 2015. We continue to invest in improving our Enterprise Resource Planning (ERP) management and reporting systems. Following the successful launch of our new ERP system at our Plymouth site, the system was launched in Winsford in February 2014 and in Etten Leur in the Netherlands in September 2014. We constantly monitor our systems across the Group and will invest in further improvements to systems in Germany.

Regulatory and Quality Assurance

With the regulatory framework gaining in complexity, we have continued to invest in both regulatory and quality functions and systems to ensure that we are able to support our partners with winning approvals in new markets as well as obtaining approval for our own products. We anticipate that we will continue to invest in these areas in 2015.

R&D

The Group continues to develop new products through its R&D teams. We are well advanced in the approval process for our antimicrobial and atraumatic foams and, whilst external regulatory pathways are out of our control resulting in unclear timings, we expect to obtain several product approvals in 2015, enabling these products to be launched thereafter.

Summary and Outlook

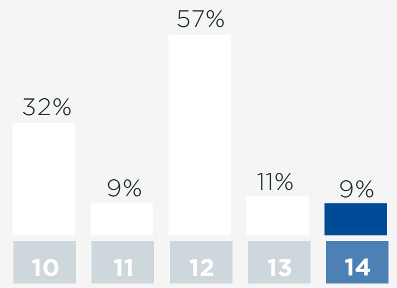
We delivered revenue growth of 6% (at constant currency this would have been 9%) and significantly improved profitability and cash generation during the year.

Our three largest Business Units all delivered solid performance despite challenging currency conditions. We were particularly encouraged by strong growth in the U.S., where the competitive quality, range and pricing helped to drive gains in our market share. The successful launch of the LiquiBand® Fix8™ hernia mesh fixation device demonstrates our continued commitment to investing in innovation and during the year ahead we expect further product launches and advancements in our R&D activities.

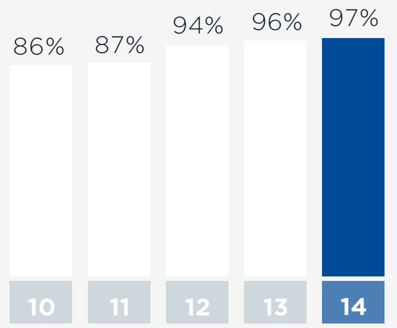
With continuing growth across our major Business Units, due to the strong performance of our products, new products progressing well and our anticipated broadening into new geographies, we are confident that the Group is well placed to drive growth as well as continued improvements in efficiencies and we remain excited by the prospects for our future.

KPI's

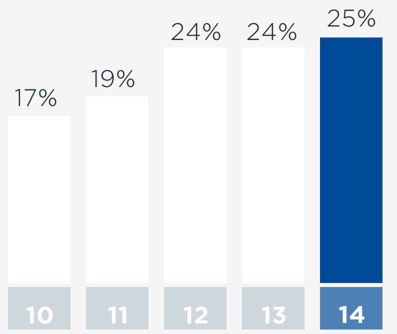
REVENUE GROWTH (%)[1] AT CONSTANT CURRENCY



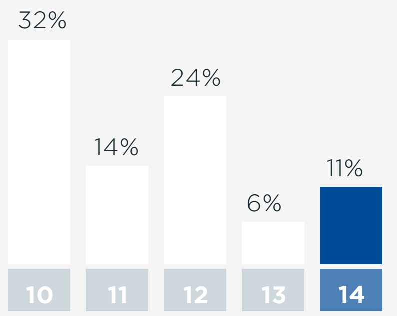
CUSTOMER SERVICE (OTIF)[2]



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



ADJUSTED[3] 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

Group revenue increased by 6% to £63.0 million (2013: £59.5 million). At constant currency, revenue growth would have been 9%.

Comparisons with 2013 are made on a pre-amortisation of acquired intangible asset cost basis, as we believe that this provides a more relevant representation of the Group's trading performance. Amortisation of acquired intangible assets was £0.4 million in the year (2013: £0.4 million).

To aid comparison the Group's adjusted income statement is summarised in Table 1 below.

Table 1 Adjusted Income Statement	**Year ended 31 Dec 2014 £'000**	Year ended 31 Dec 2013 £'000	Increase
Revenue	**63,010**	59,499	6%
Gross profit	**35,843**	34,268	5%
Distribution costs	**(853)**	(744)	
Administration expenses[1]	**(19,681)**	(19,679)	
Other income	**250**	281	
Adjusted operating profit	**15,559**	14,126	10%
Net finance income/(costs)	**48**	(582)	
Adjusted profit before tax	**15,607**	13,544	15%
Amortisation of acquired intangibles	**(389)**	(400)	
Profit before tax	**15,218**	13,144	16%
Tax	**(2,354)**	(1,778)	
Profit for the period	**12,864**	11,366	13%
Adjusted earnings per share – basic[2]	**6.39p**	5.72p	12%
Earnings per share – basic[2]	**6.20p**	5.52p	12%
Adjusted earnings per share – diluted[2]	**6.26p**	5.64p	11%
Earnings per share – diluted[2]	**6.08p**	5.45p	12%

1. Administration expenses exclude amortisation of acquired intangible assets
2. See note 14 Earnings per share for details of calculation

Revenues were negatively impacted by approximately £1.8 million due to the effects of currency movements in the year. This also had an impact on Group gross margins which were reduced by 50bps as a result. Gross margins were also negatively impacted by a sales mix effect by 120bps, however, this was partially offset by the estimated 100bps improvement made from operational efficiencies.

Adjusted operating profit increased by 10% to £15.6 million (2013: £14.1 million) and the adjusted operating margin increased by 100bps to 24.7% (2013: 23.7%). At a reported level, administration costs were flat year-on-year, helped by currency effects. Adjusting for currency, administration costs would have increased by 5%. Within this, the Group expensed to the income statement £2.1 million on R&D (2013: £2.2 million). Spend as a percentage of sales reduced to 3.3% (2013: 3.7%), mainly as a result of timing of projects.

Profit before tax for the year was 16% higher at £15.2 million (2013: £13.1 million).

The Group's effective rate of tax for the year was 15.5% (2013: 13.5%). This is reflective of the utilisation of previously unrecognised, brought-forward tax losses in the U.K., 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. The effective tax rate of the Group is expected to increase going forward as a result of the tax losses being used up.

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

Table 2

Taxation	**%**
Standard taxation rate	**21.50**
Loss utilisation and recognition	(3.61)
Impact of differential between UK and overseas tax rates	1.70
Patent box relief	(3.58)
R&D relief	(1.89)
Expenses not deductible, prior year adjustments, depreciation & share based payments	1.38
Effective taxation rate	**15.50**

Earnings (excluding amortisation of acquired intangible assets) increased by 13% to £13.3 million (2013: £11.8 million), resulting in a 12% increase in adjusted basic earnings per share to 6.39p (2013: 5.72p) and an 11% increase in diluted adjusted earnings per share to 6.26p (2013: 5.64p).

Profit after tax increased by 13% to £12.9 million (2013: £11.4 million), resulting in a 12% increase in basic earnings per share to 6.20p (2013: 5.52p) and a 12% increase in diluted earnings per share to 6.08p (2013: 5.45p).

The Board is proposing a final dividend of 0.48p per share to be paid on 29 May 2015 to shareholders on the register at the close of business on 8 May 2015. This follows the interim dividend of 0.22p per share that was paid on 31 October 2014 and would make a total dividend for the year of 0.70p per share (2013: 0.60p), a 17% increase on 2013.

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 sales made to other Business Units of £0.7 million (2013: £0.8 million) are included.

Table 3

Operating Result by Business Unit Year ended 31 December 2014	**Branded Direct £'000**	**Branded Distributed £'000**	**OEM £'000**	**Bulk Materials £'000**
Revenue	**23,610**	**10,247**	**25,275**	**4,580[2]**
Profit from operations	**6,241**	**2,770**	**6,225**	**485**
Amortisation of acquired intangibles	227	135	27	–
Adjusted profit from operations[1]	**6,468**	**2,905**	**6,252**	**485**
Adjusted operating margin[1]	27.4%	28.3%	24.7%	10.6%
Year ended 31 December 2013				
Revenue	22,918	8,785	23,629	4,933[2]
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%

1. Excludes amortisation of acquired intangible assets
2. Inclusive of intra-group revenue of £0.7m (2013: £0.8m)

Financial Review continued

Branded Direct

The adjusted operating margin of this Business Unit remained at a similar level to the prior year at 27.4% (2013: 27.3%) and lower than the position at H1 2014 (29.6%). As indicated at the half year we are investing in sales and marketing in our increasing direct sales teams.

Branded Distributed

The adjusted operating margin of this Business Unit increased to 28.3% (2013: 20.3%), reflecting the improved profitability from the increase in sales in this Business Unit and in particular from sales to the U.S. The growth in sales to the U.S. mitigated the impact in margin from sales made into Russia and improved the margin seen at H1 2014 (18.7%).

OEM

The adjusted operating margin of this Business Unit was at the same level to the prior year at 24.7% (2013: 24.7%) and lower than the margin reported at H1 2014 (27.1%). Margins are dependent on the mix of business, which at the half year had a greater percentage of silver alginate sales than at the full year.

Bulk Materials

The adjusted operating margin of this Business Unit decreased to 10.6% (2013: 13.5%) but improved from the position at H1 2014 (9.8%). Margins were affected by the lower volumes of production as well as the different sales mix.

Geographic Breakdown of Revenues

The geographic breakdown of Group revenues in 2014 is shown in Table 4 below:

Table 4
Geographic Breakdown of Group Revenues

£ millions	**2014**	**% of total**	2013	% of total
Europe (excluding UK & Germany)	**18.7**	**29.7**	17.3	29.1
Germany	**14.0**	**22.3**	15.7	26.4
UK	**15.3**	**24.3**	13.2	22.2
USA	**13.8**	**21.9**	11.8	19.9
Rest of World	**1.1**	**1.8**	1.4	2.4

Although nearly 52% of the Group's sales are in Europe (excluding the U.K.) only around 34% of sales are denominated in Euros. Approximately 80% of all sales to the U.S. are denominated in U.S. dollars. The Group hedges significant transaction exposure by using forward currency contracts and options and aims to have 70% of its estimated transactional exposure for the next twelve months hedged. The foreign currency hedges put in place in 2013 mitigated the effect of the adverse effects of currency in 2014 by around £1 million.

Cash Flow

Table 5 summarises the Group's cash flows.

Table 5
Group Cash Flows

Year ended 31 December	**2014 £'000**	2013 £'000
Adjusted operating profit[1] (Table 1)	**15,559**	14,126
Non-cash items	**2,993**	2,815
EBITDA	**18,552**	16,941
Working capital movement	**(104)**	(2,788)
Net cash from operating activities	**18,448**	14,153
Capital expenditure and capitalised R&D	**(2,406)**	(2,002)
Net interest received	**45**	(587)
Tax paid	**(1,876)**	(83)
Free cash flow	**14,211**	11,481
Repayment of loan	**–**	(14,385)
Dividends paid	**(1,307)**	(1,111)
Proceeds from share issues	**65**	328
Net increase/(decrease) in cash and cash equivalents	**12,969**	(3,687)

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

1. Excludes amortisation of acquired intangible assets

EBITDA increased by 10% to £18.6 million (2013: £16.9 million).

Working capital reduced slightly in the year but this was mainly due to the effects of translating overseas working capital balances held in Euros into sterling. 4.2 months of supply of inventory was held across the Group, slightly increased compared with the prior year (2013: 4.0 months of supply). Trade debtor days remained at the same level to the prior year at 43 (2013: 43) while trade payable days decreased to 36 (2013: 42).

The Group generated net cash from operating activities of £18.4 million (2013: £14.2 million) (see Table 5) and had net cash of £17.3 million (2013: £5.3 million) at the end of the year.

We invested £2.4 million in capital equipment, software and capitalised R&D in the year (2013: £2.0 million). We have also invested in equipment around the Group that improves converting and packaging as well as in business systems.

The Group generated a free cash flow of £14.2 million in the year (2013: £11.5 million). The conversion of adjusted operating profit into free cash flow was 91% (2013: 81%).

The Group paid its final dividend for the year ended 31 December 2013 of £0.85 million (2013: for the year ending 2012, £0.71 million) on 28 May 2014 and its interim dividend for the six months ended 30 June 2014 of £0.46 million (2013: £0.40 million) on 31 October 2014.

In December 2014 the Group entered into a new, five-year, £30 million, multi-currency, revolving credit facility with an accordion option under which AMS can request up to an additional £20 million on the same terms. The previous facility for £4 million was due to expire in 2015. The Group chose to take advantage of favourable credit conditions to put in place a more suitable facility to support the Group's growth ambitions. The new facility is provided jointly by the Group's existing bank HSBC, as well as The Royal Bank of Scotland PLC. It is unsecured and has not been drawn down. This facility carries an annual interest rate of LIBOR or EURIBOR plus a margin that varies between 0.65% and 1.75% depending on the Group's net debt to EBITDA ratio.

At the end of the period, the Group had net cash of £17.3 million (2013: £5.3 million). The movement in net cash 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 Cash	£'000
Net cash as at 1 January 2014	**5,257**
Exchange rate impacts	(946)
Free cash flow	14,211
Dividends paid	(1,307)
Proceeds from share issues	65
Net cash as at 31 December 2014	**17,280**

The Group's Going Concern position is fully described in note 2.

Board of Directors

Peter V Allen
A.C.A.
Non-Executive Chairman
■●◆
Mr Allen was appointed as Non-Executive Chairman of the Group on 1 January 2014 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 Oxford Nanopore Technologies Limited. He 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 twelve years at Celltech Group plc (1992-2004) as CFO and deputy CEO, six 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
B.Sc. (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
A.C.M.A., M.C.T, B.A. (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 U.S. 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 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 FCA authorised corporate advisory business and a Non-Executive Director of Empresaria Group plc, Crown Place VCT plc and Sinophi Healthcare Ltd. 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
B.Com. & C.A. (N.Z.)
Non-Executive Director
■●◆
Mr Bellamy was appointed as a Non-Executive Director of AMS on 20 February 2007. He is currently Chairman of Becrypt Limited (mobile device and data security technology), Chairman of Benefex Limited (online employee benefits solutions) and a founding partner of Accretion Capital LLP (provider of strategic capital and advice to U.K. technology companies). Formerly an Executive Director of Sherwood International plc and Brierley Investments' London operations, he has also held a number of other public and private company 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 20 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 an advisor and consultant with Steinmann International GmbH, Non-Executive Director of Navus Consulting GmbH, is a board observer with Orthimo AG. He has held a number of other non-executive directorships prior to joining AMS.

■ Audit Committee
S.G. Bellamy (Chairman)
P.A. Freer
P. Steinmann
P.V. Allen

● Remuneration Committee
P.A. Freer (Chairman)
S.G. Bellamy
P. Steinmann
P.V. Allen

◆ Nomination Committee
P.V. Allen (Chairman)
P.A. Freer
S.G. Bellamy
C. Meredith
P. Steinmann

▲ Company Secretary
M.G. Tavener

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

Registered Number
2867684

Senior Management

Vicki Candler M.C.I.P.D.
Group HR Manager
Vicki joined AMS in January 2007 as HR Manager having qualified as a 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.

Simon Coates
Group IS Manager
Simon joined AMS in 2002 as Group Information Systems Manager and over the last twelve years of the Company's growth has overseen many of the Company's key IT projects including implementing ERP systems across the Group, integrating acquisitions and relocating the business into its existing Winsford site.

Simon has over 25 years experience in IT infrastructure, systems implementation and software development gained from a number of different industries. Prior to joining AMS he was Worldwide IT manager at Whitford Plastics Ltd, a manufacturer of chemical coatings, supporting them through a period of rapid growth, managing multiple sites and key IT projects including ERP implementation and adoption of the Euro for the European offices.

Simon was appointed to the Senior Management Team in January 2015.

Rose Guang B.Sc., M.Sc.
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 nine 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 A.C.A.
Group Financial Controller
Eddie joined AMS on 5 October 2011. Having gained a first class degree in Maths and Computer Science from Keele University in 1993, he qualified as a Chartered Accountant in 1996.

Since moving into industry in 1996 Eddie has held a number of senior finance roles in various sectors including, more recently, head of commercial finance at Norcros plc and Western European Financial Controller for Sumitomo Electrical Wiring Systems, where he implemented Sarbanes-Oxley (Japanese equivalent).

In November 2012 Eddie was appointed Group Financial Controller.

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 as 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 six medical device manufacturing sites in the U.K.. He joined Medlogic Global Ltd in 1997 and was responsible for setting up and managing the U.K. operation for their tissue adhesives business.

Richard was appointed Group Operations Director in July 2010.

Pieter van Hoof, M.Eng.
Business Unit Director, Bulk Materials
Pieter joined AMS 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 and is also the Operations Manager for our Winsford and Etten Leur sites.

Jeffrey Willis B.Sc. (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 ten 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 for AMS. 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.

Mary Tavener
Company Secretary
14 April 2015

Directors' Report

For the year ended 31 December 2014

The Directors present their report, incorporating the Chairman's Statement, the Strategic Report including the Chief Executive's Statement and the Financial Review, and the audited financial statements for the year ended 31 December 2014.

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 11 to 30 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 2014 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 29 to the financial statements.

Capital Structure

The Group is debt free.

The Group agreed a new, five-year, £30 million, multi-currency, revolving, credit facility in December 2014 with an accordion option under which AMS can request up to an additional £20 million on the same terms. The new facility is provided jointly by the Group's existing bank HSBC, as well as The Royal Bank of Scotland PLC and replaces the previous £4 million facility. It is unsecured on the assets of the Group and is currently undrawn.

Key Performance Indicators

The Directors have monitored the performance of the Group with particular reference to the relevant key performance indicators: revenue growth, operating margin, earnings per share growth and customer service (OTIF). The Group monitors progress on a regular basis. Performance against the key performance indicators can be found on page 23.

Going Concern

After making enquiries and on the basis outlined in the Corporate Governance Report on pages 39 to 42, 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 before tax for the year to 31 December 2014 of £15.2 million (2013: £13.1 million). The Directors are recommending payment of a final dividend of 0.48p per share. The final dividend will, subject to shareholders' approval, be paid on 29 May 2015 to shareholders on the register at the close of business on 8 May 2015. This will make a total dividend of 0.70p for the full year (2013: 0.60p).

Research and Development

The Group has expensed to the income statement in the year ended 31 December 2014 £2,120,000 (2013: £2,196,000) on research and development. In accordance with International Accounting Standards a further £581,000 (2013: £612,000) has been capitalised. Following a review of development, £92,000 (2013: £337,000) of impairments were made in 2014.

Share Capital and Issue of Ordinary Shares

The authorised and issued share capital of the Company is set out in note 29 to the financial statements on page 70.

Substantial Shareholdings

As at 8 April 2015 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	%
BlackRock	16,613,130	7.99
AXA Framlington Investment Managers	15,015,237	7.22
Octopus Investments	12,940,473	6.23
Investec Wealth & Investment	10,665,134	5.13
Schroder Investment Managers	10,000,000	4.81
Aviva Investors	9,494,286	4.57
Artemis Investment Management	8,137,796	3.91
Invesco Perpetual	7,542,782	3.63
Legal & General Investment Management	7,216,265	3.47
Hargreave Hales, Stockbrokers (ND)	6,604,095	3.18
Kabouter Management	6,533,043	3.14

Directors' Report continued

For the year ended 31 December 2014

Employees

The Group depends on the skills and engagement 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 eliminating all forms of discrimination and 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, pregnancy and maternity, gender reassignment, religion or belief. An Equality 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 U.K., which comprises representatives of employees and management and the Work's Council in Germany meet regularly to discuss business issues and areas of concern. Management also 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, where appropriate, 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 share option plans and are incentivised directly through the Company's bonus scheme, performance reviews and training and development opportunities.

Employee Share Schemes

Employees, except for participants in the Long-Term Incentive Plan (2014 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 35 to 38.

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 36. The existing DSB was set up in 2006 and is coming to the end of its ten-year life. The Directors are proposing that a new DSB scheme be introduced on the same terms as the existing scheme.

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.

983,346 Ordinary Shares (2013: 2,251,507) were issued during the year to employees exercising their share options. Details are given in note 31 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 facility at Winsford has been built with a high level of thermal insulation to reduce the Group's carbon footprint. It utilises 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.

Corporate Social Responsibility

AMS is committed to ensuring that the business operates in a responsible way across these key areas: health and safety and environment, employees, ethical standards and community. Further details are included in the Corporate Social Responsibility Report on page 17.

Directors and their Interests

The Directors of the Company at 31 December 2014 and their interests, all of which are beneficially held, in the share capital of the Company were:

	Ordinary shares of 5p each 31 December 2014				Ordinary shares of 5p each 31 December 2013			
	Shares	**DSBs**	**LTIP**	**Deferred Bonus**[1]	Shares	DSBs	LTIP	Deferred Bonus
C. Meredith	**1,185,207**	**21,019**	**887,078**	**22,203**	1,142,275	99,325	1,309,293	–
M. Tavener	**1,774,470**	**18,494**	**624,611**	**17,207**	1,773,042	17,066	537,091	–
S. Bellamy	**100,000**	**–**	**–**	**–**	100,000	–	–	–
P. Allen	**50,000**	**–**	**–**	**–**	–	–	–	–
P. Freer	**13,888**	**–**	**–**	**–**	13,888	–	–	–

1 Deferred Bonus shares are in respect of the bonus earned relating to 2013 financial year. Shares awarded following approval of Deferred Annual Bonus Plan at the 2014 AGM.

Further details of the Directors' remuneration and benefits are included in the Remuneration Report on pages 35 to 38.

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 relating 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

The names of the current Directors together with brief biographies are shown on pages 28 and 29.

At the forthcoming Annual General Meeting, Chris Meredith and 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 35.

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 (IFRS) 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.

Directors' Report continued
For the year ended 31 December 2014

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 IFRS is 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;
- 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; and
- 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 Group'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 7, to be proposed at the meeting would be to approve the amendments to the Advanced Medical Solutions Group plc 2006 Deferred Share Bonus Plan.

The effect of Resolution 8, to be proposed at the meeting would be to allow the Company to allot shares conferred by S551 of the Companies Act 2006.

The effect of Resolution 9, 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 10, 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 11.00am on 21 May 2015 at 1 Cornhill, Gold Room, London, EC3V 3ND. Details of the notice of the Annual General Meeting are given on pages 82 to 84. 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
14 April 2015

Remuneration Report

The Board presents the Remuneration Report for the year ended 31 December 2014.

As an AIM listed company, Advanced Medical Solutions Group plc is not required to comply with the Directors remuneration report requirements under Main Market UK Listing Rules or those aspects of the Companies Act applicable to quoted companies. The following disclosures are made voluntarily.

The Remuneration Committee comprises four Non-Executive Directors of the Group: Penny Freer (Chairman), Peter Allen, Steve Bellamy and Peter Steinmann. 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-directorships 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 seven times during the year. All meetings were attended by all members.

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 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 in 2013 and 2014. The Remuneration Committee took into account their recommendations which included the introduction of an Executive Shareholding Policy in 2014 requiring the Executive Directors and Senior Management Team to hold a minimum of 100% and 50% respectively, of their pre-tax annual salary in Company shares within five years of attaining office as well as a change to the existing bonus scheme for 2014. As a result of the Committee's recommendations a Deferred Annual Bonus (DAB) Scheme was approved by shareholders at the 2014 AGM.

Salary

The Remuneration Committee reviews the salaries of the Executive Directors and Senior Managers of all Group companies annually and compares them against performance and market medians. This review was last carried out in October 2014.

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 set by the Remuneration Committee. In 2014, 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 are also entitled to receive up to 50% of their salary in bonus, of which 86% of the award is dependent on financial performance targets and 14% on personal objectives.

Deferred Annual Bonus

Following advice from Kepler, the Remuneration Committee introduced a Deferred Annual Bonus (2014 DAB) Scheme after receiving shareholder approval at the 2014 AGM whereby both Executive Directors and Senior Managers are required to defer up to 25% of their annual bonus into share awards that will vest after three years.

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. 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 31 on pages 71 to 76.

Remuneration Report continued

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 introduced a new Long-Term Incentive Plan (2014 LTIP) at the 2014 AGM replacing the existing LTIP which was due to expire in 2015. Individuals who are entitled to awards under the 2014 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 Total Shareholder Return (TSR) performance of the Company compared with the AIM Healthcare Share Index over the vesting period and 50% of the Award is determined by the growth in the average Earnings Per Share (EPS) per year of the Company over the three-year vesting 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 median. Awards will vest on a sliding scale from 25% to 100% for performance above median to upper quartile performance against the Index.

The performance measurement for EPS will be based on the percentage increase of the Company's EPS over the vesting 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 vesting period. No awards will be made for an average increase of EPS below target EPS. In 2014 the EPS target was set at 5%.

The Remuneration Committee has 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 the underlying performance of the business.

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 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.

The DSB, originally introduced in 2006, is due to end on 30 May 2016. It is being proposed at the 2015 Annual General Meeting that the existing DSB scheme be extended.

Pension
All employees 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 was 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 and 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.

Directors' emoluments

The various elements of the remuneration for each Director in 2013 and 2014:

	Salary and fees		Annual bonus		Deferred annual bonus		LTIPs vested during the year		Gains on DSBs vested during the year		Benefits		Pensions		Total year ended 2014	Total year ended 2013
Year to 31 December	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Executive																
Chris Meredith	**245**	204	**106**	80	**35**	26	**219**	–	**14**	–	**1**	1	**25**	20	**645**	331
Mary Tavener	**156**	143	**75**	62	**25**	20	**113**	–	**11**	22	**1**	1	**35**	32	**416**	280
Non-Executive																
Peter Allen	**63**	5	**–**	–	**–**	–	**–**	–	**–**	–	**–**		**–**	–	**63**	5
Steve Bellamy	**37**	36	**–**	–	**–**	–	**–**	–	**–**	–	**–**		**–**	–	**37**	36
Penny Freer	**37**	36	**–**	–	**–**	–	**–**	–	**–**	–	**–**		**–**	–	**37**	36
Peter Steinman	**34**	17	**–**	–	**–**	–	**–**	–	**–**	–	**–**		**–**	–	**34**	17
Don Evans	**–**	52	**–**	–	**–**	–	**–**	–	**–**	–	**–**		**–**	–	**–**	52
Total	**572**	493	**181**	142	**60**	46	**332**	–	**25**	22	**2**	2	**60**	52	**1,232**	757

The table above summarises the payments made and additional amounts earned by the Directors for the 2014 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. The Board agreed that from 2013 a bonus for the current financial year should be accrued. The Deferred Annual Bonus recorded in the table above is in respect of the 2014 financial year, to be paid or deferred into shares, which will not be received until 2018.

The Executive Directors were granted further LTIPs as detailed below.

The opening share price for 2014 was 108p and the closing price on the last trading day of the year, was 124.5p. The range during the year was 130.5p (high) and 107.5p (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 2013	Exercised in the year	Issued in the year	Lapsed in the year	As at 31 December 2014	Market price at date of grant (p)	First vesting date
Chris Meredith	514,778	514,778	–	–	**–**	33.30	23 April 2012 (vested)
	306,818	–	–	118,190	**188,628**	88.00	15 April 2014 (vested)
	260,586	–	–	–	**260,586**	76.75	6 September 2015
	227,111	–	–	–	**227,111**	90.00	19 September 2016
	–	–	210,753	–	**210,753**	116.25	6 June 2017
Mary Tavener	159,126	–	–	61,297	**97,829**	88.00	15 April 2014 (vested)
	201,954	–	–	–	**201,954**	76.75	6 September 2015
	176,011	–	–	–	**176,011**	90.00	19 September 2016
	–	–	148,817	–	**148,817**	116.25	6 June 2017

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on page 36. The figures shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved.

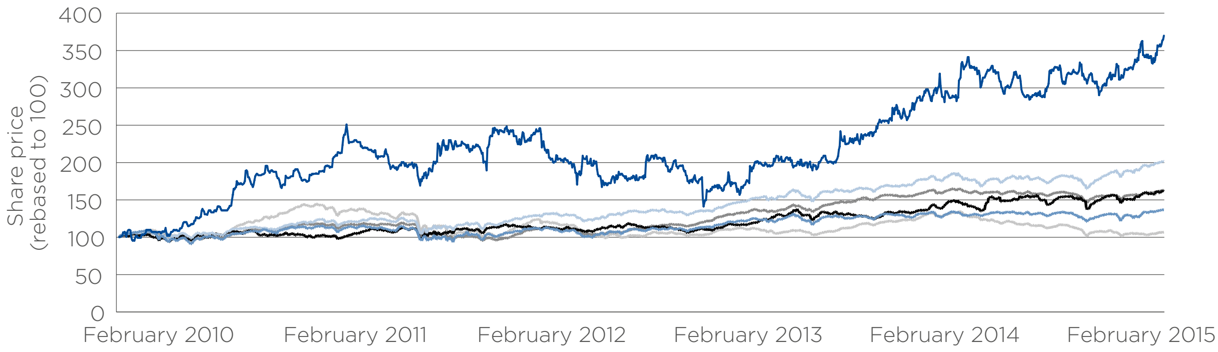
Following a review of the Performance Conditions of the LTIPs granted in April 2011, 64.6% of the Award vested in April 2014.

Awards made have no performance re-testing facility.

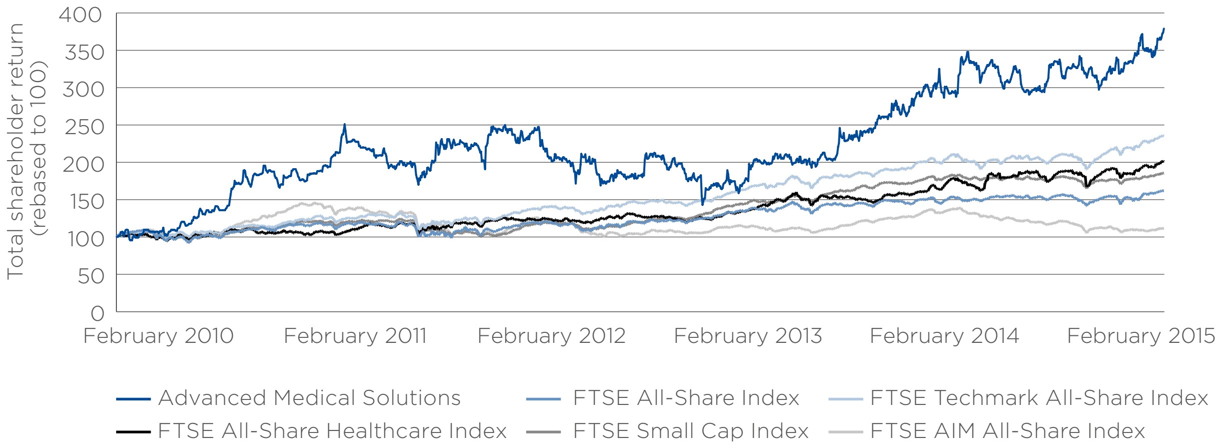
Remuneration Report continued

Five-year Share Performance

For the five-year period ending 28 February 2015 the Advanced Medical Solutions Group plc share price has outperformed the FTSE All Share Index by 170%, FTSE Techmark All-Share Index by 84%, FTSE All-Share Health Care Index by 129%, the FTSE Small Cap Index by 127%, and FTSE AIM All-Share Index by 246%.



For the five-year period ending 28 February 2015 the Advanced Medical Solutions Group plc total shareholder return (TSR), defined as share price growth plus reinvested dividends, has outperformed the FTSE All Share Index by 134%, FTSE Techmark All-Share Index by 61%, FTSE All-Share Health Care Index by 89%, the FTSE Small Cap Index by 104%, and FTSE AIM All-Share Index by 239%.



Mary Tavener
Company Secretary
14 April 2015

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.

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 28 and 29 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. The size of the Board during 2014 was six. 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 2010 Penny Freer was appointed as Senior Independent Director.

Board Committees

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

Peter Allen, Penny Freer, Steve Bellamy and Peter Steinmann are members of the Audit, Remuneration and Nomination Committees. Chris Meredith is a member of the Nomination Committee.

The 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 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 eleven times in 2014. Members are supplied with reports from Executive Directors in good time for review in advance of the meetings. Most Board Committee meetings are scheduled around Board meetings with Committee Reports issued well in advance of the meeting.

During 2014 the Board met eleven times, the Audit Committee three, Remuneration Committee seven and the Nomination Committee twice.

The Directors attended the following meetings in the year ended 31 December 2014:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Allen	11	3	7	2
Chris Meredith	10	2*	3*	2
Mary Tavener	11	3*	2*	0
Steve Bellamy	11	3	7	2
Penny Freer	11	3	7	2
Peter Steinmann	11	3	7	2

* By invitation

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 Chairmen. The 2014 Board and Committee evaluations were conducted by way of each Director and Committee member completing comprehensive questionnaires. The results were 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.

Corporate Governance Report continued

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, a copy of the AGM presentation and details of the poll results 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.

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 & 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 11 to 30, 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 Audit Committee regularly on their review of risks and how they have managed the risks. The Audit Committee reviews the inherent risks, including the key risks and the system of control necessary to manage such risks. The Audit Committee also reviews the effectiveness of the Group's procedure in managing risk and, therefore, believes it meets the requirements of the FRC guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The business risks and controls to mitigate the risks are formally reviewed by the Audit Committee and the Board at least twice a year.

Audit Committee

The Audit Committee comprises Steve Bellamy (Chairman), Penny Freer, Peter Steinmann and Peter Allen.

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 2014. The Deputy Company Secretary acts as Secretary to the Committee.

The Committee met three 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 and the Audit Committee Chairman met with external audit partner separately. The role of the Committee is to:

- consider the nature and scope of the audit process (both internal and external) and its effectiveness;
- consider the appointment, fees, independence and effectiveness of the auditors and the audit process, and discuss the scope of the audits and their findings;
- monitor the Group's accounting policies;
- review and challenge the Group's assessment of business risks and internal controls to mitigate these risks as well as reviewing 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 the external 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.

The Audit Committee provides advice to the Board on whether the annual report is fair, balanced and provides the necessary information shareholders require to assess the Company's performance, business model and strategy. In doing so, the following issues have been addressed specifically:

- review of key strategic risks – the Audit Committee conducts a review of the key strategic risks every six months. The review highlights the key risks based on a combination of likelihood and impact and then also considers what appropriate mitigants should be implemented. The results from this work are included in the Strategic Review.
- review of judgements made by management, including the discount rate used in determining whether there has been an impairment of goodwill.
- Going Concern – the conclusion of the review of the Going Concern assessment is included in Note 2.

Internal Audit

Following a review of the Group in 2012, the Audit Committee proposed, and the Board accepted, 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 will continue to utilise Baker Tilly's service as required in 2015. Findings and recommendations are received by the Audit Committee, who also review progress on corrective actions. The Audit Committee:

- approves the appointment of and the termination 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 auditors 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 six months and updates the Audit Committee in writing ahead of the Committee meetings.

Corporate Governance Report continued

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 TÜV Rheinland, on a regular basis.

Remuneration Committee

The Remuneration Committee comprises Penny Freer (Chairman), Steve Bellamy, Peter Steinmann and Peter Allen.

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 all 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 2014. The Deputy Company Secretary acts as Secretary to the Committee. The Remuneration Committee met seven times in 2014. The report of the Committee is included on pages 35 to 38.

Nomination Committee

The Nomination Committee comprises Peter Allen (Chairman), Penny Freer, Steve Bellamy, Chris Meredith and Peter Steinmann.

The Committee nominates and recommends the appointment of new Directors to the Board, considers succession planning for Directors, 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 2014. The Deputy Company Secretary acts as Secretary to the Committee. The Committee met twice during the year.

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 from signing of the accounts. 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 £17.3 million (2013: £5.3 million) and was debt free (2013: debt free). The Group agreed a new, five-year, £30 million, multi-currency, revolving credit facility in December 2014 with an accordion option under which AMS can request up to an additional £20 million on the same terms. The new facility is provided jointly by the Group's existing bank HSBC, as well as The Royal Bank of Scotland PLC and replaces the previous £4 million facility. It is unsecured on the assets of the Group and is currently undrawn.

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
14 April 2015

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 2014 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 33, the Parent Company Balance Sheet and the related notes 1 to 8. 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 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS 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 gven 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
14 April 2015

Consolidated Income Statement
For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Revenue	4	**63,010**	59,499
Cost of sales		**(27,167)**	(25,231)
Gross profit		**35,843**	34,268
Distribution costs		**(853)**	(744)
Administration costs		**(20,070)**	(20,079)
Other income		**250**	281
Profit from operations	4, 5	**15,170**	13,726
Finance income	10	**49**	1
Finance costs	11	**(1)**	(583)
Profit before taxation		**15,218**	13,144
Income tax	12	**(2,354)**	(1,778)
Profit for the year attributable to equity holders of the parent		**12,864**	11,366
Earnings per share			
Basic	14	**6.20p**	5.52p
Diluted	14	**6.08p**	5.45p
Adjusted diluted	14	**6.26p**	5.64p

The above results relate to continuing operations.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit for the year	**12,864**	11,366
Items that will potentially be reclassified subsequently to the profit and loss		
Exchange differences on translation of foreign operations	**(4,200)**	732
(Loss)/gain arising on cash flow hedges	**(1,173)**	698
Other comprehensive (expense)/income for the year	**(5,373)**	1,430
Total comprehensive income for the year attributable to equity holders of the parent	**7,491**	12,796

Consolidated Statement of Financial Position
At 31 December 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	15	**9,238**	10,256
Software intangibles	15	**1,835**	1,662
Development costs	15	**1,850**	1,702
Goodwill	18	**36,696**	39,278
Property, plant and equipment	16	**16,003**	16,707
Deferred tax assets	17	**1,108**	1,728
Trade and other receivables		**22**	14
		66,752	71,347
Current assets			
Inventories	19	**7,532**	8,042
Trade and other receivables	20	**12,969**	12,158
Current tax assets		**–**	343
Cash and cash equivalents	21	**17,280**	5,257
		37,781	25,800
Total assets		**104,533**	97,147
Liabilities			
Current liabilities			
Trade and other payables	22	**7,649**	6,298
Current tax liabilities		**584**	1,220
Other taxes payable		**259**	260
Obligations under finance leases	23	**2**	4
		8,494	7,782
Non-current liabilities			
Trade and other payables	22	**472**	520
Deferred tax liabilities	17	**2,513**	2,754
Obligations under finance leases	24	**1**	3
		2,986	3,277
Total liabilities		**11,480**	11,059
Net assets		**93,053**	86,088
Equity			
Share capital	29	**10,393**	10,343
Share premium		**32,742**	32,364
Share-based payments reserve		**1,563**	1,326
Investment in own shares	30	**(148)**	(144)
Share-based payments deferred tax reserve		**278**	158
Other reserve	30	**1,531**	1,531
Hedging reserve	30	**(522)**	651
Translation reserve	30	**(4,867)**	(667)
Retained earnings		**52,083**	40,526
Equity attributable to equity holders of the parent		**93,053**	86,088

The financial statements on pages 44 to 76 were approved by the Board of Directors and authorised for issue on 14 April 2015 and were signed on its behalf by:

Chris Meredith
Chief Executive Officer
14 April 2015

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Group

	Share capital £'000	Share premium £'000	Share–based payments £'000	Investment in own shares £'000	Share–based payments deferred tax £'000	Other reserve £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2013	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 profit for the year to 31 Dec 2014	–	–	–	–	–	–	–	–	12,864	12,864
Other comprehensive income	–	–	–	–	–	–	(1,173)	(4,200)	–	(5,373)
Total comprehensive income	–	–	–	–	–	–	(1,173)	(4,200)	12,864	7,491
Share–based payments	–	–	592	–	120	–	–	–	–	712
Share options exercised	50	378	(355)	–	–	–	–	–	–	73
Shares purchased by EBT	–	–	–	(190)	–	–	–	–	–	(190)
Shares sold by EBT	–	–	–	186	–	–	–	–	–	186
Dividends paid	–	–	–	–	–	–	–	–	(1,307)	(1,307)
At 31 December 2014	**10,393**	**32,742**	**1,563**	**(148)**	**278**	**1,531**	**(522)**	**(4,867)**	**52,083**	**93,053**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities		
Profit from operations	**15,170**	13,726
Adjustments for:		
Depreciation	**1,750**	1,783
Amortisation – intellectual property rights	**389**	400
– development costs	**331**	204
– software intangibles	**228**	91
Impairment of development costs	**92**	337
Decrease/(increase) in inventories	**221**	(1,510)
Increase in trade and other receivables	**(1,623)**	(1,931)
Increase in trade and other payables	**1,298**	653
Share-based payments expense	**592**	400
Taxation	**(1,876)**	(83)
Net cash inflow from operating activities	**16,572**	14,070
Cash flows from investing activities		
Purchase of software	**(408)**	(618)
Capitalised research and development	**(581)**	(612)
Purchases of property, plant and equipment	**(1,478)**	(836)
Disposal of property, plant and equipment	**61**	64
Interest received	**50**	1
Net cash used in investing activities	**(2,356)**	(2,001)
Cash flows from financing activities		
Dividends paid	**(1,307)**	(1,111)
Finance lease	**(4)**	(5)
Repayment of secured loan	**–**	(14,385)
Issue of equity shares	**69**	395
Shares purchased by EBT	**(190)**	(277)
Shares sold by EBT	**186**	210
Interest paid	**(1)**	(583)
Net cash used in financing activities	**(1,247)**	(15,756)
Net increase/(decrease) in cash and cash equivalents	**12,969**	(3,687)
Cash and cash equivalents at the beginning of the year	**5,257**	8,841
Effect of foreign exchange rate changes	**(946)**	103
Cash and cash equivalents at the end of the year	**17,280**	5,257

Notes Forming Part of the Consolidated Financial Statements

1 Reporting Entity

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

The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange plc. The consolidated financial statements of the Company for the twelve months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the Group).

The Group is primarily involved in the design, development, manufacture and distribution of novel high performance polymers (both natural and synthetic) for use in advanced woundcare dressings, medical adhesives for closing and sealing tissue, and sutures and haemostats 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 (IFRS), as adopted by the E.U.

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 presentation 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 twelve months. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

With regards to the Group's financial position, it had cash and cash equivalents at the year end of £17.3 million. The Group also has in place a new five year, unsecured, multi-currency, revolving credit facility for £30 million which was undrawn during 2014.

While the current economic environment is uncertain, the Group 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 adopted 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. 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 judgments, 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.

Share-based Payment
The charge to the income statement in relation to options and incentive plans is based on either the Black-Scholes Merton or the Monte Carlo Option Pricing Model 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 purchase method. The cost of the acquisition is measured as 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.

Notes Forming Part of the Consolidated Financial Statements continued

3 Accounting Policies continued

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.

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 25 sets out details of the fair values of the derivative instruments used for hedging purposes.

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.

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 between 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.

Notes Forming Part of the Consolidated Financial Statements continued

3 Accounting Policies continued

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 the 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.

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.

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 at FVTPL where the financial liabilities are held for trading.

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 25.

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 25 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 twelve 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 Monte Carlo 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

For the year ended 31 December 2014, the Group had net funds with no borrowings. 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.

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 IFRS have been issued but has not been adopted by the Group in these financial statements, as they are not yet effective; it is unlikely to have a material effect on the Group's results, operations or financial position:
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

Amendments to other IFRSs not yet Effective and not Adopted Early
- IAS19 Defined Benefit Plans: Employee Contributions
- IFRS 11 Joint arrangements
- IAS 16 and IAS 38
- IAS 41 Agriculture: Bearer plants
- IAS 27 Equity Method in Separate Financial Statements
- IFRS 10 / IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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
As referred to in the Chief Executive's Report, the Group is organised into four Business Units: Branded Direct, Branded Distributed, OEM (Original Equipment Manufacturer) and Bulk Materials. These Business Units 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 2014	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	23,610	10,247	25,275	3,878	–	63,010
Inter-segment sales				702	(702)	–
Total revenue	23,610	10,247	25,275	4,580	(702)	63,010
Result						
Segment result	6,241	2,770	6,225	485	–	15,721
Unallocated expenses						(551)
Profit from operations						15,170
Finance income						49
Finance costs						(1)
Profit before tax						15,218
Tax						(2,354)
Profit for the year						12,864

At 31 December 2014 Other information	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Consolidated £'000
Capital additions:					
Software intangibles	88	11	272	37	408
Research & development	200	113	262	6	581
Property, plant and equipment	586	179	617	96	1,478
Depreciation and amortisation	(903)	(356)	(1,188)	(251)	(2,698)
Balance sheet					
Assets					
Segment assets	55,456	17,207	27,200	4,462	104,325
Unallocated assets					208
Consolidated total assets					104,533
Liabilities					
Segment liabilities	5,257	2,159	3,531	533	11,480
Consolidated total liabilities					11,480

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

Geographical Segments

The Group operates in the U.K., Germany, the Netherlands, the Czech Republic, with a sales office in Russia and a sales presence in the U.S.A. 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 2014 £'000	Year ended 31 December 2013 £'000
United Kingdom	**15,308**	13,225
Germany	**14,042**	15,687
Europe excluding United Kingdom and Germany	**18,747**	17,331
United States of America	**13,786**	11,819
Rest of the World	**1,127**	1,437
	63,010	59,499

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
United Kingdom	**46,049**	34,271
Germany	**52,887**	56,522
Europe excluding United Kingdom and Germany	**5,506**	6,315
United States of America	**91**	39
	104,533	97,147

Notes Forming Part of the Consolidated Financial Statements continued

5 Profit from Operations

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**1,750**	1,783
Amortisation of:		
– acquired intellectual property rights	**389**	400
– software intangibles	**228**	91
– development costs	**331**	204
Operating lease rentals – plant and machinery	**228**	235
– land and buildings	**912**	835
Research and development costs expensed to the income statement	**2,120**	2,196
Cost of inventories recognised as expense	**26,286**	24,601
Staff costs	**19,342**	18,241
Net foreign exchange (gain)/loss	**(1,029)**	164

6 Auditor's Remuneration

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**30**	20
Fees payable to the Company's auditor and their associates for the other services to the Group		
– the audit of the Company's subsidiaries	**58**	67
Total audit fees	**88**	87
Audit related assurance services	**13**	17
Taxation compliance services	**2**	–
Other services		
– Other assurance services	**–**	8
Total non-audit fees	**15**	25
	103	112

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.

7 Employees

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

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Production	**268**	276
Research and development	**35**	28
Sales and marketing	**94**	101
Administration	**75**	60
	472	465

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	**15,994**	15,129
Social security costs	**2,122**	2,128
Pension costs	**634**	584
Share-based payments (see note 31)	**592**	400
	19,342	18,241

8 Directors' Emoluments

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Remuneration for management services	**789**	657
Pension	**60**	52
Amounts paid to third parties	**26**	26
Share-based payments	**173**	158
	1,048	893

Executive Directors

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Salaries and short-term employee benefits	**644**	537
Pension	**60**	52
Share-based payments	**173**	158
	877	747

Highest paid Director

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Salaries and short-term employee benefits	**386**	311
Pension	**25**	20
Share-based payments	**100**	94
	511	425
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**2**	2

9 Remuneration of Key Management Personnel

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 2014 £'000	Year ended 31 December 2013 £'000
Salaries and short-term employee benefits	**2,201**	1,703
Pension	**110**	111
Termination payments	**213**	10
Share-based payments	**282**	203
	2,806	2,027

Notes Forming Part of the Consolidated Financial Statements continued

10 Finance Income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Bank interest	**49**	–
Rent deposit interest	**–**	1
	49	1

11 Finance Costs

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Finance leases	**1**	1
Bank interest	**–**	582
Total interest expense	**1**	583

12 Taxation

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
a) Analysis of charge for the year		
Current tax:		
Tax on ordinary activities – current year	**1,482**	1,010
Tax on ordinary activities – prior year	**194**	(134)
	1,676	876
Deferred tax:		
Tax on ordinary activities – current year	**678**	494
Tax on ordinary activities – prior year	**–**	72
Effect of reduction in U.K. corporation tax rates to 20% (2013: 20%)	**–**	336
	678	902
Tax charge for the year	**2,354**	1,778

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
b) Factors affecting tax charge for the year		
The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK (21.5%) as explained below:		
Profit before taxation	**15,218**	13,144
Profit multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	**3,272**	3,056
Effects of:		
Overseas tax rate versus U.K. corporate tax rate	**259**	140
Net (income)/expenses not (taxable)/deductible for tax purposes and other timing differences	**(26)**	346
Depreciation for period less than capital allowances	**(9)**	(72)
Patent box relief	**(545)**	(510)
Utilisation and recognition of trading losses	**(550)**	(577)
Research and development relief	**(287)**	(439)
Share-based payments	**46**	(104)
Adjustments in respect of prior year – current tax	**194**	(134)
Adjustments in respect of prior year – deferred tax	**–**	72
Taxation	**2,354**	1,778

Legislation to reduce the main rate of UK corporation tax to 21% and 20% was passed by parliament on 2 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 prior year 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, 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 £121,000 deficit: (2013: £15,000 surplus).

13 Dividends

Amounts recognised as distributions to equity holders in the period:	**Year ended 31 December 2014 £'000**	Year ended 31 December 2013 £'000
Final dividend for the year ended 31 December 2013 of 0.41p (2012: 0.35p) per Ordinary Share	**851**	712
Interim dividend for the year ended 31 December 2014 of 0.22p (2013: 0.19p) per Ordinary Share	**456**	399
	1,307	1,111
Proposed final dividend for the year ended 31 December 2014 of 0.48p (2013: 0.41p) per Ordinary Share	**935**	849

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

14 Earnings Per Share

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**12,864**	11,366

Number of shares	**'000**	'000
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**207,529**	205,795
Effect of dilutive potential Ordinary Shares: share options, deferred share bonus, LTIPs	**3,991**	2,869
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**211,520**	208,664

	£'000	£'000
Profit for the year attributable to equity holders of the parent	**12,864**	11,366
Amortisation of acquired intangible assets	**389**	400
Adjusted profit for the year attributable to equity holders of the parent	**13,253**	11,766

Earnings per share	**pence**	pence
Basic	**6.20p**	5.52p
Diluted	**6.08p**	5.45p
Adjusted basic	**6.39p**	5.72p
Adjusted diluted	**6.26p**	5.64p

Notes Forming Part of the Consolidated Financial Statements continued

15 Acquired Intellectual Property Rights, Software Intangibles and Development Costs

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000
2014			
Cost			
At beginning of year	12,762	2,006	2,515
Additions	–	409	581
Impairment	–	–	(92)
Exchange differences	(673)	(13)	(10)
At end of year	**12,089**	**2,402**	**2,994**
Amortisation			
At beginning of year	2,506	344	813
Charged in the year	389	228	331
Exchange differences	(44)	(5)	–
At end of year	**2,851**	**567**	**1,144**
Net book value			
At 31 December 2014	**9,238**	**1,835**	**1,850**
At 31 December 2013	10,256	1,662	1,702

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.

Intangible assets are amortised on a straight-line basis and the amortisation is recognised within administration costs. The largest intangible asset being amortised is RESORBA® 'know-how' which is being amortised over 10 years with 7 years remaining. The only exception is the RESORBA® brand name, which the Directors believe has an unlimited useful economic life and has a carrying value of £8,083,000. 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 surgical market.

	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

16 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
2014							
Cost							
At beginning of year	4,871	12	20,234	602	562	58	26,339
Additions	37	–	533	47	270	591	1,478
Transfer of assets into use	–	–	58	–	–	(58)	–
Disposals	–	–	(33)	–	(175)	–	(208)
Exchange adjustment	(251)	–	(214)	(2)	(38)	–	(505)
At end of year	**4,657**	**12**	**20,578**	**647**	**619**	**591**	**27,104**
Depreciation							
At beginning of year	247	10	9,094	230	51	–	9,632
Provided for the year	131	–	1,436	52	131	–	1,750
Disposals	–	–	(33)	–	(110)	–	(143)
Exchange adjustment	(18)	–	(118)	(1)	(1)	–	(138)
At end of year	**360**	**10**	**10,379**	**281**	**71**	**–**	**11,101**
Net book value							
At 31 December 2014	**4,297**	**2**	**10,199**	**366**	**548**	**591**	**16,003**
At 31 December 2013	4,624	2	11,140	372	511	58	16,707

At 31 December 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £900,000 (2013: £644,000).

The net book value of plant and equipment includes £2,000 (2013: £6,000) held under finance leases. The related depreciation charge for the year was £4,000 for plant and machinery (2013: £5,000).

The net book value of plant and equipment includes £282,000 of plant and machinery (2013: £295,000) 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
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

Notes Forming Part of the Consolidated Financial Statements continued

17 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.

	Share-based payments £'000	Tax losses £'000	Advanced capital allowances £'000	Intangible assets £'000	Research and development assets £'000	Total £'000
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)
Charge to income	(135)	(454)	(118)	62	(33)	(678)
Credit to equity	120	–	–	–	–	120
Exchange adjustment	–	–	–	179	–	179
At 31 December 2014	**407**	**1,669**	**(586)**	**(2,513)**	**(382)**	**(1,405)**

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:

	2014 £'000	2013 £'000
Deferred tax liabilities	**(968)**	(817)
Deferred tax assets	**2,076**	2,545
	1,108	1,728

At the balance sheet date, the Group has unused tax losses of £9.8 million (2013: £14.7 million) available for offset against future profits. A deferred tax asset of £1.7 million (2013: £2.1 million) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining £1.4 million (2013: £4.2 million) of such losses due to the unpredictability of future profit streams.

18 Goodwill

	2014 £'000	2013 £'000
Cost		
At 1 January	**39,278**	38,420
Exchange differences	**(2,582)**	858
At 31 December	**36,696**	39,278

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

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

At 31 December 2014	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Total £'000
Goodwill	**28,101**	**7,079**	**333**	**1,183**	**36,696**
Intangible assets with indefinite useful life	**6,379**	**1,704**	**–**	**–**	**8,083**
	34,480	**8,783**	**333**	**1,183**	**44,779**

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 twelve month period. These budgets have been adjusted for specific risk factors that take into account sensitivities of the projection. The base twelve month projection is extrapolated using reasonable growth rates specific to each cash generating unit up to year five, between 0% and 10%, and has not been inflated for years six to twenty which management believes does not exceed the long-term average growth rate for the industry and forecast company growth; the growth rate would have to fall significantly in order for an impairment to be required. A discount rate of 8% per annum (2013: 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 Group has conducted a sensitivity analysis on the impairment test. 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.

19 Inventories

	2014 £'000	2013 £'000
Raw materials	**3,721**	3,808
Work in progress	**1,164**	1,540
Finished goods	**2,647**	2,694
	7,532	8,042

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 (2013: £nil) carried at net realisable value.

	2014 £'000	2013 £'000
Total gross inventories	**8,217**	8,582
Inventory impairment	**(685)**	(540)
Net inventory	**7,532**	8,042

Inventory impairment	2014 £'000	2013 £'000
At beginning of year	**(540)**	(395)
Income statement charge	**(495)**	(555)
Provision released	**64**	34
Provision utilised	**286**	376
At end of year	**(685)**	(540)

20 Trade and Other Receivables

	2014 £'000	2013 £'000
Due within one year		
Trade receivables	**10,846**	10,255
Other receivables	**22**	709
Prepayments and accrued income	**2,101**	1,194
	12,969	12,158

	2014 £'000	2013 £'000
Amount receivable for the sale of goods	**11,089**	10,470
Provision for impairment	**(243)**	(215)
	10,846	10,255

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

Notes Forming Part of the Consolidated Financial Statements continued

20 Trade and Other Receivables continued

The average credit period taken on sales of goods is 43 days (2013 : 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 for, as there has not been a significant change in credit quality and the amounts are still considered recoverable. A large proportion of debts overdue over 30 days were recovered post the balance sheet date. 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

	2014 £'000	2013 £'000
31 to 60 days overdue	**739**	237
61 to 90 days overdue	**126**	–
>90 days overdue	**135**	–
Total	**1,000**	237

Movement in Provision for Impairment

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Balance at the beginning of the year	**215**	148
Impairment losses recognised	**83**	104
Amounts written off as uncollectible	**(28)**	(36)
Amounts recovered during the year	**(27)**	(1)
Balance at the end of the year	**243**	215

Ageing of Impaired Trade Receivables

	2014 £'000	2013 £'000
Not yet due	**2**	–
0 to 30 days overdue	**51**	–
31 to 60 days overdue	**36**	55
61 to 90 days overdue	**7**	20
Over 90 days overdue	**147**	140
Total	**243**	215

Analysis of Customers

In the year ended 31 December 2014, there were no customers accounting for more than 10% of revenue (2013: same).

21 Investments, Cash and Cash Equivalents

	2014 £'000	2013 £'000
Cash and cash equivalents	**17,280**	5,257

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.

22 Trade and Other Payables

	2014 £'000	2013 £'000
Current liabilities		
Trade payables	**2,256**	2,379
Other payables	**1,267**	1,071
Derivative financial instruments	**522**	–
Accruals and deferred income	**3,604**	2,848
	7,649	6,298
Non-current liabilities		
Other payables	**472**	520

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 36 days (2013: 42 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.

23 Current Financial Liabilities

	2014 £'000	2013 £'000
Obligations under finance leases (see note 26)	**2**	4

24 Non-current Financial Liabilities

	2014 £'000	2013 £'000
Obligations under finance leases (see note 26)	**1**	3

25 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	
	2014 £'000	2013 £'000
Financial assets		
Derivative instruments in designated hedge accounting relationships	**–**	651
Loans and receivables (including cash and cash equivalents)	**28,170**	15,583
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**522**	–
Amortised cost	**8,124**	6,825

Notes Forming Part of the Consolidated Financial Statements continued

25 Financial Instruments continued

In December 2014 the Group entered into a multi-currency facility with The Royal Bank of Scotland and HSBC. The principle features of the facility are:

- the committed value of the facility is £30 million
- there is an uncommitted accordion of an additional £20 million
- it is unsecured
- the facility expires in December 2019
- the interest payable on drawings under the loan is based on inter-bank interest (EURIBOR or, if sterling denominated LIBOR) plus a sliding scale margin determined by the Group's leverage:
  - the margin is currently 0.65%
  - the facility has two convenants - interest cover (ratio of EBITDA to net finance charges) must be above 4:1 and leverage (ratio of Total Net Debt to adjusted EBITDA) should not exceed 3:1
- it was undrawn at the end of the year

Page 12 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 %
2014						
Trade and other payables	**7,649**	**53**	**158**	**261**	**8,121**	**–**
Finance lease creditors	**2**	**1**	**–**	**–**	**3**	**24%**
At 31 December 2014	**7,651**	**54**	**158**	**261**	**8,124**	

	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	

	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	
	2014 Years	2013 Years	**2014 Years**	2013 Years
Finance lease creditors	**5**	5	**–**	–

(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

	Floating £'000	Non-interest bearing £'000	Total £'000
Currency			
Sterling	**10,000**	**5,408**	**15,408**
U.S. dollar	**–**	**100**	**100**
Euro	**1,534**	**238**	**1,772**
At 31 December 2014	**11,534**	**5,746**	**17,280**

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

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

	2014 £'000	2013 £'000
Sterling	**7,849**	6,640
U.S. dollar	**2,190**	2,738
Euro	**2,930**	2,780
	12,969	12,158

The financial assets all mature within one year.

(c) Currency Exposures

At 31 December 2014, the Group had unhedged U.S. dollar currency exposures of £nil (2013: £nil) and unhedged Euro currency exposures of £nil (2013: £nil).

Risk Sensitivity
See Strategic Report (page 12) for risk sensitivities in respect of U.S. dollar 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.

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

	Average exchange rate		Foreign currency		Contract value		Fair value	
Outstanding contracts Cash flow hedges	**2014 USD:GBP**	2013 USD:GBP	**2014 USD '000**	2013 USD '000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Sell U.S. dollars								
Less than 3 months	**1.606**	1.547	**4,100**	3,500	**2,553**	2,262	**(78)**	144
3 to 6 months	**1.633**	1.519	**3,400**	2,250	**2,082**	1,481	**(102)**	118
7 to 12 months	**1.667**	1.534	**6,400**	5,550	**3,838**	3,618	**(275)**	251
Over 12 months	**1.596**	1.595	**8,100**	1,600	**5,075**	1,003	**(126)**	31
			22,000	12,900	**13,548**	8,364	**(581)**	544

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2014 Euro:GBP	2013 Euro:GBP	**2014 Euro '000**	2013 Euro '000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Sell Euros								
Less than 3 months	**1.255**	1.157	**600**	1,100	**478**	951	**11**	34
3 to 6 months	**1.253**	1.164	**480**	1,100	**383**	945	**9**	24
7 to 12 months	**1.250**	1.164	**1,960**	2,300	**1,568**	1,977	**32**	49
Over 12 months	**1.247**	–	**300**	–	**241**	–	**7**	–
			3,340	4,500	**2,670**	3,873	**59**	107

Notes Forming Part of the Consolidated Financial Statements continued

25 Financial Instruments continued

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 (2013: £nil) in respect of FVTPL contracts. The loss of £522,000 (2013: £651,000 gain) in respect of cash flow hedges has been taken to reserves.

26 Obligations Under Finance Leases

	Minimum lease payments		Present value of lease payments	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Amounts payable under finance leases:				
Within one year	**2**	4	**2**	3
In the second to fifth years inclusive	**1**	4	**1**	4
Less: future finance charges	**–**	(1)	**–**	–
Present value of lease obligations	**3**	7	**3**	7
Less: Amount due for settlement within 12 months (shown under current financial liabilities)	**(2)**	(4)	**(2)**	(3)
Amount due for settlement after 12 months	**1**	3	**1**	4

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years (2013: 5 years). For the year ended 31 December 2014, the average effective borrowing rate was 24% (2013: 24%). 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.

27 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.

28 Foreign Exchange Rates

	Average rate		Closing rate		Percentage change	
	2014	2013	**2014**	2013	Average	Closing
Currency						
U.S. dollar	**1.6525**	1.5630	**1.5587**	1.6542	6	(6)
Euro	**1.2385**	1.1793	**1.2839**	1.1995	5	7

29 Share Capital

Number of Ordinary Shares of 5p each	**Allotted, called up and fully paid £'000**
At 1 January 2013	204,618
Share options exercised	2,251
At 31 December 2013	206,869
Share options exercised	**983**
At 31 December 2014	**207,852**

During the year, employees exercised share options for 689,941 shares (2013: 1,554,725) at a range of option prices from 9p to 88p.

During the year, 293,405 (2013: 696,792) shares were issued under the Deferred Share Bonus Scheme at the nominal value of 5p per share. At the balance sheet date, 478,000 (2013: 451,000) 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 2013	10,230
Share options exercised	113
At 31 December 2013	10,343
Share options exercised	**50**
At 31 December 2014	**10,393**

30 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 parents 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. A £4,200,000 loss has been recorded in the translation reserve during the period, which would otherwise have been recognised in administration costs (2013: £732,000 gain), if hedge accounting had not been adopted.

Notes Forming Part of the Consolidated Financial Statements continued

31 Share-based Payments

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

	2014 £'000	2013 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**114**	113
Long-Term Incentive Plan	**309**	211
Deferred Share Bonus Scheme and Deferred Annual Bonus Scheme	**169**	76
	592	400

Unapproved Executive Share Option Scheme, 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	16/7/2004	21/3/2005	12/9/2005	6/4/2006	21/9/2006	12/4/2007	16/4/2008
Share price at grant date	9p	10.2p	9.25p	10.75p	11.25p	16.75p	32.25p
Exercise price	9p	10.2p	9.25p	10.75p	11.25p	16.75p	32.25p
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%	5.00%	5.00%
Expected volatility	30%	30%	30%	30%	30%	27%	38%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Fair value of options	1p	1p	1p	1p	1p	2p	8p

Grant date	15/10/2008	20/4/2009	5/10/2009	16/4/2010	15/4/2011	8/9/2011	10/5/2012
Share price at grant date	31.75p	33.75p	28.75p	42.0p	88.0p	86.25p	69.08p
Exercise price	31.75p	33.75p	28.75p	42.0p	88.0p	86.25p	69.08p
Expected life	3.5 yrs	3 yrs	3 yrs	3.5yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	5.00%	2.40%	2.40%	2.40%	1.92%	1.92%	0.39%
Expected volatility	38%	34%	34%	34%	18%	18%	34%
Expected dividend yield	0%	0%	0%	0%	0.7%	0.7%	0.7%
Fair value of options	8p	6p	5p	9p	9p	9p	13p

Grant date	20/6/2012	6/9/2012	26/4/2013	21/5/2013	19/9/2013	15/4/2014	19/9/2014
Share price at grant date	67.5p	76.75p	77.5p	74.0p	90.0p	115.75p	121.75p
Exercise price	67.5p	76.75p	77.5p	74.0p	90.0p	115.75p	121.75p
Expected life	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
Risk free rate	0.39%	0.17%	0.36%	0.49%	0.86%	0.80%	0.80%
Expected volatility	34%	34%	36%	36%	36%	36%	36%
Expected dividend yield	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Fair value of options	12p	17p	15p	14p	14p	23p	24p

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.

Options have been granted over the following number of Ordinary Shares which were outstanding at 31 December 2014.

	Date of grant	Option price (p)	Weighted average price at exercise (p)	No. of options as at 1 January 2014	Remaining life 1 January 2014	Issued	Lapsed	Exercised	No. of options as at 31 December 2014	Remaining life 31 December 2014
Unapproved Executive Share Option Scheme										
	16.04.10	42.00	77.52	**80,000**	**6.3**	–	–	(75,000)	**5,000**	**5.3**
	20.06.12	67.50	–	**553,114**	**8.5**	–	(55,556)	–	**497,558**	**7.5**
	06.09.12	76.75	–	**15,000**	**8.7**	–	–	–	**15,000**	**7.7**
	26.04.13	77.50	–	**30,000**	**9.3**	–	(15,000)	–	**15,000**	**8.3**
	21.05.13	74.00	–	**531,454**	**9.4**	–	(80,000)	–	**451,454**	**8.4**
	19.09.13	90.00	–	**3,000**	**9.8**	–	–	–	**3,000**	**8.7**
	15.04.14	115.75	–	**–**	**–**	563,719	–	–	**563,719**	**9.3**
	19.09.14	121.75	–	**–**	**–**	120,800	–	–	**120,800**	**9.7**
Enterprise Management Incentive Scheme										
	16.07.04	9.00	109.00	**4,824**	**0.5**	–	–	(4,824)	**–**	**–**
	21.09.06	11.25	–	**1,000**	**2.7**	–	–	–	**1,000**	**1.7**
	12.04.07	16.75	119.50	**54,339**	**3.3**	–	–	(35,339)	**19,000**	**2.3**
	16.04.08	32.25	124.75	**30,000**	**4.3**	–	–	(15,000)	**15,000**	**3.3**
	20.04.09	33.75	119.96	**39,000**	**5.3**	–	–	(15,000)	**24,000**	**4.3**
	16.04.10	42.00	120.70	**162,868**	**6.3**	–	–	(20,000)	**142,868**	**5.3**
Company Share Option Plan										
	20.10.10	64.00	–	**25,000**	**6.8**	–	(10,000)	–	**15,000**	**5.8**
	15.04.11	88.00	117.87	**25,000**	**7.3**	–	–	(6,000)	**19,000**	**6.3**
	08.09.11	86.25	121.23	**33,000**	**7.7**	–	(10,000)	(4,000)	**19,000**	**6.7**
	10.05.12	69.08	–	**119,000**	**8.4**	–	(31,000)	–	**88,000**	**7.4**
	20.06.12	67.50	–	**341,330**	**8.5**	–	(7,407)	–	**333,923**	**7.5**
	06.09.12	76.75	–	**45,000**	**8.7**	–	(10,000)	–	**35,000**	**7.7**
	26.04.13	77.50	–	**117,000**	**9.3**	–	(7,000)	–	**110,000**	**8.3**
	21.05.13	74.00	–	**149,865**	**9.4**	–	–	–	**149,865**	**8.4**
	15.04.14	115.75	–	**–**	**–**	181,281	–	–	**181,281**	**9.3**
	19.09.14	121.75	–	**–**	**–**	123,200	–	–	**123,200**	**9.7**
				2,359,794		989,000	(225,963)	(175,163)	**2,947,668**	

The weighted average remaining contractual life of the options outstanding at 31 December 2014 is 8.1 years (2013: 8.3 years).

	2014		2013	
	Number of options	**Weighted average exercise price (p)**	Number of options	Weighted average exercise price (p)
Outstanding at beginning of the year	**2,359,794**	**65.84**	2,913,225	53.19
Granted	**989,000**	**117.23**	831,319	74.68
Exercised	**(175,163)**	**37.04**	(1,036,250)	38.19
Lapsed	**(225,963)**	**72.08**	(348,500)	57.19
Outstanding at end of the year	**2,947,668**	**84.32**	2,359,794	65.84
Exercisable at end of year	**259,868**	**46.58**	397,031	37.90

Notes Forming Part of the Consolidated Financial Statements continued

31 Share-based Payments continued

Long-Term Incentive Plan (LTIP)

The fair value of the LTIP is calculated based on a Monte Carlo Option Pricing Model assuming the inputs below:

Grant date	23/4/2009	15/4/2011	20/6/2012	6/9/2012	21/5/2013	19/9/2013	6/6/2014
Share price at grant date	33.3p	88.00p	67.5p	76.75p	74.0p	90.0p	117.0p
Exercise price	0p	0p	0p	0p	74.0p	0p	0p
Expected life	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
Risk free rate	2.40%	1.92%	0.39%	0.39%	0.49%	0.86%	0.80%
Expected volatility	34%	33%	34%	34%	35%	36%	36%
Expected dividend yield	0%	0%	0.7%	0.7%	0.7%	0.7%	0.7%
Probability of performance conditions	43%	52%	44%	49%	64%	70%	75%
Fair value of option	14.5p	76.5p	28.8p	36.4p	46.3p	60.9p	85.9p

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 page 36. The number 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 2014	Remaining life 1 January 2014	Issued	Lapsed	Exercised	Number of LTIPs 31 Dec 2014	Remaining life 31 Dec 2014
Long-Term Incentive Plan									
	23.4.09	33.30	**514,778**	**5.3**	–	–	(514,778)	**–**	**–**
	15.04.11	88.00	**465,944**	**8.3**	–	(179,487)	–	**286,457**	**7.3**
	20.06.12	67.50	**450,000**	**8.5**	–	(100,000)	–	**350,000**	**7.5**
	06.09.12	76.75	**462,540**	**8.7**	–	–	–	**462,540**	**7.7**
	21.05.13	74.00	**100,000**	**9.4**	–	–	–	**100,000**	**8.4**
	19.09.13	90.00	**403,122**	**9.8**	–	–	–	**403,122**	**8.8**
	06.06.14	117.00	**–**	**–**	907,957	(50,000)	–	**857,957**	**9.5**
			2,396,384		907,957	(329,487)	(514,778)	**2,460,076**	

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2014 is 8.5 years (2013: 8.1 years).

	2014 Number of options	2013 Number of options
Outstanding at beginning of the period	**2,396,384**	2,541,937
Granted	**907,957**	503,122
Exercised	**(514,778)**	(524,475)
Lapsed	**(329,487)**	(124,200)
Outstanding at end of the period	**2,460,076**	2,396,384
Exercisable at end of period	**286,457**	514,778

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

Deferred Share Bonus Scheme (DSB)

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

Grant date	12/4/2007	12/4/2007	2/5/2008	4/6/2008	23/4/2009	5/5/2010	5/5/2010
Share price at grant date	18.25p	18.25p	35.50p	35.50p	34.00p	40.32p	40.32p
Exercise price	0p	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	3 yrs
Contractual life	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%
Expected volatility	27%	27%	38%	38%	30%	34%	34%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Probability of performance conditions	100%	66.70%	100%	100%	100%	100%	100%
Fair value of option	14p	9p	30p	28p	29p	34p	34p

Grant date	11/5/2011	11/5/2011	10/5/2012	10/5/2012	2/7/2013	2/7/2013	30/4/2014	30/4/2014
Share price at grant date	83.00p	83.00p	70.625p	70.625p	74.125p	74.125p	126.0p	126.0p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p
Expected life	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 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%	0.69%	0.69%	0.80%	0.80%
Expected volatility	18%	18%	34%	34%	36%	36%	36%	36%
Expected dividend yield	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Probability of performance conditions	100%	100%	100%	100%	100%	100%	100%	100%
Fair value of option	72p	72p	61p	62p	63p	64p	110p	110p

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 DSB is subject to a three-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 being achieved. Details of the DSB are given on page 36.

	Date of grant	Market price at date of Grant (p)	Number of DSB matching shares at 1 January 2014	Remaining life 1 January 2014	Issued	Lapsed	Exercised	Number of DSB matching shares at 31 December 2014	Remaining life 31 December 2014
Deferred Share Bonus Plan									
	12.04.07	18.25	**82,076**	**3.3**	–	–	(24,724)	**57,352**	**2.3**
	02.05.08	35.50	**40,592**	**4.3**	–	–	(20,130)	**20,462**	**3.3**
	04.06.08	35.50	**34,327**	**4.4**	–	–	(34,327)	**–**	**3.4**
	23.04.09	34.00	**176,701**	**5.3**	–	–	(86,312)	**90,389**	**4.3**
	05.05.10	40.32	**267,075**	**6.3**	–	–	(117,058)	**150,017**	**5.3**
	11.05.11	83.00	**97,988**	**7.4**	–	(1,204)	(27,128)	**69,656**	**6.4**
	10.05.12	70.625	**66,515**	**8.4**	–	(2,286)	–	**64,229**	**7.4**
	02.07.13	74.125	**438,249**	**9.5**	–	(50,223)	(646)	**387,380**	**8.5**
	30.04.14	126.000	**–**	**–**	194,912	(12,993)	–	**181,919**	**9.7**
			1,203,523		194,912	(66,706)	(310,325)	**1,021,404**	

The weighted average remaining contractual life of the DSBs outstanding at 31 December 2014 is 7.2 years (2013: 7.2 years).

	2014 Number of Options	2013 Number of Options
Outstanding at beginning of the period	**1,203,523**	1,568,523
Granted	**194,912**	438,249
Exercised	**(310,325)**	(801,291)
Lapsed	**(66,706)**	(1,958)
Outstanding at end of the period	**1,021,404**	1,203,523
Exercisable at end of period	**387,876**	600,771

Notes Forming Part of the Consolidated Financial Statements continued

31 Share-based Payments continued

Deferred Annual Bonus Scheme (DAB)

The Deferred Annual Bonus scheme (DAB) began on 21 May 2014. Participants compulsorily defer part of their bonus for the relevant financial year into shares. These shares vest at the end of three years at a date determined by the remuneration committee at the time of grant.

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

Grant date	21/5/2014
Share price at grant date	115.4p
Exercise price	0p
Expected life	3 yrs
Contractual life	10 yrs
Risk-free rate	0.80%
Expected volatility	36%
Expected dividend yield	0.7%
Probability of performance conditions	100%
Fair value of option	115p

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

Deferred Annual Bonus Plan

Date of grant	Market price at date of Grant (p)	Number of DAB shares at 1 January 2014	Remaining life 1 January 2014	Issued	Lapsed	Exercised	Number of DAB shares at 31 December 2014	Remaining life 31 December 2014
21.05.14	115.4	–	–	52,398	–	–	52,398	9.6

	2014 Number of Options	2013 Number of Options
Granted	**52,398**	–
Outstanding at end of the period	**52,398**	–
Exercisable at end of period	**–**	–

The exercise price of the matching shares is £nil.

32 Commitments under Operating Leases

As at 31 December 2014, the Group had outstanding commitments under operating leases which fall due as follows:

	2014 Land and buildings £'000	**2014 Other £'000**	2013 Land and buildings £'000	2013 Other £'000
Amounts payable under operating leases:				
Within one year	**893**	**71**	869	81
In two to five years	**3,594**	**162**	3,500	90
After five years	**4,026**	**–**	6,225	–
	8,513	**233**	10,594	171

33 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 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	3	**52,137**	52,017
Deferred tax assets	4	**–**	483
		52,137	52,500
Current assets			
Debtors – due within one year	4	**270**	13
Cash at bank and in hand		**14,444**	1,944
		14,714	1,957
Creditors: amounts falling due within one year	5	**(8,719)**	(1,370)
Net current assets		**12,812**	587
Net assets		**58,132**	53,087
Capital and reserves			
Called up share capital	6	**10,393**	10,343
Share-based payments reserve	7	**1,563**	1,326
Investment in own shares	7	**(148)**	(144)
Share premium account	7	**32,742**	32,364
Retained earnings	7	**13,582**	9,198
Equity shareholders' funds		**58,132**	53,087

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 77 to 80 were approved by the Board of Directors and authorised for issue on 14 April 2015 and were signed on its behalf by:

C Meredith
Chief Executive Officer
14 April 2015

Notes to the Company Financial Statements
Year ended 31 December 2014

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 from disclosing transactions with other members of the Group and the exemption in FRS29 for making disclosures in relation to financial instruments.

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, FRS20 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 or the Monte-Carlo Option Pricing 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.

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 2014 of £5,691,000 (2013: profit of £6,606,000).

The auditor's remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

The average number of employees in the year was 11 (2013: 10). The Directors' remuneration is detailed in note 8 to the consolidated financial statements.

3 Fixed Asset Investments

	Investments in subsidiaries £'000	Loans £'000	Total £'000
Cost			
At 1 January 2014	32,628	50,854	83,482
Additions	45,885	–	45,885
Transfer/disposals	2,235	(50,790)	(48,555)
Movement	–	6,091	6,091
Exchange adjustments	–	(3,756)	(3,756)
At 31 December 2014	**80,748**	**2,399**	**83,147**
Provisions for impairment			
At 1 January 2014	28,670	2,795	31,465
Movement	–	(455)	(455)
At 31 December 2014	**28,670**	**2,340**	**31,010**
Net book value			
At 31 December 2014	**52,078**	**59**	**52,137**
At 31 December 2013	3,958	48,059	52,017

In the year to 31 December 2014, a loan of €59,000,000 with Advanced Medical Solutions (Germany) GmbH was converted to an investment in Advanced Medical Solutions (Europe) Limited.

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

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.	U.S.A.	100% †	Holding Company
Advanced Medical Solutions (US) Inc.	U.S.A.	100%§	Marketing support of medical products
MedLogic Global Holdings Limited	England	100%¶	Holding Company
Innovative Technologies Limited	England	100%‡	Dormant
Advanced Medical Solutions B.V.	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.	U.S.A.	100%	Marketing support of medical products
Advanced Medical Solutions (Europe) Limited	England	100%	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.
^ s.291 of German Commercial Code invoked: No consolidated financial statements prepared for the German companies. (Von der befreienden Wirkung nach s.291 HGB wird hiermit gebrauch gemacht.)
§ 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.

Notes to the Company Financial Statements continued

4 Debtors

	2014 £'000	2013 £'000
Due within one year		
Prepayments and accrued income	**270**	11
Other debtors	**–**	2
	270	13
Due after more than one year		
Deferred tax assets	**–**	483
	–	483

At the balance sheet date the Company has unused tax losses of £1.0 million available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

5 Creditors: Amounts Falling Due Within One Year

	2014 £'000	2013 £'000
Trade creditors	**34**	23
Other creditors	**10**	23
Intercompany creditors	**6,817**	–
Accruals and deferred income	**1,858**	1,324
	8,719	1,370

6 Share Capital

Details on the share capital of the Company are provided in note 29 to the Group's accounts.

7 Reserves

	Share-based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2014	1,326	(144)	32,364	9,198	42,744
Share-based payments	592	–	–	–	592
Share options exercised	(355)	–	378	–	23
Shares purchased by EBT	–	(190)	–	–	(190)
Shares sold by EBT	–	186	–	–	186
Profit for the year	–	–	–	5,691	5,691
Dividends paid	–	–	–	(1,307)	(1,307)
At 31 December 2014	**1,563**	**(148)**	**32,742**	**13,582**	**47,739**

8 Share-based Payments

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

	2014 £'000	2013 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**114**	113
Long-Term Incentive Plan	**309**	211
Deferred Share Bonus Scheme	**169**	76
	592	400

Details on the share-based payments of the Company are provided in note 31 on pages 71 to 76 in the notes to the Group's accounts.

Five Year Summary

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Consolidated income statement (Pre-exceptional)					
Revenue	**63.0**	59.5	52.6	34.4	31.9
Profit from operations	**15.2**	13.7	12.3	6.4	5.3
Profit attributable to equity holders of the parent	**12.9**	11.4	10.5	6.7	5.8
Basic earnings per share	**6.2p**	5.5p	5.2p	4.3p	3.8
Consolidated statement of financial position					
Net assets employed					
Non-current assets	**66.8**	71.3	71.9	74.2	20.3
Current assets	**37.8**	25.8	25.7	25.3	12.7
Total liabilities	**(11.5)**	(11.0)	(23.9)	(33.3)	(5.2)
Net assets	**93.1**	86.1	73.7	66.2	27.8
Shareholders' equity					
Share capital & investment in own shares	**10.2**	10.2	10.2	10.2	7.7
Share-based payments reserve	**1.6**	1.3	1.1	0.8	0.5
Share-based payments deferred tax reserve	**0.3**	0.2	0.2	0.6	0.4
Share premium account	**32.8**	32.4	31.9	31.7	0.3
Other reserve	**1.5**	1.5	1.5	1.5	1.5
Hedging reserve	**(0.5)**	0.7	(0.1)	–	(0.1)
Translation reserve	**(4.9)**	(0.7)	(1.4)	(0.1)	–
Retained equity	**52.1**	40.5	30.3	21.5	17.5
Equity attributable to equity holders of the parent	**93.1**	86.1	73.7	66.2	27.8

Notice of Meeting

Notice is hereby given that the twenty-first Annual General Meeting of the Company will be held at 11.00 am on 21 May 2015 at 1 Cornhill, Gold Room, London, EC3V 3ND, 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 2014 (together with the report of the auditor thereon).
2. To approve the Directors' Remuneration Report for the year ended 31 December 2014.
3. To reappoint Deloitte LLP as auditor and to authorise the Directors to fix their remuneration.
4. To re-elect Chris Meredith (who retires by rotation in accordance with the Articles of Association) as a Director of the Company.
5. To re-elect Steve Bellamy (who retires by rotation in accordance with the Articles of Association) as a Director of the Company.
6. To declare a final dividend of 0.48p per Ordinary Share, payable on 29 May 2015 to shareholders on the register at close of business on 8 May 2015.

As special business:

To consider and, if thought fit, to pass Resolutions 7 and 8, which will be proposed as Ordinary Resolutions, and Resolutions 9 and 10, which will be proposed as Special Resolutions.

7. That the amendments to the Advanced Medical Solutions Group plc 2006 Deferred Share Bonus Plan (the 'Plan') to extend the life of the Plan so that awards may continue to be granted under it until 21 May 2025, be hereby approved and adopted and the Board be hereby authorised to do all acts and things which it considers necessary or desirable to carry the same into effect.
8. 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 £3,464,219 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.
9. Subject to the passing of resolution 8 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 8 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 £1,039,265; 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.
10. 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 10,392,659;
    (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
14 April 2015

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 19 May 2015 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 19 May 2015 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
9. The existing and amended rules of the Advanced Medical Solutions Group plc 2006 Deferred Share Bonus Plan 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 at Milton Gate, 60 Chiswell Street, London, EC1Y 4AG from the date of this document until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

Notice of Meeting continued

Notes on special business

Resolution 7: Approval of the Advanced Medical Solutions Group plc 2006 Deferred Share Bonus Plan (the 'Plan')

The Company currently operates the Plan, which has both approved and unapproved parts. The approved part is an all-employee tax-advantaged share incentive plan and the unapproved part is an all-employee non-tax advantaged share ownership plan, both of which encourage employees to build a stake in the Company and create value for all shareholders.

It will not be possible to grant further awards under the Plan after 31 May 2016. Resolution 7 seeks shareholder approval, as an ordinary resolution, to extend the life of the Plan for a further ten years until 21 May 2025 to enable the Company to continue to operate the Plan.

Resolution 8: 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 £3,464,219 (representing 69,284,397 Ordinary Shares of 5p each). This amount represents approximately one-third of the issued Ordinary Share capital of the Company as at 31 March 2015, 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 2016 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 9: 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 9 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 £1,039,265 (being 10% of the Company's issued Ordinary Share capital at 31 March 2015, 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 9 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 2016 or, if earlier, 15 months after the passing of the resolution.

Resolution 10: 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 10, 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 £519,632 (representing 5% of the issued Ordinary Share capital of the Company as at 31 March 2015 the latest practicable date prior to publication of this Notice; representing 10,392,659 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 2016 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 increase 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 2015, the latest practicable date prior to publication of this Notice, there were share options outstanding over ordinary shares, representing 31% 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 3.1% of the Company's ordinary issued share capital.

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