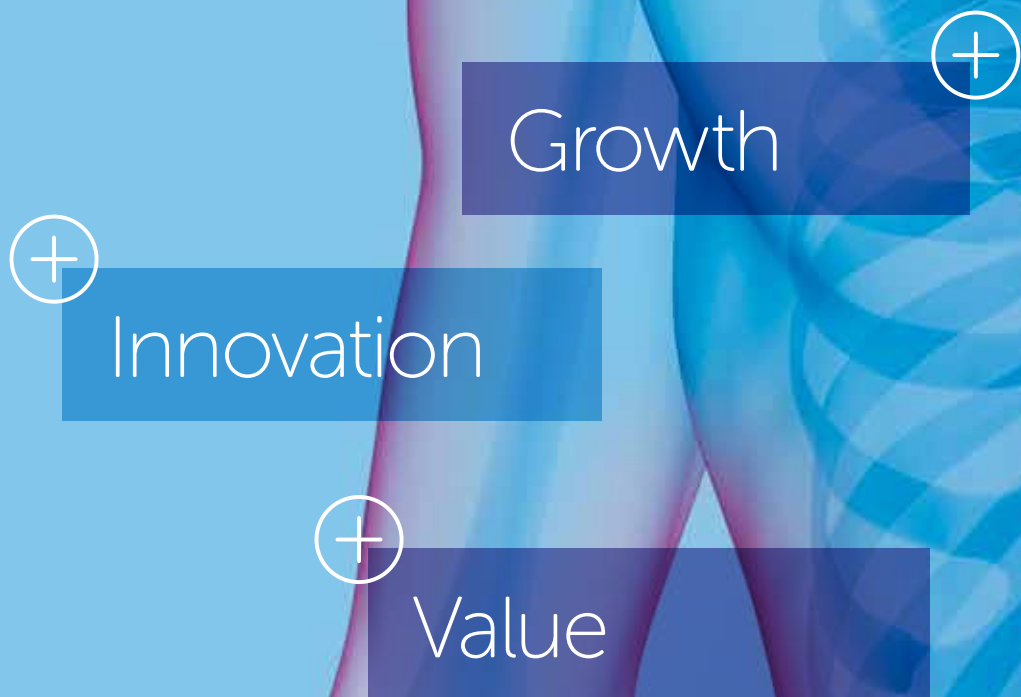




Advanced Medical Solutions Group plc





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

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HIGHLIGHTS 2015

Financial

	2015	2014	Reported growth	Growth at constant currency ¹
Group revenue (£ million)	68.6	63.0	9%	11%
Adjusted ² operating margin (%)	25.4	24.7	70bps	–
Adjusted ² profit before tax (£ million)	17.4	15.6	12%	–
Profit before tax (£ million)	17.0	15.2	12%	–
Adjusted ² diluted earnings per share (p)	6.86	6.26	10%	–
Diluted earnings per share (p)	6.68	6.08	10%	–
Net operating cash flow (£ million) ³	22.5	18.4	22%	–
Net cash (£ million) ⁴	34.2	17.3	98%	–

- + Proposed final dividend of 0.55p per share, making a total dividend for the year of 0.80p (2014: 0.70p), up 14.3%

Business

- + Good sales progress across all Business Units on a constant currency basis;
 - Branded Distributed up 37% to £14.6 million (2014: £10.7 million)⁵, and up 38% at constant currency
 - Branded Direct down 3% to £22.3 million (2014: £23.2 million)⁵, and up 3% at constant currency
 - OEM up 10% to £27.7 million (2014: £25.3 million), and up 8% at constant currency
 - Bulk Materials up 2% to £3.9 million (2014: £3.9 million), and up 12% at constant currency
- + Strong performance in the U.S. with LiquiBand[®] tissue adhesive range;
 - Revenues up 79% at constant currency to £8.0 million (2014: £4.1 million)
 - As at 31 December 2015, market share by volume⁶ increased to 16.8% (July 2015: 11.1%) in the combined hospital and non-hospital market
- + ActivHeal[®] continued to make good progress in the U.K. NHS, with an 8% increase in revenue
- + Silver alginate revenues increased by 10% at constant currency to £15.5 million (2014: £13.7 million)
- + Hernia mesh fixation device, LiquiBand[®] Fix8[™], delivered £1.0 million of sales in the first full year and launched in 20 countries
- + CE approval for antimicrobial foam including Polyhexamethylene Biguanide (PHMB) for Europe received on 27 August 2015 with launches expected in 2016
- + FDA approval for two new product claims for the octyl formulation product, LiquiBand[®] Exceed[™], giving it a competitive advantage in the U.S. topical skin adhesive market
- + FDA approval to market suture portfolio in the U.S. in line with strategy post acquisition of RESORBA[®].

GROUP REVENUE

£68.6m

(2014: £63.0m)

ADJUSTED² PROFIT BEFORE TAX

£17.4m

(2014: £15.6m)

ADJUSTED² DILUTED EARNINGS PER SHARE

£6.86p

(2014: £6.26p)

NET CASH⁴

£34.2m

(2014: £17.3m)

- 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 amortisation of acquired intangible assets which, in 2015, were £0.4 million (2014: £0.4 million) as defined in the financial review
- 3 Operating cash flow is arrived at by taking the operating profit for the period and adjusting it for depreciation, amortisation, working capital movements and other non-cash items
- 4 Net cash is defined as cash and cash equivalents plus short-term investments less financial liabilities and bank loans
- 5 £0.4 million of sutures for the dental market has been reclassified from the Branded Direct to the Branded Distributed segment. The 2014 revenues have been restated to aid comparison
- 6 Data supplied by Global Healthcare Exchange

AT A GLANCE

We operate under four Business Units.

Each Business Unit is responsible for their respective sales, marketing and Research and Development (R&D) activities, and 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, U.K. and Czech Republic.

→ See pages 12 and 13 for more information

BRANDED DISTRIBUTED



Sales of AMS Group brands: LiquiBand® and RESORBA®, through our global network of distributors where the Group does not have a direct sales team.

→ See pages 14 and 15 for more information

OEM



Sales of finished products to our OEM partners.

→ See pages 16 and 17 for more information

BULK MATERIALS

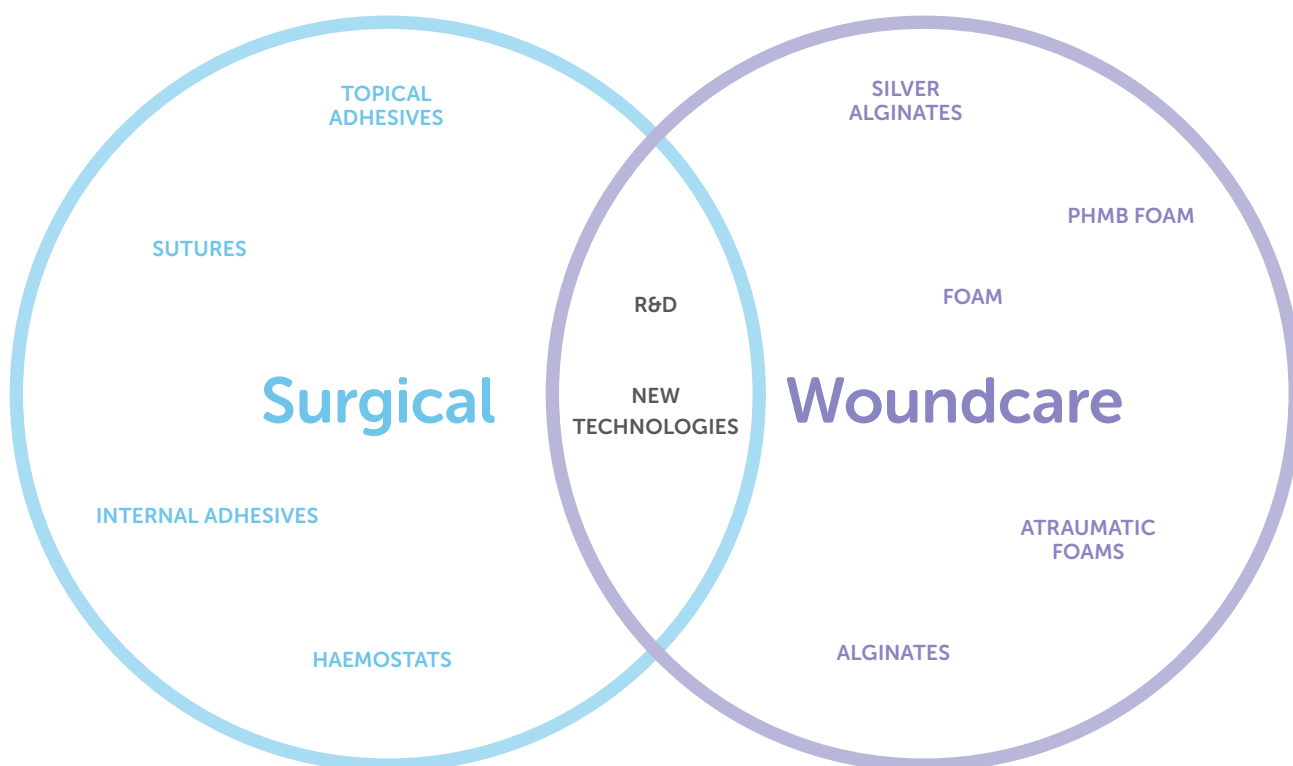


Sales of bulk materials to converters and healthcare companies.

→ See page 18 for more information

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, growth of 4.5%
- Sutures, 45% of total market
- Tissue adhesives, growing at 8%
- U.S., dominant market for tissue adhesives

Woundcare market:

- Global advanced woundcare market \$3.2bn, growth of 2% to 3%
- Focus on moist wound healing – faster, less pain and scarring
- Chronic wounds (e.g. ulcers, pressure sores – link to diabetes and obesity)

OUR BRANDS

Our products are sold in over 70 countries worldwide.

ActivHeal®

AMS's brand of advanced woundcare products that are 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 for topical skin closure, as well as the approval to use the adhesive internally for hernia mesh fixation in Europe.



RESORBA®

The Group's comprehensive range of sutures, approved for use in Europe. Approval to sell the majority of the sutures in the U.S. was obtained in September 2015.

The Group also has a range of haemostats approved for use in Europe. RESORBA's sutures and haemostats can be used for both surgical and dental applications.

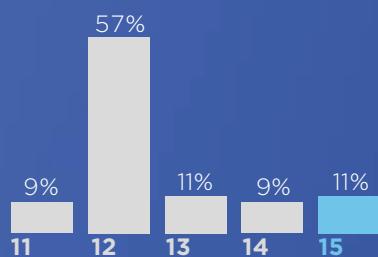


Our locations

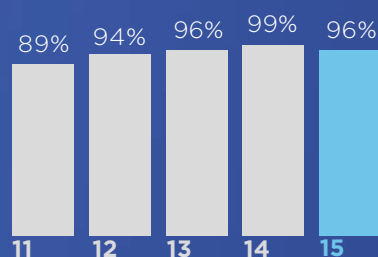
- ① **WINSFORD, U.K. HEADQUARTERS:**
Woundcare manufacturing, R&D, sales & marketing
- ② **PLYMOUTH, U.K.:**
Tissue adhesives manufacturing, R&D, sales & marketing
- ③ **ETTEN-LEUR, NETHERLANDS:**
Bulk foam roll-stock manufacturing, sales
- ④ **NEUSTADT, GERMANY:**
Sutures manufacturing
- ⑤ **NUREMBERG, GERMANY:**
Haemostats manufacturing, R&D, sales & marketing
- ⑥ **DOMAZLICE, CZECH REPUBLIC:**
RESORBA® sutures manufacturing, sales
- ⑦ **MOSCOW, RUSSIA:**
Sales

Key performance indicators

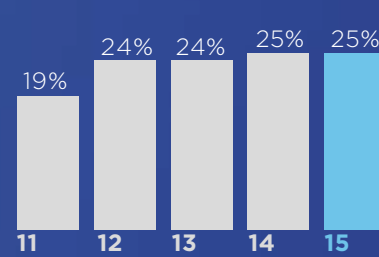
REVENUE GROWTH (%)¹ AT CONSTANT CURRENCY



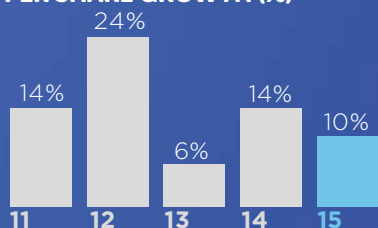
CUSTOMER SERVICE (OTIF)²



ADJUSTED³ OPERATING MARGIN (%)¹



ADJUSTED³ 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

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.

Strategy for growth



Add value for payors in advanced woundcare and surgical markets



Increase direct distribution of surgical products through AMS's sales forces in target markets



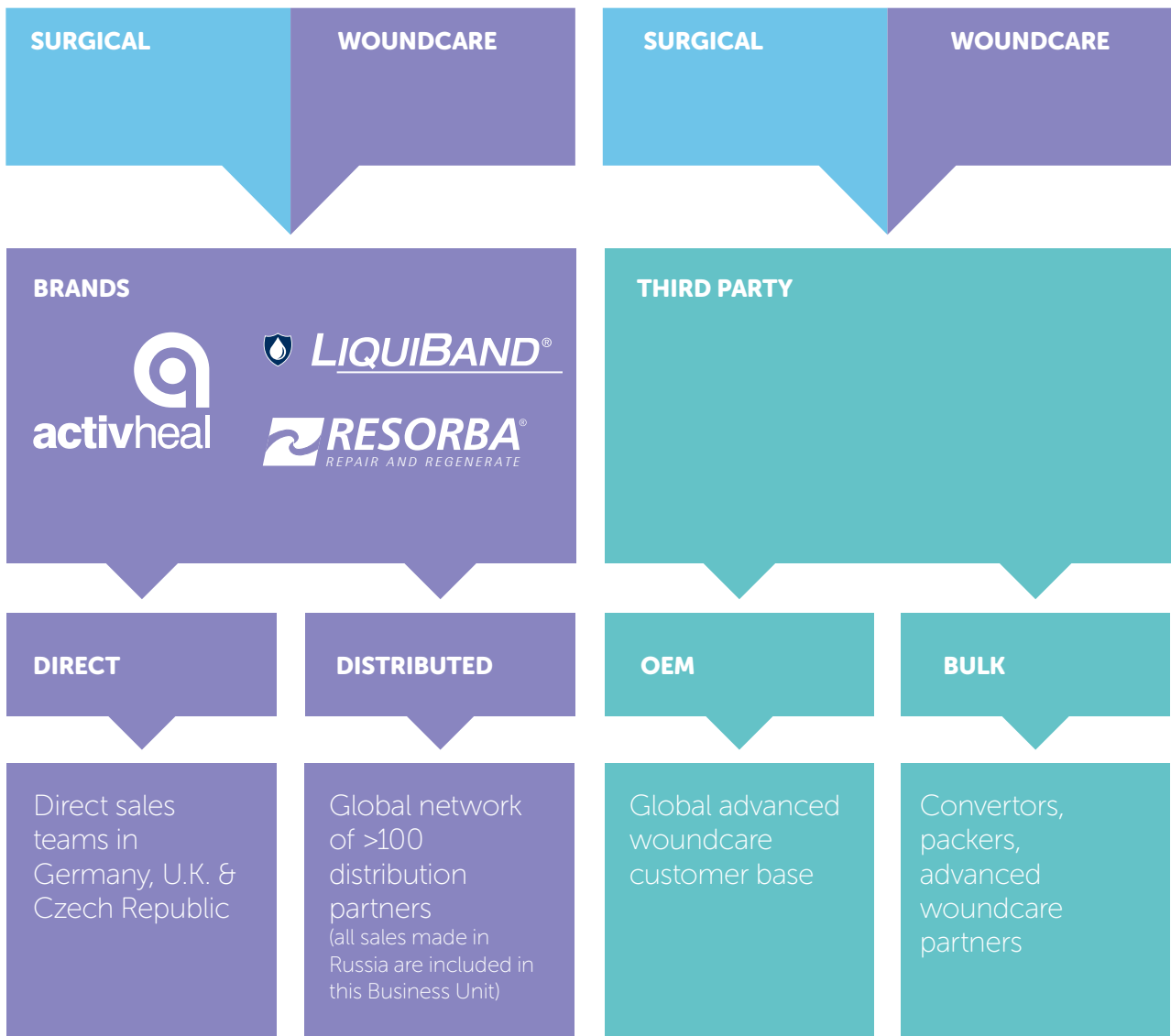
Continue to drive geographic expansion



Enhance product portfolio, technologies and pipeline through investment in in-house R&D, acquisitions and in-licensing

OUR BUSINESS MODEL

How our model works



Setting the foundations for the future

We continue to grow our business by both expanding our geographical presence, as well as developing new products.

We help our OEM partners to obtain regulatory approval for our products in new territories as well as increasing our distributorship network to exploit markets where we do not have a direct sales presence.

This strategy is proving successful. We have increased our market share by volume to 17% in the U.S. with LiquiBand® by working with distributors that are able to access the whole of the U.S. We are also seeing continued growth of our silver alginate products through our OEM partners.

We continue to develop new products to increase our portfolio. We successfully launched LiquiBand® Fix8™, our first approval for an internal application of tissue adhesives, and have developed antimicrobial and

atraumatic foam dressings that will be launched in 2016 with both our OEM partners and in our ActivHeal® range of dressings.

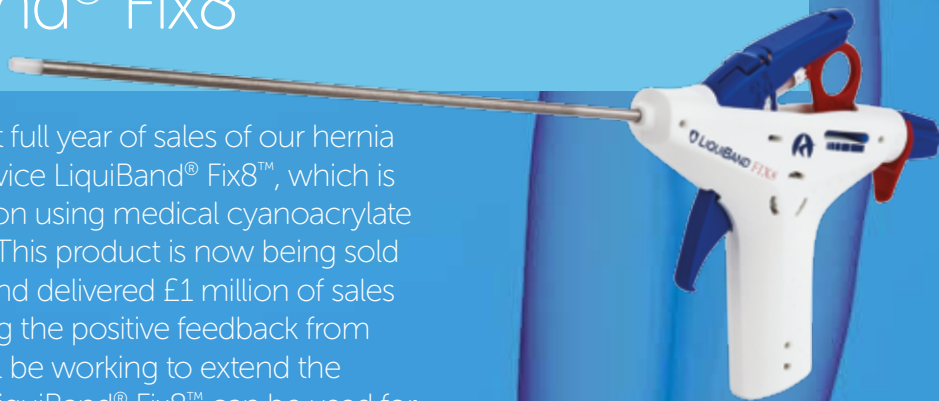
Some of the Research and Development projects we are working on include increasing the indication claims for LiquiBand® Fix8™, developing new dressings with surgical applications, as well as developing antibiotic impregnated collagens.

We offer cost effective products without compromising on clinical outcomes. Our ActivHeal® range of advanced woundcare dressings that we sell to the NHS includes aquafibres, foams, alginates, hydrogels and hydrocolloids. The range will be increased to include our new foams in 2016, increasing the size of the available market to us.

Following the FDA approval to market our suture portfolio in the US, we expect to make our first sales into the U.S. in 2016.

LiquiBand® Fix8™

2015 was the first full year of sales of our hernia mesh fixation device LiquiBand® Fix8™, which is our first application using medical cyanoacrylate within the body. This product is now being sold in 20 countries and delivered £1 million of sales in 2015. Following the positive feedback from surgeons, we will be working to extend the indications that LiquiBand® Fix8™ can be used for.





New Foam Dressings

We will be launching our new non-adhesive antimicrobial foam dressing containing Polyhexamethylene Biguanide (PHMB) with our OEM partners and into our ActivHeal® range of dressings in 2016. PHMB has been shown to be effective against several bacteria such as MRSA and E-Coli. This, together with our new atraumatic wound dressing containing silicone, increases our foam dressing portfolio and market opportunity.

RESORBA® sutures in the U.S.

Following FDA approval to market our suture portfolio in the U.S., we expect to make our first sales in 2016. With our comprehensive range of sutures, we will be able to provide portfolio ranges to match the specific requirements that are needed by dental, ophthalmic or veterinary professionals.

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 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 overall business.

While each of the Business Units has objectives and risks specific to that Business Unit, which are discussed in the relevant divisional reports below, 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. 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, the 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.

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 £34 million 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 at least 70% of its estimated transactional exposure for the next twelve months on a rolling basis, hedged. Its currency exposure is reviewed regularly.

In 2015, 23% of the Group's sales were in U.S. dollars and 30% of its sales were in Euros. If in 2015, the average U.S. dollar rate had depreciated against sterling by an additional 10%, there would have been a £1.6 million (2014: £1.2 million) adverse impact on revenue and the gross margin and profit would have been reduced by 70bps (2014: 50bps).

In 2015, if the average Euro rate had depreciated against sterling by an additional 10%, there would have been a £2.1 million (2014: £2.2 million) adverse impact on revenue and the gross margin and profit would have been increased by 10bps (2014: 0bps).

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 2015 and the Group had been unable to pass the increase on, there would have been a negative impact of £0.7 million (2014: £0.7 million) to the cost and the gross margin would have reduced by 100bps (2014: 110bps).

Supplier Risk

Where possible the Group looks to reduce the reliance on single source suppliers to mitigate the risk resulting from problems in supply. The Group actively tries to dual source key components and where this is not possible looks to hold levels of inventory to prevent operational issues arising from delays. It also carries business interruption insurance to cover significant interruption of supply.

BUSINESS UNITS

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.

ActivHeal® is the Group's brand of advanced woundcare dressings that it sells into the NHS in the U.K. 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 operating under budgetary constraints, ActivHeal® continues to provide a good growth opportunity for the Group. The range has now been extended to include our new atraumatic and antimicrobial foams.

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 also sell LiquiBand® into the Operating Room (OR) in the U.K. and Germany where it is used to make the final topical skin closure following the surgical procedure.

Until recently our LiquiBand® products had only been approved for topical use. In 2014, our new, innovative LiquiBand® Fix8™ device was launched to the market, and in 2015 gained further claims to support its use with regards to hernia surgery. We expect to see further sales growth from this device, as it offers reduced risk of pain and trauma for hernia mesh fixation.

RESORBA®'s high quality comprehensive 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 COLLAGEN-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 'high quality 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.

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 usage in the OR in the U.K., Germany and Czech Republic through our existing sales teams
- + Promoting 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 (GPOs) in Germany
- + Increasing the usage in the OR in the U.K. through the U.K. surgical sales team by cross-selling RESORBA® sutures and collagens with LiquiBand® products
- + Developing the collagen range, e.g. adding new antibiotics

REVENUE

+3%*

to £22.3m

* at constant currency



David Rennie
Business Unit Director

Risk	Description	Mitigating Action
Market share growth	<p>Increased pressures on healthcare budgets increases market and price competition</p> <p>Gaining market share takes longer than expected or that the cost of accessing the market is more than originally budgeted</p>	<ul style="list-style-type: none"> + Effective alignment of our strategy to consider the market changes and promote quality and cost + Regular reviews of progress against plan are taken and corrective action is taken, if necessary
Product launch	<p>The launch of products is delayed due to lack of regulatory approval. Regulatory approvals are increasingly taking longer to obtain</p> <p>Sales of a new product are slower than expected</p>	<ul style="list-style-type: none"> + The Group has an experienced regulatory team and works with partners and distributors where they have local expertise + 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



Part of the RESORBA® suture range.

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. It is also responsible for directing R&D for medical adhesives and sealants.

The Group works with many distributors worldwide accessing almost 70 countries.

The largest market for LiquiBand® topical skin adhesives remains the U.S. and this continues to be a major focus for this Business Unit. We now have a range of formulations that provide quick, precision closure as well as formulations that are more film forming. The FDA approved two new product claims for LiquiBand® Exceed™ in November 2015. This device can be used to cover wounds up to 30 cm in length as well as a single device being suitable for intra-operative reuse for up to 90 minutes on a single patient.

LiquiBand® is also promoted and supported throughout the rest of the world.

This Business Unit is also responsible for LiquiBand® Fix8™ which uses the cyanoacrylate technology within the body for hernia mesh fixation. Work is progressing to extend the application range of this product.

The RESORBA® suture and collagen ranges are sold throughout Europe and the Middle East. Dental collagens and related products are a focus for Europe. Approval to market the majority of our suture range in the U.S. was received in November 2015 and our first sales are expected in 2016.

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.

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. healthcare market
- + Develop and launch new products
- + Train partner personnel, and provide marketing and account support

Developing and launching new products:

- + Next generation internal applications of cyanoacrylate for fixation including new indications for LiquiBand® Fix8™ and new product variations for open hernia repair

Maximising opportunities across Europe, Asia-Pacific, the Middle East, and Latin America:

- + Leverage the combined existing distributor network for LiquiBand® and RESORBA®

Accessing new markets:

- + Gain regulatory approval for LiquiBand® topical skin adhesives and LiquiBand® Fix8™ in select geographies
- + Progress approval for LiquiBand® Fix8™ in the U.S.
- + Progress collagen regulatory approvals
- + Identify new market opportunities

REVENUE

+38%*

to £14.6m

* at constant currency



Jeffrey Willis
Business Unit Director

Risk	Description	Mitigating Action
Developing new markets through partners is not successful	<p>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</p> <p>Some countries are also actively encouraging locally manufactured products rather than imported products</p>	<ul style="list-style-type: none"> + Contracts have agreed set minimas which allow terms to be renegotiated or agreements terminated + The Group's diversified approach reduces the impact of any one project, partner or product causing a substantial risk to the overall business
Regulatory approval is not achieved or delayed	<p>The launch of products is delayed due to lack of regulatory approval in new markets outside Europe and the U.S. Regulatory approvals increasingly are taking longer to obtain</p>	<ul style="list-style-type: none"> + The Group has an experienced regulatory team and works with partners and distributors where they have local expertise
Slow adoption of advanced techniques impacts growth	<p>Some of the new products represent new surgical techniques and practices within target markets. Success is determined by the adoption of the techniques</p>	<ul style="list-style-type: none"> + The Group invests in clinical programmes, Key Opinion Leaders, clinical training and symposia to foster the adoption of new approaches
Foreign exchange risk reduces profitability	<p>This Business Unit has most exposure to foreign exchange risk through the U.S. dollar and potentially to the currencies of new export markets</p>	<ul style="list-style-type: none"> + 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 12 months hedged
Economic conditions	<p>Economic conditions in some markets deteriorate resulting in a decline of sales</p>	<ul style="list-style-type: none"> + The Group's diversified approach to markets reduces the impact of any individuals geographical region

BUSINESS UNITS CONTINUED

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 we provide a full service to our partners. 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 which is provided under the partner's brand.

Our technologies include foams, fibres, collagens, hydrogels and hydrocolloids. In particular, antimicrobial dressings are a key growth driver for this Business Unit. We support our partners to access new markets and increase market share.

In 2015, regulatory approval was obtained for an antimicrobial foam containing Polyhexamethylene Biguanide (PHMB) in Europe. Launches are planned with our OEM partners during 2016. A range of atraumatic foam dressings containing silicone have also received market approval and will be launched in 2016 in Europe and the U.S. These two new products extend our foam portfolio.

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

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 by:

Strong partner relationships

- + Key account management
- + Reliability of service and quality
- + Expansion of product portfolio
- + Regulatory support for expansion into new markets
- + Strong pipeline of innovative product. Links with global reputable universities for new emerging technologies

Securing new partners through:

- + Reputation for quality, customer service and regulatory capability to assist with expansion into new geographies

Develop new products including:

- + Expansion of the foam portfolio
- + Expansion of the fibre range
- + Enhanced product performance

REVENUE

+8%*

to £27.7m

* at constant currency



Becky Walmsley
Business Unit Director

Risk	Description	Mitigating Action
Industry consolidation and reliance on key customers	The healthcare sector continues to experience business consolidation. This presents both opportunities and risks. 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	<ul style="list-style-type: none"> + 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	<ul style="list-style-type: none"> + 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	<ul style="list-style-type: none"> + Offering a full service including a strong regulatory and quality assurance together with product development, product differentiation and clinical support mitigates a pure cost of supply proposition
Increased regulatory requirements for new products	Increasing levels of complexity for class III device approvals in the E.U. and premarket approval applications (PMAs) in the U.S.	<ul style="list-style-type: none"> + Strong regulatory pathway to ensure that the increased regulatory requirements are met to gain approvals + Experienced regulatory team to manage process

BUSINESS UNITS CONTINUED

Bulk Materials

This Business Unit is responsible for providing Bulk Materials including foams, hydrocolloids, fibres and pattern coated films, to third party converters and partners who have their own converting capability. It is also responsible for supplying Bulk Materials within the Group.

REVENUE

+12%*

to £3.9m

* at constant currency

Strategy

The strategy of this Business Unit is to:

Extend the product offering through new product development

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



Becky Walmsley
Business Unit Director

Risk	Description	Mitigating Action
Increased global competition	There is increased competition from low cost suppliers for both foam and fibre	<ul style="list-style-type: none"> + 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	<ul style="list-style-type: none"> + 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, customer service, operational efficiency and cost reduction are our areas of focus.



Richard Stenton
Group Operations Director

HEALTH AND SAFETY

Measurable safety regimes have been implemented including Health, Safety and Environment Committees at each site which report regularly to the Senior Management Team (SMT) and to the Board. Risks are identified at the earliest opportunity, near miss events are highlighted and a common All Incident Rate (AIR) reporting metric is used. The health and safety of our staff and visitors to our facilities is a priority for the business and we focus on the prevention of accidents and incidents through proactive reporting of potential hazards.

ENVIRONMENT

Ensuring that the Group maintains excellent environmental standards is integral to AMS. The Group abides by all laws, directives and regulations pertinent to its operations and acts in a manner to minimise the effects of our operations on the environment.

CUSTOMER SERVICE

Our customer service metrics continue to show high levels of performance. We provide our customers with goods on time at the quality levels they demand.

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 on obtaining improvements in Overall Equipment Effectiveness (OEE) and identifying plant and equipment constraints before they are business critical. Lean manufacturing regimes are in place on all sites and continue to be extended to improve operational performance.



QUALITY AND REGULATORY AFFAIRS

An effective Quality Management System, regulatory compliance, staff training and development are key to AMS's Quality and Regulatory functions.



Rose Guang
Group Quality Assurance &
Regulatory Affairs Director

QUALITY

All manufacturing sites are compliant with ISO 13485 and FDA CFR 21 part 820 Quality System Regulations, using validated processes and process control techniques to ensure that the Group has an effective Quality Management System (QMS) in place. The quality team has been strengthened and training extended across the Group. In 2015 all of the Group's manufacturing sites had un-announced audits by a variety of Notified Bodies, and on each occasion was found to be compliant.

REGULATORY

To grow the business new products require regulatory approval and new territories require product registrations. In 2015, the Group successfully achieved new product approvals in the U.S. and Europe, as well as extending regulatory registrations to other markets such as the Middle East. FDA 510(k) clearance for the majority of our absorbable and non-absorbable suture families has now opened the U.S. market for RESORBA® sutures while additional regulatory compliance to applicable drug regulations was required to market our PHMB foam dressing in Europe.

Early involvement in R&D projects ensures regulatory requirements are considered from the beginning of each project. The regulatory team has been strengthened to meet the constantly increasing regulatory requirements, and to help our distributors and OEM partners with local regulatory requirements.

The regulatory approval process for LiquiBand® in China has proved difficult. We have therefore decided to withdraw our original file and re-start the submission process with our most recent formulations.

STAFF TRAINING AND DEVELOPMENT

With on-going increased regulatory requirements staff training and development is critical. We have invested in extending training across the Group in areas such as internal audit of quality, biocompatibility training, FDA inspection, clinical evaluation and use of Minitab six-sigma quality tools.

UTILISING GROUP STRENGTHS

By sharing best practice, knowledge and experience from across the Group under the guidance of the Group Quality and Regulatory team, we are able to support the business and our customers to achieve regulatory approvals and registrations in global jurisdictions.



CORPORATE SOCIAL RESPONSIBILITY

We are committed to ensuring that our business is conducted in a responsible manner and consider corporate social responsibility to be integral to the business.

HEALTH, SAFETY AND ENVIRONMENT

The health and safety of our staff and visitors to our facilities is a priority for the business and we have established Health, Safety and Environment Committees at each site which meet monthly. These Committees report monthly to the SMT and to the Board. 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 provide our employees with career development opportunities. In 2015 we enhanced the existing Management Development Programme which provides managers with skills and equips them to deliver the goals of the business. We continue to educate employees on the principals of Lean Manufacturing across the Group to improve skills at all levels. We introduced the Insights Discovery Model in 2015 for all employees to help individuals to understand and build stronger working relationships with each other.

We are successfully running a number of apprenticeship schemes and graduate recruitments across the Group. We will continue to expand the number of schemes we operate in 2016.

Additionally, employees are encouraged to put forward their views to the Company through both our monthly briefing meetings and also through our annual employee survey. The results of the annual survey are presented at each Group site to ensure employee engagement and encourage feedback. Employees are encouraged to participate in implementing improvements across the Group.

ETHICAL STANDARDS

We continue to focus on and review our core Company values of 'Determination to Succeed, Drive for Results, Inspired Standards, Positive Outlook, Collaboration and Honesty' to ensure that there is an ethical culture within the Group that the employees embrace.

We also review how we operate as a business to ensure that we act in a responsible and ethical way and are 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.

The Company successfully sponsored the 2015 Cheshire Classic Women's Road Cycling Race organised by the Weaver Valley Cycling Club which was part of the British Cycling National Series.

We also sponsored a running race organised by Head Office's local running club, Vale Royal Athletics Club and actively encouraged our employees to train and take part.

We will also be sponsoring our local ladies football club, Winsford United Ladies FC who receive no other funding and are coached by one of our employees in their spare time.

We intend to provide ongoing support to these and other events.



Commenting on the sponsorship, Race Director Mike Harrington of Vale Royal Athletic Club said: "We were delighted with Advanced Medical Solutions involvement in our 2015 Pie & Peas 5 mile race. It is not often that a prominent local employer displays such commitment to its social responsibility and wellbeing of its staff with such enthusiasm. Their behind the scenes organisation was fantastic and the staff who took part in the race should be extremely proud of themselves as the course is five hard miles of multi-terrain running which tests even the most hardened local athletes. We look forward to welcoming them all back at our 2016 events."

CHAIRMAN'S STATEMENT

AMS is well placed to drive growth and remains excited by the prospects for the future.



Peter Allen
Chairman

AMS continues to progress as a leading, international provider of high quality, high value, innovative and technologically advanced products for the advanced woundcare and wound closure markets, and has delivered another year of good growth.

The performance of LiquiBand® in the U.S. was particularly strong. We continue to gain market share and are fast approaching our initial goal of building a 20% market share with our LiquiBand® range in the U.S. We are also pleased with the success of our LiquiBand® Fix8™ hernia mesh fixation device, our first device using medical adhesive inside the body. It is now being sold in 20 countries and has achieved £1 million of sales in its first full year since launch.

We have also received a number of product and market approvals in the year, demonstrating our continued success in innovation, with launches planned in 2016, supporting the sales growth in the Group.

Financially, we are pleased to report a 9% increase in revenue to £68.6 million (2014: £63.0 million), representing growth of 11% on a constant currency basis and an increase in adjusted¹ profit before tax of 12% to £17.4 million (2014: £15.6 million).

The strong cash flow generation of the Group was again evident and we ended the year with net cash of £34.2 million (2014: £17.3 million). AMS continues to be in robust financial health and is well positioned to invest in internal and external opportunities in line with the Group's strategy.

DIVIDEND

The Board is proposing a final dividend of 0.55p per share, making a total dividend for the year of 0.80p per share, a 14.3% increase on 2014. If approved at the Annual General Meeting on 2 June 2016, this will be paid on 10 June 2016 to shareholders on the register at the close of business on 20 May 2016.

PEOPLE

On behalf of the Board, I would like to thank all of our employees, customers, suppliers, business partners and shareholders for their support over the past year in helping AMS achieve its goals.

Peter Allen
Chairman

¹ All items are shown before amortisation of acquired intangible assets which, in 2015, were £0.4 million (2014: £0.4 million) as defined in the Financial Review

CHIEF EXECUTIVE'S STATEMENT



Chris Meredith
Chief Executive Officer

I am pleased to report another strong set of results across the Group.

BRANDED DISTRIBUTED

The Branded Distributed Business Unit reports the sales of our brands through third party distributors.

Branded Distributed revenue was 37% higher at £14.6 million (2014: £10.7 million) and 38% higher at constant currency. The main contributor to this growth was LiquiBand® sales in the U.S., which accounted for 55% of the Business Unit's total sales.

LiquiBand® in the U.S.

Sales of LiquiBand® in the U.S. increased by 93% to £8.0 million (2014: £4.1 million) at reported currency and by 79% at constant currency. The latest data² for December 2015 shows our volume market share in the U.S. hospital sector increasing to 16.0%, up from 9% at July 2015, while our volume market share in the U.S. non-hospital, or alternate site, market is now estimated² at 22.2%, increased from 21.5% at June 2015, making an overall market share of 16.8% (11.1% at July 2015).

The launch of our 2-octyl cyanoacrylate formulation, LiquiBand Exceed™, has extended our portfolio of products and has contributed to the momentum of growth. We now have a number of formulations of cyanoacrylate within our marketed LiquiBand® product range, including very fast setting formulations with applicators allowing for quick, precision closure; film-forming formulations that are designed to close and provide a protective barrier layer over wounds as well as formulations that have properties in between. Our LiquiBand® products are now able to accommodate the full spectrum of wound closing needs, each in innovatively designed applicators favoured by surgeons.

On 3 November 2015, the FDA approved two new product claims for LiquiBand Exceed™ giving it a competitive advantage in the topical skin adhesive market. These claims allow AMS and its distribution partners to differentiate LiquiBand Exceed™ from the market leader on wound coverage, volume of useable glue and ability to re-use during the same operational procedure, saving both time and cost. The two new claims include the use of a single device to cover wounds of up to 30cm in length, as well as a single device being suitable for intra-operative reuse for up to 90 minutes on a single patient. Both claims are unique for the U.S. Topical Skin Adhesive Market and will help us to continue to provide a superior product for clinicians and a versatile solution for healthcare providers in this key market, helping AMS to grow its market share further.

LiquiBand® in the EU and Rest of the World

Elsewhere, within the EU and ROW, LiquiBand® sales through our distributors continued to show good growth. France and Italy remain our largest markets outside the U.S., U.K. and Germany. Overall sales increased by 12% to £1.7 million (2014: £1.5 million) at reported currency and constant currency.

The regulatory approval process for LiquiBand® in China has continued to be challenging. Given the difficulties that have been experienced due to changes in the regulatory pathway, we have withdrawn our original file and re-started the submission process with our most recent formulations and designs of LiquiBand Exceed™ and LiquiBand® Flowcontrol™ and are not expecting approval in the current year.

Hernia Mesh Fixation Device – LiquiBand® Fix8™

We have been delighted with the response we have received from surgeons following the launch of LiquiBand® Fix8™. Feedback has been extremely positive about the ease of use of this device and the benefit it brings to patients regarding the reduced risk of post operative pain. A number of surgeons have been keen to endorse the product and we are also receiving valuable feedback about other possible applications suitable for this type of device on which we are currently working.

AMS received approval to market this highly innovative product, LiquiBand® Fix 8™, in Europe in May 2014. This was the Group's first application using medical cyanoacrylate technology inside the body. Through the accurate delivery of individual drops of cyanoacrylate adhesive, LiquiBand® Fix8™ is used to hold hernia meshes in place within the body instead of traditional tacks and staples. This accurate laparoscopic application of adhesive is expected to reduce surgical complications, in particular the potential pain associated with the use of tacks and staples, thereby improving the patient experience and reducing healthcare costs overall.

We were able to expand the indications of LiquiBand® Fix 8™ in May 2015 and the device is now able to be used for the laparoscopic surgical mesh fixation for all types of abdominal hernia as well as for the closure of the membrane lining the abdominal wall (peritoneum). This was the first extension of the claims of LiquiBand® Fix 8™ and we expect to develop further opportunities for this kind of application, broadening the market for the use of adhesives internally.

² Data supplied by Global Healthcare Exchange

CHIEF EXECUTIVE'S STATEMENT CONTINUED

In the first full reporting year, £1.0 million of LiquiBand® Fix 8™ sales have been achieved across the Group, with £0.7 million (2014: £0.1 million) resulting from sales to distributors. The product is now launched in 20 countries.

RESORBA®

Sales of RESORBA® products to all export markets (excluding Russia) declined by 7% at reported currency to £3.1 million (2014: £3.3 million)³, but increased by 4% at constant currency. France and Italy remain our largest markets for export and good growth was seen in both territories, offset by a weak performance in China where sales declined 19%. Sales in Russia decreased by 10% at constant currency, but decreased 40% to £0.8 million (2014: £1.3 million) at reported currency, reflecting both the weak economic conditions within Russia and the impact of the weak Rouble.

We received approval from the FDA on 4 November 2015 that we had clearance to market the majority of our suture product portfolio, successfully adding to our first U.S. suture approval from early 2015. With only one more suture type still awaiting U.S. market approval, we are now well positioned to launch a comprehensive range of sutures into the U.S. in mid-2016 through a combination of our branded and unbranded routes to market. The U.S. surgical suture market is estimated to be in excess of \$1 billion in size and is dominated by a few major brands. Gaining U.S. approval for the RESORBA® product range has been a strategic aim for the Group since we acquired the business in late 2011, providing a significant opportunity for AMS in the medium term.

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 other internal uses.

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. Reported revenue declined 3% to £22.3 million (2014: £23.2 million)³ but grew by 3% at constant currency.

2015 was a year of investment in this Business Unit with a number of senior management hires and, in particular, a new Business Unit Director was hired in June. As a consequence of these investments, a number of new initiatives have been put in place to drive the business forward in 2016.

ActivHeal®

ActivHeal®, which delivers a high quality 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 £6.4 million (2014: £6.0 million). We continue to broaden our product range to the NHS, including our recently approved anti-microbial and atraumatic foam dressings within our offering.

³ £0.4m of sutures for the dental market has been reclassified from the Branded Direct to the Branded Distributed segment. The 2014 revenues have been restated to aid comparison

LiquiBand®

Sales of LiquiBand® into the Accident and Emergency Room ('A&E') in the U.K. fell 13% to £2.3 million (2014: £2.6 million). We expect the initiatives we have taken to restore growth in 2016. Sales into the OR increased 17% to £0.7 million (2014: £0.6 million).

Sales of LiquiBand® in Germany increased 27% at constant currency to £1.6 million and by 13% at reported currency. Within this, sales of LiquiBand® Fix8™ contributed £0.3 million (2014: nil).

RESORBA®

Sales of RESORBA® branded products in Germany and the Czech Republic were 10% lower at £11.3 million (2014: £12.5 million)³ at reported level but flat at constant currency with some pricing pressure being seen. Within this sales of haemostats increased by 1% at constant currency to £3.3 million (2014: £3.6 million) and sales of sutures and collagens into the dental market increased 5% at constant currency to £3.1 million, whilst sales of sutures into hospitals fell 2%.

We believe our ability to supply a comprehensive range of high quality sutures that provide cost savings to hospitals is compelling, and we are targeting smaller accounts where conversion will not be seen as such a difficult challenge. This strategy looks to be proving successful with a number of hospitals already agreeing to convert the suture ranges in their A&E departments in 2016.

In R&D, our focus is on extending the attributes of our collagens to meet the needs of dental practitioners and oral surgeons as well as including new antibiotics in our haemostats.

OEM

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

OEM revenue increased by 10% at reported currency to £27.7 million (2014: £25.3 million) and by 8% at constant currency.

Our silver alginate ranges of dressings continued to perform well, with sales increasing by 13% at reported currency and by 10% at constant currency to £15.5 million (2014: £13.7 million). Our partners continued 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.

On 1 September 2015 we received CE approval in Europe for a new, non-adhesive, antimicrobial foam dressing containing Polyhexamethylene Biguanide (PHMB).

PHMB has been shown to be effective against several bacteria including, amongst others, Staphylococcus Aureus including the methicillin resistant type (MRSA) and Escherichia Coli (E-Coli). This antimicrobial foam wound dressing may be used throughout the healing process on moderate to heavily exuding chronic and acute wounds that are infected or are at risk of infection and may be used on pressure ulcers, leg and foot ulcers, diabetic ulcers and surgical wounds.

In addition, we also now have approval for an atraumatic wound dressing containing silicone which can be removed from a wound without damaging the skin. Contracts have been agreed to launch both the PHMB foam and the atraumatic foam with our OEM partners and are expected to launch in 2016. We expect that the launch of our antibiotic foam dressings may result in some initial substitution of our silver alginate dressings.

Sales of our existing foam-based dressings were flat at £1.8 million. With the expansion of our product portfolio, growth is expected in 2016.

Our other woundcare and skin protectant products delivered good growth and grew 6% to £9.7 million at constant currency (2014: £9.0 million), and 7% at reported currency.

We continue to work on extending our advanced woundcare ranges by looking to add other antimicrobial products to the range, improving the absorbency of the dressings as well as combining a number of materials to enhance the performance of our dressings.

BULK MATERIALS

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

Bulk Materials revenue increased by 2% at reported currency to £3.9 million (2014: £3.9 million) and by 12% at constant currency.

Rollstock foam contributed around 86% of Bulk revenue and good growth was seen by one significant customer that had destocked in 2014. Sales by some newer and smaller partners are also now starting to gain traction and are expected to bring benefits in 2016.

In R&D, the focus is on developing new foam formulations with antimicrobials, working in conjunction with the OEM Business Unit.

OPERATIONS

Efficiency and Gross Margins

We continue to make 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 2015. We have invested in improving both our converting and packing capability in Winsford. This equipment has provided increased operational flexibility, improved efficiency and provided additional capacity.

Capacity and Resource

The capacity of our collagen plant in Germany has been increased with a new freeze drier and ancillary services. The total cost of this investment is £0.8 million, of which £0.2 million was incurred in 2015. This plant is now fully running, following commissioning in February 2016 and has increased our collagen manufacturing capacity by 50%.

We continue to invest in improving our ERP (Enterprise Resource Planning) management and reporting systems and having already successfully completed the implementation in Winsford, Plymouth and Etten Leur facilities, are now working on improvements to our systems in Germany.

Regulatory and Quality Assurance

With the regulatory framework becoming increasingly complex, 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 have started work on scoping the process to gain approval to market LiquiBand® Fix8™ in the U.S. which will involve a full Pre Market Approval (PMA) and is likely to take at least three years. We are also working on identifying the regulatory pathway to include antibiotics in collagens.

SUMMARY AND OUTLOOK

We have delivered a reported revenue growth of 9%, 11% at constant currency, and improved profitability and cash generation during the year.

All Business Units have delivered growth at constant currency with the U.S. sales, in particular, delivering a very strong performance. We have been very pleased with the successful launch of our LiquiBand® Fix8™ hernia mesh fixation device. Sales in the first year have given us confidence that this product will drive growth and support our strategy of accessing the OR.

We have also received a number of approvals in the year demonstrating our continued success with new products and underlining our commitment to investing in R&D. We expect to make further advancements in these activities and to launch new products as a result of our innovation.

We are confident that the Group is well placed to drive growth and remain excited by the prospects for our future.

FINANCIAL REVIEW



Mary G Tavener
Chief Financial Officer

SUMMARY

Group revenue increased by 9% to £68.6 million (2014: £63.0 million). At constant currency, revenue growth would have been 11%.

Comparisons with 2014 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 period (2014: £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 2015 £'000	Year ended 31 Dec 2014 £'000	% Change
Revenue	68,596	63,010	9%
Gross profit	39,908	35,843	11%
Distribution costs	(951)	(853)	
Administration expenses ⁴	(22,138)	(19,681)	
Other income	589	250	
Adjusted operating profit	17,408	15,559	12%
Net finance (costs) / income	(45)	48	
Adjusted profit before tax	17,363	15,607	11%
Amortisation of acquired intangibles	(367)	(389)	
Profit before taxation	16,996	15,218	12%
Taxation	(2,877)	(2,354)	
Profit for the period	14,119	12,864	10%
Adjusted earnings per share – basic ⁵	6.95p	6.39p	9%
Earnings per share – basic ⁵	6.78p	6.20p	9%
Adjusted earnings per share – diluted ⁵	6.86p	6.26p	10%
Earnings per share – diluted ⁵	6.68p	6.08p	10%

⁴ Administration expenses exclude amortisation of acquired intangible assets

⁵ See Note 14 Earnings per share for details of calculation

Revenues were negatively impacted by approximately £1.5 million due to the effects of currency movements in the year. This also had an impact on Group gross margins which were reduced by 30bps as a result. Gross margins were positively impacted by sales mix effect by 60bps, as well as the 100bps improvement made from operational efficiencies.

Adjusted operating profit increased by 12% to £17.4 million (2014: £15.6 million) and the adjusted operating margin increased by 70bps to 25.4% (2014: 24.7%). Administration costs increased by 12% to £22.1 million (2014: £19.7 million) as investments were made in selling and marketing, particularly to support the Branded Direct Business Unit. Within this, the Group expensed to the income statement £1.8 million on R&D (2014: £2.1 million). Spend as a percentage of sales reduced to 2.6% (2014: 3.3%).

Profit before tax for the year was 12% higher at £17.0 million (2014: £15.2 million).

The Group's effective rate of tax for the year was 16.9% (2014: 15.5%). 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 as the Group is no longer classified as a Small Medium Enterprise (SME) and will no longer be able to gain R&D relief at the SME rate from 2017.

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	20.25
Loss utilisation and recognition	(1.58)
Impact of differential between U.K. and overseas tax rate	2.09
Patent box relief	(2.58)
R&D relief	(1.91)
Expenses not deductible, prior year adjustments, depreciation & share-based payments	0.65
Effective taxation rate	16.92

Earnings (excluding amortisation of acquired intangible assets) increased by 9% to £14.5 million (2014: £13.3 million), resulting in a 9% increase in adjusted basic earnings per share to 6.95p (2014: 6.39p) and a 10% increase in diluted adjusted earnings per share to 6.86p (2014: 6.26p).

Profit after tax increased by 9% to £14.1 million (2014: £12.9 million), resulting in a 9% increase in basic earnings per share to 6.78p (2014: 6.20p) and a 10% increase in diluted earnings per share to 6.68p (2014: 6.08p).

The Board is proposing a final dividend of 0.55p per share, to be paid on 10 June 2016 to shareholders on the register at the close of business on 20 May 2016. This follows the interim dividend of 0.25p per share that was paid on 30 October 2015 and would make a total dividend for the year of 0.80p per share (2014: 0.70p), a 14.3% increase on 2014.

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. To aid comparison and in determining the operational margins of the individual Business Units, the revenue of the Bulk Materials Business Unit sales made to other Business Units of £0.8 million (2014: £0.7 million) is included.

Table 3
Operating Result by Business Unit
Year ended 31 December 2015

	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000
Revenue⁶	22,344	14,631	27,675	4,772
Profit from operations	5,235	4,366	7,139	814
Amortisation of acquired intangibles	214	127	25	–
Adjusted profit from operations ⁷	5,449	4,493	7,164	814
Adjusted operating margin⁷	24.4%	30.7%	25.9%	17.1%
Year ended 31 December 2014				
Revenue	23,194	10,663	25,275	4,580
Profit from operations	6,012	2,999	6,225	485
Amortisation of acquired intangibles	227	135	27	–
Adjusted profit from operations ⁷	6,239	3,134	6,252	485
Adjusted operating margin ⁷	26.9%	29.4%	24.7%	10.6%

6 £0.4 million of sutures for the dental market has been reclassified from the Branded Direct to the Branded Distributed segment. The 2014 revenues have been restated to aid comparison

7 Excludes amortisation of intangible assets

FINANCIAL REVIEW CONTINUED

BRANDED DIRECT

The adjusted operating margin of this Business Unit reduced to 24.4% (2014: 26.9%) and is lower than the position at H1 2015 (26.7%). Operating margin was reduced, partly as a result of some pricing pressure in Germany, as well as the investment we have made in our direct sales teams which we highlighted at the half year. We expect the benefit of this investment to start coming through in 2016.

BRANDED DISTRIBUTED

The adjusted operating margin of this Business Unit increased to 30.7% (2014: 29.4%), 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 the reduction in margin from sales made into Russia and continued the improvement in margin seen at H1 2015 (26.5%).

OEM

The adjusted operating margin of this Business Unit was at a higher level to the prior year at 25.9% (2014: 24.7%), and lower than the margin reported at H1 2015 (26.8%) due to the mix of business.

BULK MATERIALS

The adjusted operating margin of this Business Unit increased to 17.1% (2014: 10.6%), and improved from the position in H1 2015 (12.6%). Margins were affected by the higher volumes of production and sales.

GEOGRAPHIC BREAKDOWN OF REVENUES

The geographic breakdown of Group revenues in 2015 is shown in Table 4 below:

	2015		2014	
	£millions	% of total	£millions	% of total
Europe (excluding U.K. & Germany)	19.1	27.8	18.7	29.7
Germany	13.4	19.5	14.0	22.3
U.K.	16.7	24.3	15.3	24.3
U.S.	17.8	25.9	13.8	21.9
Rest of World	1.6	2.3	1.1	1.8

47% of the Group's sales are in Europe (excluding the U.K.), however, only around 30% of sales are denominated in Euros. Approximately 85% of all sales to the U.S. are denominated in U.S. dollars. The Group hedges significant transactional exposure by using forward contracts and options, and aims to have 70% of its estimated transactional exposure for the next twelve months hedged.

The Group estimates that a 10% movement in £: U.S.\$ or £: Euro exchange rate will impact Sterling revenues by approximately 2.3% and 3.0% respectively and in the absence of any cash flow hedging this would have an impact on profit of 1.3% and 0.1%.

CASH FLOW

Table 5 summarises the Group's cash flows.

	2015	2014
	£'000	£'000
Adjusted operating profit (Table 1)	17,408	15,559
Non-cash items	3,153	2,993
EBITDA	20,561	18,552
Working capital movement	1,983	(104)
Net operating cash flow	22,544	18,448
Capital expenditure and capitalised R&D	(2,675)	(2,406)
Net interest (paid) / received	(47)	45
Tax paid	(1,253)	(1,876)
Free cash flow	18,569	14,211
Dividends paid	(1,521)	(1,307)
Proceeds from share issues	494	65
Net increase in cash and cash equivalents	17,542	12,969

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

EBITDA increased by 11% to £20.6 million (2014: £18.6 million).

Working capital decreased in the year mainly due to the effects of translating overseas working capital balances held in Euros into Sterling. Inventory across the Group slightly increased to 4.4 months of supply (2014: 4.2 months of supply). Trade debtor days were slightly lower than the prior year at 41 days (2014: 42 days) while trade payable days decreased slightly to 34 days (2014: 36 days).

The Group generated net cash from operating activities of £22.5 million (2014: £18.4 million) (see Table 5) and had net cash of £34.2 million (2014: £17.3 million) at the end of the year.

We invested £2.7 million in capital equipment, software and capitalised R&D in the year (2014: £2.4 million). We have invested in equipment around the Group that improves converting and packaging in Winsford as well increasing capacity in Germany.

The Group generated a free cash flow of £18.6 million in the year (2014: £14.2 million). The conversion of adjusted operating profit into free cash flow was 107% (2014: 91%).

The Group paid its final dividend for the year ended 31 December 2014 of £0.94 million (2014: for the year ending 2013, £0.85 million) on 29 May 2015, and its interim dividend for the year ended 31 December 2015 of £0.59 million (2014: £0.46 million) on 30 October 2015.

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 its growth ambitions. The new facility is provided jointly by the Group's existing bankers, HSBC, as well as The Royal Bank of Scotland. 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 £34.2 million (2014: £17.3 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		£'000
Movement in Net Cash		
Net cash as at 1 January 2015		17,280
Exchange rate impacts		(621)
Free cash flow		18,569
Dividends paid		(1,521)
Proceeds from share issues		494
Net cash as at 31 December 2015		34,201

The Group's going concern position is fully described in Note 2.

BOARD OF DIRECTORS

Peter V Allen

NON-EXECUTIVE CHAIRMAN



Mr Allen was appointed as Non-Executive Chairman of the Group in January 2014 replacing Don Evans, having joined as a Non-Executive Director in December 2013. He is currently the Non-Executive Chairman of LSE listed Future plc, AIM listed Clinigen plc, and Diurnal plc, together with 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 and playing a significant role in their development. This includes 12 years at Celltech Group plc (1992-2004) as CFO and Deputy CEO, 6 years as Chairman (2007-13) and interim CEO (2010-11) of ProStrakan Group plc, and three years as Chairman of Proximagen Neurosciences plc (2009-12).

Chris Meredith

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 Cepha.

Mary G Tavener

CHIEF FINANCIAL OFFICER



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 in March 2010. She is a partner of London Bridge Capital Partners, a corporate advisory business, and a Non-Executive Director of Empresaria Group plc, Crown Place VCT plc and Sinophi Healthcare.

With 25 years' experience in investment banking she was formerly Head of Equities for Robert W Baird in London and prior to this held senior positions at Credit Lyonnais and NatWest Markets.

Stephen G Bellamy

NON-EXECUTIVE DIRECTOR



Mr Bellamy was appointed as Non-Executive Director of AMS in February 2007. He is currently Chairman of Becrypt Ltd (data security and protection technology) and Benefex Limited (online employee benefits solutions) and a founding partner of Accretion Capital LLP (provider of strategic capital and advice to European emerging technology companies).

Formerly an Executive Director of Sherwood International plc and Brierley Investments' London operations, he has also held a number of other Non-Executive Directorships and advisory roles. He is a New Zealand qualified chartered accountant.

Peter Steinmann

NON-EXECUTIVE DIRECTOR



Mr Steinmann was appointed as Non-Executive Director of AMS in July 2013. He is a Swiss national with over twenty years of commercial experience in Medical Devices and Diagnostics. He has held senior roles within Johnson & 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 & Johnson AG, Switzerland as well as Chairman of the Board.

Having worked throughout Europe and North America, he has extensive knowledge of the global medical devices market. He is currently Chairman of Advanced Perfusion Diagnostics SA and is a Board Observer with Orthimo AG, and has held a number of other Non-Executive Directorships prior to joining AMS.



- DENOTES CHAIRMAN
- △ COMPANY SECRETARY
- AUDIT COMMITTEE
- REMUNERATION COMMITTEE
- ◇ NOMINATION COMMITTEE

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

Registered Number
2867684

SENIOR MANAGEMENT



1. VICKI CANDLER 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 Group HR Manager in November 2012.

2. SIMON COATES Group IS Manager

Simon joined AMS in 2002 as Group Information Systems Manager and, during the Company's growth since then, he has overseen many 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 fluopolymer 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.

3. ROSE GUANG 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 Besspak, part of Consort Medical plc.

Rose is also a 6 Sigma Master Black Belt.



4. EDDIE JOHNSON 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.

5. DAVID RENNIE Business Unit Director, Branded Direct

David joined AMS in June 2015 as Director of the Branded Direct Business Unit.

David graduated from the University of West of Scotland in 1994, with a degree in Economics and Marketing. His previous career spanned 18 years with Johnson & Johnson in a number of different roles, which started with international business development in the North African and Levantine markets.

Since then, David held several senior executive positions, and has held three General Management roles for different medical device businesses within the Johnson & Johnson Group, most recently as General Manager for the Ethicon Surgical Care business.





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6. 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.

7. PIETER VAN HOOFF

Operations Manager, Winsford

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 became the Operations Manager for our Winsford and Etten-Leur sites in February 2015.

8. BECKY WALMSLEY

Business Unit Director, OEM and Bulk Materials

Becky joined AMS in July 2015 as Business Unit Director of OEM and Bulk Materials.

Becky graduated with a degree in Modern Languages (French and German) with International Studies from South Bank University in 1993 and completed an Executive Masters of Business Administration at Lancaster University in 2000.

Becky has more than 13 years' experience in the Medical Device sector, having held various senior management roles, most recently as European Sales Director for Scapa Healthcare.

9. JEFF WILLIS

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 various R&D, Product Development, and New Business Development roles. 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, relocating to the U.K. 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 and now resides in Atlanta in the U.S.

Mary Tavener

Company Secretary
25 April 2016

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report, incorporating the Chairman's Statement, the Strategic Report, the Chief Executive's Statement, the Financial Review, and the audited financial statements for the year ended 31 December 2015.

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 10 to 33 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 2015 and its prospects for the future.

RESEARCH AND DEVELOPMENT

The Group attaches a high priority to research and development aimed at developing new products and updating existing products. The Group has expensed to the income statement in the year ended 31 December 2015 £1,817,000 (2014: £2,120,000) on research and development. In accordance with International Accounting Standards a further £373,000 (2014: £581,000) has been capitalised. Following a review of development, £nil (2014: £92,000) impairments were made in 2015.

DIVIDENDS

The Group made a profit before tax for the year to 31 December 2015 of £17.0 million (2014: £15.2 million). The Directors are recommending payment of a final dividend of 0.55p per share. The final dividend will, subject to shareholders' approval, be paid on 10 June 2016 to shareholders on the register at the close of business on 20 May 2016. This will make a total dividend of 0.80p for the full year (2014: 0.70p).

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
- Customer service (OTIF)
- Earnings per share growth

The Group monitors progress on a regular basis. Performance against the key performance indicators can be found on page 5.

CAPITAL STRUCTURE

The Group is debt free. A five-year, £30 million, multi-currency, revolving, credit facility was agreed 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 replaced the previous £4 million facility. It is unsecured on the assets of the Group and is currently undrawn.

GOING CONCERN

After making enquiries and on the basis outlined in the Corporate Governance Report on pages 46 to 50, 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.

SHARE LISTING

The Company's Ordinary Shares are admitted to and traded on the Alternative Investment Market of the London Stock Exchange (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.

SHARE CAPITAL AND ISSUE OF ORDINARY SHARES

At 8 April 2016, the Group's issued share capital comprised:

	Number	£000	% of Total Share Capital
Ordinary shares of 5p each	209,075,180	10,454	100%

The issued share capital of the Company is set out in Note 29 to the financial statements on page 77.

SUBSTANTIAL SHAREHOLDINGS

As at 8 April 2016 the Company had been notified of, in accordance with the Disclosure and Transparency Rules, or was otherwise aware of, the following substantial interests of 3% or more in the Ordinary Share capital of the Company.

	Shares	%
AXA Investment Managers UK	16,839,237	8.05
Octopus Investments	16,427,264	7.86
BlackRock Investment Mgt (UK)	13,822,762	6.61
Hargreave Hale	12,373,251	5.92
Investec Wealth & Investment	11,217,661	5.37
Schroder Investment Mgt	9,801,000	4.69
Aviva Investors	9,406,888	4.50
Invesco Asset Management	6,914,034	3.31

DIRECTORS

The names of the current Directors together with brief biographies are shown on pages 30 and 31.

The Directors who were in office during the year ended 31 December 2015, 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 38.

Directors are re-appointed by ordinary resolution at a General Meeting of shareholders. The Board can appoint a Director during the year but that Director must be elected by an ordinary resolution at the next General Meeting. At the forthcoming Annual General Meeting, Mary Tavener and Penny Freer have indicated their willingness to be re-elected and will retire by rotation. The Directors continue to contribute effectively and demonstrate commitment to their roles. Details of the notice period in their service agreements are disclosed in the Remuneration Report on pages 38 to 45.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company at 31 December 2015 and their interests, all of which are beneficially held, in the share capital of the Company were:

	Ordinary Shares of 5p each 31 December 2015				Ordinary Shares of 5p each 31 December 2014			
	Shares	DSBs	LTIPs	Deferred Bonus ²	Shares	DSBs	LTIPs	Deferred Bonus ¹
C. Meredith	1,187,891	25,116	938,439	49,580	1,185,207	21,019	887,078	22,203
M. Tavener	1,825,698	12,637	568,155	36,538	1,774,470	18,494	624,611	17,207
S. Bellamy	100,000	–	–	–	100,000	–	–	–
P. Allen	50,000	–	–	–	50,000	–	–	–
P. Freer	13,888	–	–	–	13,888	–	–	–

1 Deferred Bonus shares are in respect of the bonus earned relating to 2013 financial year.

2 Deferred Bonus shares are in respect of the bonus earned relating to 2013 and 2014 financial years.

Further details of the Directors' remuneration and benefits are included in the Remuneration Report on pages 38 to 45.

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.

EMPLOYEES

The Group depends on the skills and engagement of its employees in order to achieve its objectives. Staff at all levels 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 aim is to encourage a culture in which all employees have the opportunity to develop as fully as possible in accordance with their individual abilities and the needs of the Group. The Group also believes that all employees have a right to work in an environment free from harassment and bullying, and there is an emphasis upon providing a safe and healthy working environment.

The Group ensures that every consideration is given to applications for employment from disabled persons. Should an employee become disabled, every effort would be made to retrain the employee if required and offer suitable alternative employment within the Group.

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. Details of policies, procedures and other information of interest are regularly updated and are easily accessed by all employees on the Group's intranet page. The Group undertakes an annual Employee Opinion Survey and takes into account comments and feedback received when updating and formulating policies and procedures.

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 have Personal Development Plans that identify their training requirements to help them progress their careers and development. 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 2010 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 38 to 45.

DIRECTORS' REPORT CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2015

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 40. The original DSB was set up in 2006 and having reached the end of its ten-year life a new DSB scheme was introduced on the same terms as the existing scheme following shareholder approval at the 2015 Annual General Meeting.

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.

1,170,000 Ordinary Shares (2014: 983,346) were issued during the year to employees exercising their share options and options over other share incentive schemes. 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, and where appropriate exceed, 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. Health and Safety is a key component of the Group's Corporate Social Responsibility 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 incorporates 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. Further details are available in the Corporate Social Responsibility Report on page 21.

CORPORATE SOCIAL RESPONSIBILITY

AMS is committed to ensuring that the business operates in a responsible way across these key areas:

- Ethical standards
- Employees
- Environment
- Health and safety
- Customer and community

The Group has implemented a Corporate Social Responsibility policy and further details are included on page 21.

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 including FRS 101 "Reduced Disclosure Framework"). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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 provide 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.

PROPOSED RESOLUTIONS FOR THE ANNUAL GENERAL MEETING

Details of the business to be conducted at the Annual General Meeting to be held on 2 June 2016 are contained in the Notice of the Annual General Meeting on pages 91 to 93. In the opinion of the Directors, the passing of these resolutions is in the best interest of the shareholders. Details of the Special Business to be conducted are outlined below.

SPECIAL BUSINESS

The effect of Resolution 7, 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 8, 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 9, 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 2 June 2016 at the offices of Investec Bank plc, 2 Gresham Street, London, EC2V 7QP. Details of the Notice of the Annual General Meeting are given on pages 91 to 93. 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
25 April 2016

REMUNERATION REPORT

The Board presents the Remuneration Report for the year ended 31 December 2015.

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

The Remuneration Committee comprises the three Non-Executive Directors of the Group and the Chairman: 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 four times during the year. All the 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'.

A resolution will be put to shareholders at the Annual General Meeting on 2 June 2016 asking them to consider and approve this Report.

SUMMARY OF 2015 REMUNERATION COMMITTEE BUSINESS

Month	Principal Activities
February	<ul style="list-style-type: none">– Review of 2014 personal objectives and setting of 2015 personal objectives for Executive Directors– Approval of 2014 Remuneration Report– Review of 2014 Executive Director and Senior Management Team ('SMT') bonus and Deferred Annual Bonus awards– Review of compliance with Executive Shareholding Policy for Executive Directors and SMT– Approval to continue with the existing Deferred Share Bonus Plan
May	<ul style="list-style-type: none">– Consideration and ratification of LTIP and share option awards for SMT– Consideration and ratification of remuneration for SMT– Review of legal and corporate governance developments
September	<ul style="list-style-type: none">– Consideration and approval of Executive Director LTIP awards
December	<ul style="list-style-type: none">– Consideration and approval of 2016 basic salary for Executive Directors and SMT– Review of compliance with Executive Shareholding Policy for Executive Directors and SMT– Discussion on pension arrangements for Executive Directors and SMT– Review of results of Committee Self Assessment questionnaire– Consideration of remuneration market trends

REMUNERATION POLICY

The remuneration policy is formulated around the need to offer competitive packages to attract and retain high calibre Senior Executives and motivate them to develop and implement the Company's business strategy in order to optimise long-term shareholder value, 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. It is the intention of this policy to conform to best practice as far as reasonably practicable. It will continue to apply for 2016 and subsequent years, subject to regular review and supported by independent advice. The Committee retains the right for discretion, although no discretion was used in 2015. The policy is based around the following key principles:

- total rewards will be set at levels that are sufficiently competitive to enable the recruitment and retention of high calibre Senior Executives;
- total incentive-based rewards will be earned through the achievement of performance conditions consistent with shareholder interests;
- the design of long-term incentives will be prudent and will not expose shareholders to unreasonable financial risk; and
- in considering the market positioning of reward elements, account will be taken of the performance of the Group and of each individual Executive Director.

Kepler, part of Mercer (previously Kepler Associates), was engaged in February 2012 to advise the Remuneration Committee with regard to the remuneration of the Executives and SMT and provided further guidance in 2013 and 2014. The Remuneration Committee took into account its recommendations which included the introduction of an Executive Shareholding Policy in 2014

requiring the Executive Directors and SMT 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 changes to the bonus scheme. As a result of the Committee's recommendations a Deferred Annual Bonus (DAB) Scheme was approved by shareholders at the 2014 AGM and options issued under the DAB in 2014 and 2015.

Each Executive Director's remuneration package consists of basic salary, bonus, LTIPs, health and insurance benefits, and pension contributions. The Committee ensures that there is a balance between fixed and performance related remuneration elements.

CONSIDERATION OF SHAREHOLDER VIEWS

In formulating the remuneration policy, the Remuneration Committee takes into account guidance issued by shareholder representative bodies, including the Investment Association, the NAPF and ISS. The Committee also takes into consideration any views expressed by shareholders during the year (including at the AGM) and encourages open dialogue with its largest shareholders. Major shareholders would be consulted in advance about changes to the remuneration policy.

STATEMENT OF VOTING AT GENERAL MEETING

At the 2015 AGM, the percentages of votes cast 'for', 'against' and 'withheld' in respect of the Directors' Remuneration Report were as follows:

Resolution	No. of shares	Votes cast 'for'	Votes cast 'against' or withheld
To approve the Directors' Remuneration Report	112,409,296	99.87%	0.13%

OVERVIEW OF DIRECTORS' REMUNERATION POLICY

Directors' Policy Table

Element of remuneration	Purpose and how it supports strategy	How the element operated	Framework used to assess performance
Base salary	To attract and retain Executive Directors and members of the SMT of the right calibre and to provide a core level of reward for the role.	<p>In line with the policy outlined above salary levels of Executive Directors and the SMT are set after taking into account experience, responsibilities and performance, both on an individual and business perspective, and external market data (benchmarked against companies of a similar size and complexity and other companies in the same industry sector).</p> <p>Salaries are reviewed annually (normally December, with any changes effective from 1 January). Details of the current salaries of the Executive Directors are set out below. This review was last carried out in December 2015. Any salary increase will ordinarily be in line with the typical increase (as a percentage of salary) applied to the U.K. workforce.</p>	Where there is a change in responsibility, progression in the role, change in size or structure of the Group or increased experience of the Executive Director or member of the SMT, the Remuneration Committee retains the discretion to award a higher increase than the U.K. workforce.

REMUNERATION REPORT CONTINUED

Element of remuneration	Purpose and how it supports strategy	How the element operated	Framework used to assess performance
Annual Performance Bonus	Drives and rewards performance against annual financial and operational goals which are consistent with the medium to long-term strategic needs of the business.	<p>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 personal targets set by the Remuneration Committee.</p> <p>The maximum annual bonus potential is 125% of salary for the Chief Executive and 100% of salary for the Chief Financial Officer. Bonuses are paid in mixture of cash and shares with an element deferred under the Deferred Annual Bonus scheme.</p>	The annual performance bonus is focused on the delivery of strategically important performance targets. These include demanding financial and non-financial measures. The financial targets are currently set against Group revenue, Group profit before tax and Earnings Per Share. 85% of the award is dependent upon the financial performance of the Group and 15% is achievable for meeting personal objectives. The SMT are 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. However, the Committee may use different measures and/or weightings for future bonus cycles to take into account changes in the strategic needs of the business.
Deferred Annual Bonus	Key tool for retention of staff and provides mechanism to exercise malus provisions.	Following advice from Kepler regarding corporate governance developments in remuneration, the Remuneration Committee introduced a Deferred Annual Bonus (2014 DAB) Scheme after receiving shareholder approval at the 2014 AGM whereby both Executive Directors and the SMT are required to defer up to 25% of their annual bonus into share awards that will vest after three years.	N/A
Deferred Share Bonus Plan (DSB)	To align the interests of the Executive Directors, the SMT and the employees with shareholders and incentivise long term value creation.	The Deferred Share Bonus Plan is available to all employees and allows for the payment of bonus to be made in the form of shares. It also allows for the provision of 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 aligning employees' interests with those of shareholders. The first year that the DSB operated was in 2007. The existing scheme received shareholder approval at the 2015 AGM.	N/A

Element of remuneration	Purpose and how it supports strategy	How the element operated	Framework used to assess performance
Long Term Incentive Plan (LTIP)	To align the interests of the Executive Directors and the SMT with shareholders and incentivise long-term value creation.	<p>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. The LTIP permits an annual grant of shares that vest subject to performance and continued employment. The LTIP awards will be granted in accordance with the rules of the plan and the discretions contained therein. 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.</p> <p>Under the rules of the LTIP, the maximum award size is 200% of salary. Details of the proposed award level for 2015 are set out below. Awards under the LTIP may be granted in the form of nil-cost options or cash (where the award cannot be settled in shares). Awards are currently structured with a consideration of £1.</p> <p>The Executive Directors and the SMT are also subject to an Executive Shareholding requirement to build and maintain a shareholding in the Company which is equivalent to 100%/50% respectively of their pre-tax annual salary within 5 years of appointment. Both Executive Directors exceeded this requirement at the end of 2015.</p>	<p>50% of the Award is determined based on the Total Shareholder Return (TSR) performance of the Company compared with the AIM All-Share Supersector Health Care 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.</p> <p>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 from 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 2015 the EPS target was set at 5%.</p> <p>The Committee has the flexibility to make appropriate adjustments to the performance conditions to ensure that the Award achieves its purpose. Any vesting is also subject to the Committee being satisfied that the Company's performance on these measures is consistent with the underlying performance of the business.</p>
Benefits	To attract and retain Executive Directors and SMT members of the right calibre by providing a market competitive level of benefit provision.	The range of benefits that may be provided by the Committee after taking into account local market practice. The Executive Directors' benefits currently comprise private medical insurance. Additional benefits may be provided as appropriate.	N/A

REMUNERATION REPORT CONTINUED

Element of remuneration	Purpose and how it supports strategy	How the element operated	Framework used to assess performance
Pensions	To provide a market competitive remuneration package to enable the recruitment and retention of the Executive Directors and SMT.	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 has been implemented for all U.K. based employees.	N/A

DIRECTORS' EMOLUMENTS – SINGLE FIGURE OF REMUNERATION

The various elements of the remuneration for each Executive Director in 2014 and 2015:

Name	Salary and fees		Annual bonus		Deferred annual bonus		LTIPs vested		Gains on DSBs vested		Benefits		Pensions		Total remuneration	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Chris Meredith	255	245	181	106	60	35	218	219	–	14	1	1	26	25	741	645
Mary Tavener	180	156	118	75	39	25	169	113	–	11	1	1	40	35	547	416
Total	435	401	299	181	99	60	387	332	–	25	2	2	66	60	1,288	1,061

The table above summarises the payments made and additional amounts earned by the Executive Directors for the 2014 and 2015 financial years. The Deferred Annual Bonus recorded in the table above is in respect of the 2014 and 2015 financial years, to be paid or deferred into shares, which will not be received until 2017 and 2018 respectively. The Executive Directors were granted further LTIPs as detailed below.

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. Details of the Non-Executive Director fees are outlined below.

NON-EXECUTIVE DIRECTORS – FEES

Name	Base fees		Additional fees		Total remuneration	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Peter Allen	68	63	–	–	68	63
Steve Bellamy	38	37	3	–	41	37
Penny Freer	38	37	3	–	41	37
Peter Steinmann	34	34	–	–	34	34
Total	178	173	6	–	184	173

Additional fees relate to the supplementary fee paid to the Chairmen of the Audit and Remuneration Committees. All Directors have confirmed that, save as disclosed in the single figures of remuneration tables above, they have not received any other items in the nature of remuneration.

ANNUAL PERFORMANCE BONUS

The bonus for the 2015 financial year is accrued. Overall the 2015 bonus payments were as follows:

Name	Bonus paid in 2015 (2014 Financial Year)	Percentage of salary	Maximum % of salary
Chris Meredith	£141,264	57.7	100%
Mary Tavener	£99,749	57.7	100%

DIRECTORS' INTERESTS IN THE LONG-TERM INCENTIVE PLAN (LTIP)

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

	As at 31 December 2014	Exercised in the year	Issued in the year	Lapsed in the year	As at 31 December 2015	Market price at date of grant (p)	First vesting date
Chris Meredith	188,628	–	–	–	188,628	88.00	15 April 2014 (vested)
	260,586	–	–	116,955	143,631	76.75	6 September 2015 (vested)
	227,111	–	–	–	227,111	90.00	19 September 2016
	210,753	–	–	–	210,753	116.25	6 June 2017
	–	–	168,316	–	168,316	151.50	10 September 2018
Mary Tavener	97,829	97,829	–	–	–	88.00	15 April 2014 (vested)
	201,954	–	–	90,640	111,314	76.75	6 September 2015 (vested)
	176,011	–	–	–	176,011	90.00	19 September 2016
	148,817	–	–	–	148,817	116.25	6 June 2017
	–	–	132,013	–	132,013	151.50	10 September 2018

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on page 41. 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 September 2012, 55.1% of the Award vested in September 2015. Awards made have no performance re-testing facility.

APPROACH TO REMUNERATION OF EXECUTIVE DIRECTORS ON RECRUITMENT

In the cases of appointing a new Executive Director, the Committee may make use of all the existing components of remuneration. The salaries of new appointments will be determined by reference to the experience and skills of the individual, relevant market data, internal relativities and their current salary. New appointments will be eligible to receive a personal pension, benefits and to participate in the Company's share schemes.

SERVICE AGREEMENTS

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate Directors of the quality required to manage the Company. The service contract of each Executive Director is terminable by either party giving not less than 12 months notice in writing. Executive Directors' contracts are available to view throughout the year at the Company's registered office and at the Annual General Meeting.

Details of the service contracts for the Executive Directors and letters of appointment of the Non-Executive Directors are as follows:

Executive Director	Date of Contract	Unexpired Term (months) or Rolling Contract	Notice Period (months)
Chris Meredith	3 May 2005	Rolling Contract	12
Mary Tavener	28 June 1999	Rolling Contract	12
Non-Executive Directors			
Peter Allen	4 December 2013	Rolling Contract	6
Penny Freer	1 March 2010	Rolling Contract	6
Steve Bellamy	1 February 2007	Rolling Contract	6
Peter Steinmann	1 July 2013	Rolling Contract	6

REMUNERATION REPORT CONTINUED

POLICY ON PAYMENTS FOR LOSS OF OFFICE – EXECUTIVE DIRECTORS

The Company will consider termination payments on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. There are no special provisions in the event of loss of office or for payment in lieu of notice (PILON). The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation accordingly.

If such circumstances were to arise, the Executive Director concerned would have no claim against the Company for damages or any other remedy in respect of the termination. The Remuneration Committee would apply general principles of mitigation to any payment made to a departing Executive Director and will honour previous commitments as appropriate, considering each case on an individual basis.

The table below summarises how the awards under the annual bonus and LTIP are typically treated in different leaver scenarios and on a change of control. Whilst the Remuneration Committee retains overall discretion on determining ‘good leaver’ status, it typically defines a ‘good leaver’ in circumstances such as retirement, ill health or injury, disability, redundancy and the employing company ceasing to be under the control of the Group (Annual Bonus/2014 LTIP) and ceasing to be a Director or employee of a Group Company where not a ‘bad leaver’ (2014 DAB). Final treatment is subject to the Committee’s discretion.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual Bonus		
‘Good leaver’	<ul style="list-style-type: none"> Annual bonus payment would be negotiated as part of the terms of the leaving arrangements at the discretion of the Remuneration Committee Unvested deferred annual bonus share awards vest at the normal vesting date (or earlier at the Remuneration Committee’s discretion) 	<ul style="list-style-type: none"> No automatic entitlement to annual bonus on a pro-rata basis
‘Bad leaver’	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Individuals lose the right to their annual bonus and unvested deferred share awards
Change of control	<ul style="list-style-type: none"> Annual bonuses are paid and unvested deferred share awards vest on the date of notification to the Executive Directors regarding the change of control 	<ul style="list-style-type: none"> Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked to the effective date of change of control
LTIP		
‘Good leaver’	<ul style="list-style-type: none"> On normal vesting date (or earlier at the Remuneration Committee’s discretion) 	<ul style="list-style-type: none"> Unvested awards vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies to the value of the awards to take into account the proportion of vesting period not served
‘Bad leaver’	<ul style="list-style-type: none"> Unvested awards lapse 	<ul style="list-style-type: none"> Unvested awards lapse on cessation of employment
Change of control	<ul style="list-style-type: none"> Unvested awards vest on the date of notification to the Executive Directors regarding the change of control 	<ul style="list-style-type: none"> Unvested awards vest and a pro-rata reduction applies for the proportion of the vesting period not served Outstanding deferred shares vest in full

Upon exit or change of control DSB awards will be treated in line with the DSB plan rules.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle other amounts reasonably due to the Executive Director.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement and/or consultancy arrangements. These will be used sparingly and only entered into where the Remuneration Committee believes that it is in the best interests of the Company and its shareholders to do so.

There are no agreements between the Group and its Directors or employees for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

PRIVATE HEALTHCARE

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

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 78 to 82.

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

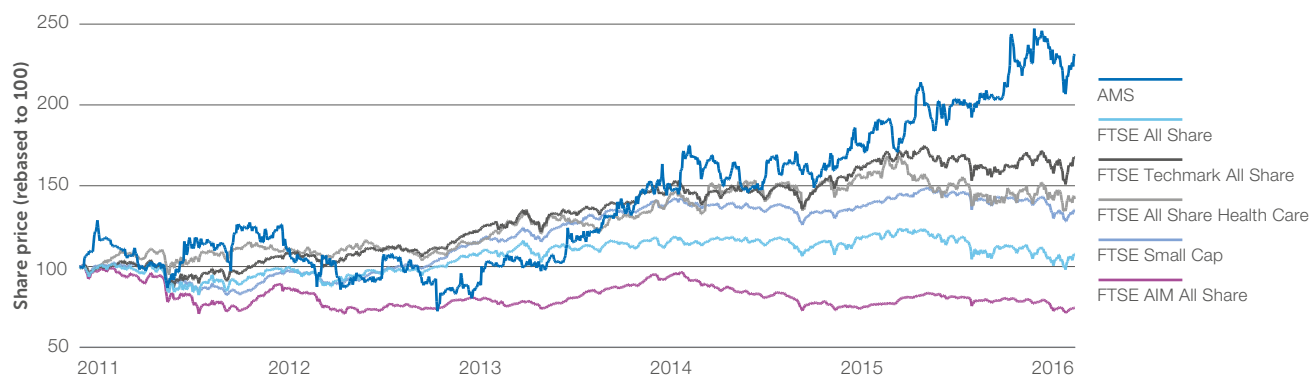
Up until 2010, the Company was able to offer options under an Enterprise Management Incentive (EMI) Scheme. The Company no longer satisfies the requirements for operating this scheme, however, options already granted will be allowed to vest in accordance with the scheme rules.

SHARE PERFORMANCE – 2015

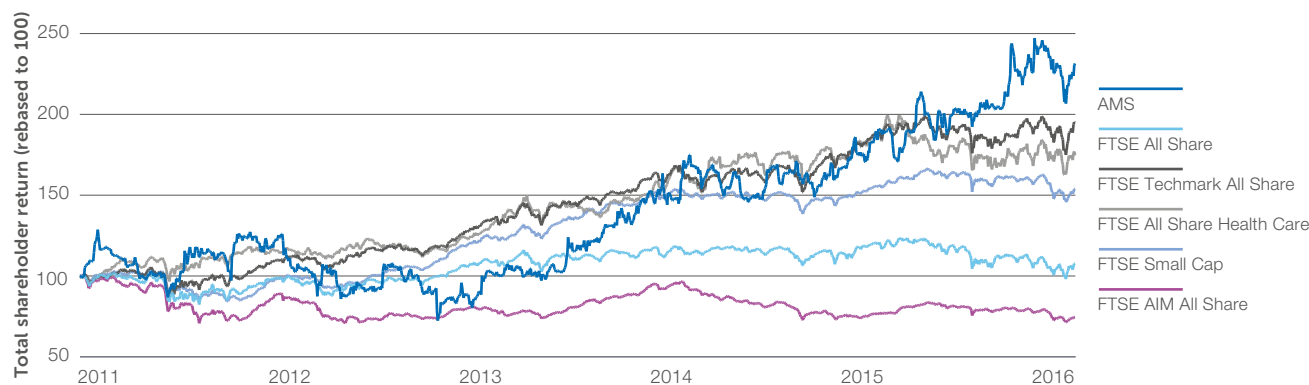
The opening share price for 2015 was 127p and the closing price on the last trading day of the year, was 181.25p. The range during the year was 186p (high) and 124p (low). (Source: daily official list of the London Stock Exchange.)

FIVE-YEAR SHARE PERFORMANCE

For the five-year period ending 29 February 2016 the Advanced Medical Solutions Group plc share price has outperformed the FTSE All Share Index by 124%, FTSE Techmark All-Share Index by 64%, FTSE All-Share Health Care Index by 90%, the FTSE Small Cap Index by 96%, and FTSE AIM All-Share Index by 157%.



For the five-year period ending 29 February 2016 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 110%, FTSE Techmark All-Share Index by 43%, FTSE All-Share Health Care Index by 64%, the FTSE Small Cap Index by 84%, and FTSE AIM All-Share Index by 160%.



Mary Tavener

Company Secretary
25 April 2016

CORPORATE GOVERNANCE REPORT

GOVERNANCE STATEMENT

The Company's shares are listed on the AIM market and are subject to the AIM Admission Rules of the London Stock Exchange and consequently are not required to comply with the provisions or report in accordance with the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council in 2014. However, the Board is committed to the principles of good corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations as outlined in the Code. The Directors have applied the Code as far as is practicable and appropriate for a public company of the Group's size.

ROLE OF THE BOARD

The role of the Board is to establish the vision and strategy for the Group, to deliver shareholder value and is responsible for the long-term success of the Company. Individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans.

DIVISION OF RESPONSIBILITIES

There is a clear division of responsibilities between the role of the Chairman and that of the Chief Executive of the Company and the roles are clearly set out in writing and reviewed by the Board. The primary responsibility of the Chairman is to lead and manage the Board and that of the Chief Executive is to manage the business of the Group.

THE CHAIRMAN

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 Chairman is responsible for leading and managing the Board and ensuring its effectiveness in all aspects of its role. He works closely with the Chief Executive on developing Group strategy and provides general advice and support.

THE CHIEF EXECUTIVE

Chris Meredith is the Company's Chief Executive. His principal responsibility is to manage the Group's business and to lead the Senior Management Team (SMT) in delivering the Company's strategic and operational objectives.

THE SENIOR INDEPENDENT DIRECTOR

Penny Freer was appointed as Senior Independent Director in 2010. Where the Chairman is not present, the Senior Independent Director chairs meetings of the Board. She is also responsible for the chairing of meetings of Non-Executive Directors if, and when, required.

THE NON EXECUTIVE DIRECTORS

The Non-Executive Directors are all considered by the Board to be independent, in both character and judgement, in accordance with the recommendations of the Code.

THE OPERATION OF THE BOARD

The Board has the authority for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets. To achieve this, the Board reserves certain matters for its own determination including matters relating to Group strategy, approval of interim and annual financial results, dividend policy, major capital expenditure, budgets, monitoring performance, treasury policy, risk management, corporate governance and the effectiveness of its internal control systems. It has a schedule of matters specifically reserved for its approval. Matters are delegated to the Board Committees, Executive Directors and the Senior Management Team where appropriate. The Board performs its responsibilities through an annual programme of meetings and by continuous monitoring of the performance of the Group.

Matters considered by the Board in 2015 included:

- Finance and operations review
- Annual budget
- Risk review
- Strategic plans
- Health and safety
- Potential merger and acquisition targets
- Reports from the Board Committees
- Board evaluation

The Board also delegates a number of its responsibilities to committees and management as described below.

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'.

BOARD AND COMMITTEE MEETINGS

The Board meets on a formal basis regularly, and met formally ten times in 2015. Members are supplied with financial and operational information in good time for review in advance of the meetings. Most Board Committee meetings are scheduled around Board meetings.

The Directors attended the following meetings in the year ended 31 December 2015:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Allen	10	2	4	1
Chris Meredith	10	2*	3*	1
Mary Tavener	10	3*	2*	0
Steve Bellamy	10	3	4	1
Penny Freer	10	3	4	1
Peter Steinmann	10	3	4	1

* By invitation

All Directors have access to the advice and services of the Company Secretary. The Board approves the appointment and removal of the Company Secretary. The Non-Executive Directors are able to contact the Executive Directors, Company Secretary or Senior Managers at any time for further information.

EFFECTIVENESS

Board Composition

The Board comprises the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. The Directors' profiles appear on pages 30 and 31 and detail their experience and suitability for leading and managing the Group. Together they bring a valuable range of expertise and experience to the Group. No individual or group of individuals dominates the Board's decision making process. The Chairman fosters a climate of debate and challenge in the boardroom, built on his challenging but supportive relationship with the Chief Executive which sets the tone for Board interaction and discussions.

Diversity

Vacancies on the Board are filled following a rigorous evaluation of candidates who possess the required balance of skills, knowledge and experience, using recruitment consultants where appropriate. The process for the appointment of Non-Executive Directors is managed by the Nomination Committee, whose responsibilities are outlined on page 48. 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 which was to be achieved by 2015. Additionally, the Senior Management Team also has a diverse experience. Its members comprise of several nationalities and female representation is also 33.3%.

Appointment of Non-Executive Directors

Non-Executive Directors are appointed to the Board following a formal, rigorous and transparent process, involving external recruitment agencies, to select individuals who have a depth and breadth of relevant experience, thus ensuring that the selected candidates will be capable of making an effective and relevant contribution to the Board. The process for the appointment of Non-Executive Directors is managed by the Nomination Committee, whose responsibilities are outlined on page 48.

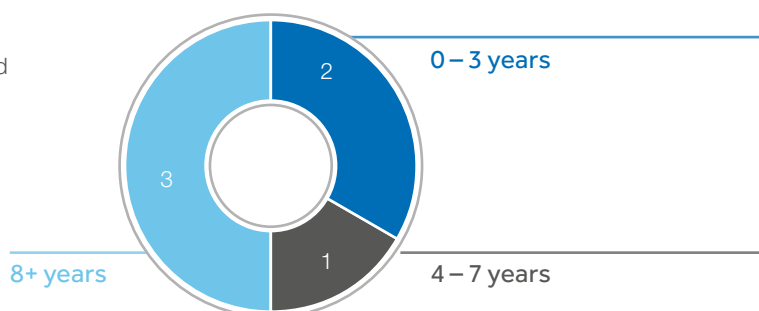
Terms of Appointment and Time Commitment

All Non-Executive Directors are appointed for an initial term of three years subject to satisfactory performance. After this time they may serve additional three year terms following review by the Board. All Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. Directors are expected to attend all Board meetings and committee meetings of which they are members and any additional meetings as required.

Further details of their terms and conditions are summarised in the Remuneration Report on pages 42 and the terms and conditions of appointment of the Non-Executive Directors are available at the Company's Registered Office.

Tenure Chart

The size of the Board during 2015 was six.



Induction and Professional Development

New Directors are given a formal induction process including details of how the Board and Committees operate, meetings with Senior Management and information on Group strategy, products and performance. Training and development needs of Directors are reviewed regularly. The Directors are kept apprised of developments in legal, regulatory and financial matters affecting the Group from the Executive Chief Financial Officer, the Deputy Company Secretary, and the Group's external auditors and advisers.

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.

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 2015 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.

Election and Re-election of Directors

The Company's Articles of Association require all Directors to retire and submit themselves for re-election at the first AGM after appointment and thereafter at least every three years. The Notice of AGM will give details of those Directors seeking re-election.

Remuneration Committee

The Remuneration Committee comprises Penny Freer (Chairman), Steve Bellamy, Peter Steinmann and Peter Allen. The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2015. The Deputy Company Secretary acts as Secretary to the Committee.

The Remuneration Committee met four times in 2015. 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 report of the Committee is included on pages 38 to 45.

Nomination Committee

The Nomination Committee comprises Peter Allen (Chairman), Penny Freer, Steve Bellamy, Chris Meredith and Peter Steinmann and meets as and when it is necessary to do so. The Committee has Terms of Reference that are reviewed at least annually and were updated at the end of 2015. The Deputy Company Secretary acts as Secretary to the Committee. The Committee met once during the year.

The Committee's role is to:

- ensure that appropriate procedures are in place for the nomination and selection of candidates for appointment to the Board considering the balance of skills, knowledge and experience of the Board;
- make recommendations to the Board regarding re-election of Directors, succession planning and Board composition, having due regard for diversity, including gender; and
- consider succession planning for Senior Management and membership of the Audit and Remuneration Committees.

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 2015. The Deputy Company Secretary acts as Secretary to the Committee.

The Committee met three times during the year. The Chief Executive Officer, Chief Financial Officer, Group Financial Controller, external audit partner and internal auditor attended a number of these meetings. The Audit Committee also met with the external audit partner without the Executives and Senior Managers present. The role of the Committee is to:

- consider the appointment, fees, independence and effectiveness of the auditor and the audit process, and discuss the scope of the audit and its findings;
- review audit and non audit services and fees;
- monitor the Group's accounting policies;
- review and challenge the Group's assessment of business risks and internal controls to mitigate these risks;
- review the annual and interim statements prior to their submission for approval by the Board;
- review and challenge the Going Concern assumptions for the Group;
- review the Group's Whistle-blowing, Bribery and Gifts policies;
- review the internal audit plan and the reports of the internal auditors; and
- annually assess the performance of 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:

- 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 mitigation has been and should be implemented. The key risks 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; and
- Going Concern – the conclusion of the review of the Going Concern assessment is included in Note 2.

The Board is confident that the collective experience of the Audit Committee enables them to act as an effective Committee. The Audit Committee has access to the financial expertise of the Group and its auditors and can seek professional advice at the Company's expense if required.

Risk Management

The Group's corporate objective is to maximise long-term shareholder value. In doing so, the Directors recognise that creating value is the reward for taking and accepting risk. The recent challenging business climate has resulted in a sustained focus on our 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 report to the Audit Committee regularly on their review of risks, how the risks are managed and monitored, and what actions have been assigned in relation to those 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 procedures 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. The Board are satisfied that there is an ongoing process, which operated throughout the year, for identifying, evaluating and managing the significant risks faced by the Group.

In September 2014 the FRC issued guidance on 'Risk Management, Internal Control and Related Financial & Business Reporting'. The new guidance was applied in the Group's 2015 accounting period.

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.

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 RSM UK (formerly Baker Tilly LLP). The Audit Committee has prepared the Terms of Reference and will continue to utilise RSM UK's service as required in 2016. Findings and recommendations are received by the Audit Committee, who also review progress on corrective actions. The Audit Committee:

- approves the appointment, 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 fulfill 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.

CORPORATE GOVERNANCE REPORT CONTINUED

All internal audit reports are discussed with the Audit Committee and the external auditor, and the recommendations considered and acted upon. RSM UK attends Audit Committee meetings every six months and updates the Audit Committee in writing ahead of each Committee meeting.

In 2015, the Internal Auditor undertook detailed audits of the sales processing cycle in Germany as well as the planning and production process in Germany and Czech Republic. The recommendations of Internal Audit were accepted by the Audit Committee and acted upon.

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.

Going Concern

In carrying out their duties in respect of going concern, the Directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months 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 £34.2 million (2014: £17.3 million) and was debt free (2014: 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.

Remuneration

The level of remuneration of the Directors is set out in the Remuneration Report on pages 38 to 45.

Relations with Shareholders

The Board appreciates that effective communication with the Company's shareholders and the investment community as a whole is a key objective. The Chairman's Statement, Chief Executive's Statement and the Strategic Report and Financial Review, together with the information in the Annual Report of the Group, provides a detailed review of the business. 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 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.

Mary Tavener

Company Secretary
25 April 2016

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 2015 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 7. 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), including FRS 101 "Reduced Disclosure Framework".

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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Timothy Edge BSc ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

25 April 2016

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 December 2015 Total £'000	Year ended 31 December 2014 Total £'000
Revenue	4	68,596	63,010
Cost of sales		(28,688)	(27,167)
Gross profit		39,908	35,843
Distribution costs		(951)	(853)
Administration costs		(22,505)	(20,070)
Other income		589	250
Profit from operations	4, 5	17,041	15,170
Finance income	10	73	49
Finance costs	11	(118)	(1)
Profit before taxation		16,996	15,218
Income tax	12	(2,877)	(2,354)
Profit attributable to equity holders of the parent		14,119	12,864
Earnings per share			
Basic	14	6.78p	6.20p
Diluted	14	6.68p	6.08p
Adjusted diluted	14	6.86p	6.26p

The above results relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit for the year	14,119	12,864
Items that will potentially be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	(3,348)	(4,200)
Loss arising on cash flow hedges	(3)	(1,173)
Other comprehensive expense for the year	(3,351)	(5,373)
Total comprehensive income for the year attributable to equity holders of the parent	10,768	7,491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	15	8,359	9,238
Software intangibles	15	2,009	1,835
Development costs	15	1,803	1,850
Goodwill	18	34,579	36,696
Property, plant and equipment	16	15,795	16,003
Deferred tax assets	17	135	1,108
Trade and other receivables		13	22
		62,693	66,752
Current assets			
Inventories	19	8,843	7,532
Trade and other receivables	20	10,817	12,969
Current tax assets		9	–
Cash and cash equivalents	21	34,201	17,280
		53,870	37,781
Total assets		116,563	104,533
Liabilities			
Current liabilities			
Trade and other payables	22	9,139	7,649
Current tax liabilities		806	584
Other taxes payable		234	259
Obligations under finance leases	23	1	2
		10,180	8,494
Non-current liabilities			
Trade and other payables	22	415	472
Deferred tax liabilities	17	2,311	2,513
Obligations under finance leases	24	–	1
		2,726	2,986
Total liabilities		12,906	11,480
Net assets		103,657	93,053
Equity			
Share capital	29	10,451	10,393
Share premium		33,196	32,742
Share-based payments reserve		2,253	1,563
Investment in own shares	30	(152)	(148)
Share-based payments deferred tax reserve		437	278
Other reserve	30	1,531	1,531
Hedging reserve	30	(525)	(522)
Translation reserve	30	(8,215)	(4,867)
Retained earnings		64,681	52,083
Equity attributable to equity holders of the parent		103,657	93,053

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 52 to 83 were approved by the Board of Directors and authorised for issue on 25 April 2016 and were signed on its behalf by:

Chris Meredith

Chief Executive Officer
25 April 2016

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 2014	10,343	32,364	1,326	(144)	158	1,531	651	(667)	40,526	86,088
Consolidated profit for the year to 31 December 2014	–	–	–	–	–	–	–	–	12,864	12,864
Other comprehensive expense	–	–	–	–	–	–	(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 profit for the year to 31 December 2015	–	–	–	–	–	–	–	–	14,119	14,119
Other comprehensive expense	–	–	–	–	–	–	(3)	(3,348)	–	(3,351)
Total comprehensive income	–	–	–	–	–	–	(3)	(3,348)	14,119	10,768
Share-based payments	–	–	709	–	159	–	–	–	–	868
Share options exercised	58	454	(19)	–	–	–	–	–	–	493
Shares purchased by EBT	–	–	–	(262)	–	–	–	–	–	(262)
Shares sold by EBT	–	–	–	258	–	–	–	–	–	258
Dividends paid	–	–	–	–	–	–	–	–	(1,521)	(1,521)
At 31 December 2015	10,451	33,196	2,253	(152)	437	1,531	(525)	(8,215)	64,681	103,657

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flows from operating activities		
Profit from operations	17,041	15,170
<i>Adjustments for:</i>		
Depreciation	1,745	1,750
Amortisation – intellectual property rights	367	389
– software intangibles	289	228
– development costs	410	331
Impairment of development costs	–	92
(Increase)/decrease in inventories	(1,501)	221
Decrease/(increase) in trade and other receivables	2,148	(1,623)
Increase in trade and other payables	1,336	1,298
Share-based payments expense	709	592
Taxation	(1,253)	(1,876)
Net cash inflow from operating activities	21,291	16,572
Cash flows from investing activities		
Purchase of software	(472)	(408)
Capitalised research and development	(373)	(581)
Purchases of property, plant and equipment	(1,907)	(1,478)
Disposal of property, plant and equipment	77	61
Interest received	73	50
Net cash used in investing activities	(2,602)	(2,356)
Cash flows from financing activities		
Dividends paid	(1,521)	(1,307)
Finance lease	(2)	(4)
Issue of equity shares	498	69
Shares purchased by EBT	(262)	(190)
Shares sold by EBT	258	186
Interest paid	(118)	(1)
Net cash used in financing activities	(1,147)	(1,247)
Net increase in cash and cash equivalents	17,542	12,969
Cash and cash equivalents at the beginning of the year	17,280	5,257
Effect of foreign exchange rate changes	(621)	(946)
Cash and cash equivalents at the end of the year	34,201	17,280

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1 REPORTING ENTITY

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

The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange plc. The consolidated financial statements of the Company for the 12 months ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the Group).

The Group is primarily involved in the design, development and manufacture of novel high performance polymers (both natural and synthetic) for use in advanced woundcare dressings, and distribution of 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 (IFRSs), as adopted by the EU.

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

The individual financial statements for each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the 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 12 months. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

With regards to the Group's financial position, it had cash and cash equivalents at the year end of £34.2 million. The Group also has in place a five year, unsecured, multi-currency, revolving credit facility for £30 million which was undrawn during 2015.

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 1 Clarification of the meaning of effective IFRSs', IFRS 3 Clarification of the scope exclusion for joint ventures, IFRS 13 Clarification of the scope of portfolio exemption, IAS 40 Clarification of the relationship between IFRS 3 and IAS 40, IAS 19 Defined benefit plans: employee contributions, Annual improvements to IFRSs 2010-2012 cycle (Dec 2014) and Annual improvements to IFRSs 2011-2013 cycle (Dec 2013). These have had no significant impact on this set of financial information.

3 ACCOUNTING POLICIES

Use of critical Estimates and Judgments

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

Impairment of Goodwill

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

Capitalisation of Development Costs

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

Share-based Payments

The charge to the income statement in relation to options and incentive plans is based on the Black-Scholes Merton or the Monte Carlo Option Pricing Model valuation technique. These techniques require 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.

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.

In accounting for uncertainty in income taxes, management is required to develop estimates as to whether a tax benefit should be recognised in the consolidated financial statements, based on whether it is more likely than not that the technical merits of the position will be sustained. The measurement of the tax benefit recognised in the consolidated financial statements is based upon the largest amount of tax benefit that, in management's judgement, is likely to be realised.

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

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

Goodwill

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

Revenue Recognition

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

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 ACCOUNTING POLICIES *continued*

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. Movements in the hedging reserve in equity are detailed in Note 30.

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 in the range of three to ten years.

Property, Plant and Equipment

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

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

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

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

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

No depreciation is provided on freehold land.

Impairment of Tangible and Intangible Assets Excluding Goodwill

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

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 ACCOUNTING POLICIES *continued*

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 than are held for the purpose of meeting short-term cash commitments and are subject to insignificant risk in change in value and which are readily convertible to a known amount of cash. Cash held in accounts with more than 90 days notice that are not required to meet short-term cash commitments are shown as an investment.

Investments

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

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

Trade and Other Receivables

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

Recognition and Valuation of Equity Instruments

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

Recognition and Valuation of Financial Liabilities

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

Trade payables

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

Other loans

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

Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

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

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in Note 25.

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 12 months are presented as current assets or current liabilities.

Leased Assets

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

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

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

Pensions

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

Share-based Payments

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

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 ACCOUNTING POLICIES *continued*

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 2015, 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 IFRSs have been issued but have not been adopted by the Group in these financial statements, as they are not yet effective; it is unlikely that they will have a material effect on the Group's results, operations or financial position except for IFRS 16 which will impact the recognition measurement and disclosure of operating leases. It is considered that a material amount of lease assets and liabilities will require recognition on the Group balance sheet. It is anticipated that a portion of operating lease changes will require reclassification in the Group income statement:

- IFRS 16 Leases
- IFRS 15 Revenue from Contracts with Customers
- IFRS 14 Regulatory Deferral Accounts
- IFRS 9 Financial Instruments

Amendments to other IFRSs not yet effective and not adopted early

- IAS1 Presentation of Financial Statements
- IFRS 11 Joint Arrangements
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- 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
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 10 / IFRS 12 / IAS 28 Investment Entities: Applying the consolidation exception

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.

Segment information about these businesses is presented below.

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

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

Year ended 31 December 2014	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	23,194	10,663	25,275	3,878	-	63,010
Inter-segment sales	-	-	-	702	(702)	-
Total revenue	23,194	10,663	25,275	4,580	(702)	63,010
Result						
Segment result	6,012	2,999	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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4 SEGMENT INFORMATION continued

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

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. 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 2015 £'000	Year ended 31 December 2014 £'000
United Kingdom	16,657	15,308
Germany	13,371	14,042
Europe excluding United Kingdom and Germany	19,223	18,747
United States of America	17,766	13,786
Rest of World	1,579	1,127
	68,596	63,010

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
United Kingdom	62,785	46,049
Germany	50,592	52,887
Europe excluding United Kingdom and Germany	3,060	5,506
United States of America	126	91
	116,563	104,533

5 PROFIT FROM OPERATIONS

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,754	1,750
Amortisation of:		
– acquired intellectual property rights	367	389
– software intangibles	289	228
– development costs	410	331
Operating lease rentals – plant and machinery	250	228
– land and buildings	896	912
Research and development costs expensed to the income statement	1,817	2,120
Cost of inventories recognised as expense	27,836	26,286
Staff costs	20,500	19,342
Net foreign exchange loss/(gain)	391	(1,029)

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 2015 £'000	Year ended 31 December 2014 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	19	30
Fees payable to the Company's auditor and its associates for other services to the Group		
– the audit of the Company's subsidiaries	67	58
Total audit fees	86	88
Audit related assurance services	13	13
Taxation compliance services	–	2
Other services		
– Corporate finance services	55	–
Total non audit fees	68	15
	154	103

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 2015 Number	Year ended 31 December 2014 Number
Production	274	268
Research and development	29	26
Sales and marketing	107	103
Administration	78	75
	488	472

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7 EMPLOYEES continued

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	16,674	15,994
Social Security costs	2,347	2,122
Pension costs	770	634
Share-based payments (see Note 31)	709	592
	20,500	19,342

8 DIRECTORS' EMOLUMENTS

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Remuneration for management services	1,018	789
Pension	66	60
Amounts paid to third parties	30	26
Share-based payments	207	173
	1,322	1,048

Executive Directors

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Salaries and short-term employee benefits	835	644
Pension	66	60
Share-based payments	207	173
	1,108	877

Highest paid Director

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Salaries and short-term employee benefits	497	386
Pension	26	25
Share-based payments	121	100
	644	511

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 2015 £'000	Year ended 31 December 2014 £'000
Salaries and short-term employee benefits	2,225	2,201
Pension	114	110
Termination payments	–	213
Share-based payments	356	282
	2,695	2,806

10 FINANCE INCOME

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Bank interest	73	49
	73	49

11 FINANCE COSTS

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Finance leases	–	1
Amortisation of facility fees	118	–
Total interest expense	118	1

12 TAXATION

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
a) Analysis of charge for the year		
Current tax:		
Tax on ordinary activities – current year	1,743	1,482
Tax on ordinary activities – prior year	58	194
	1,801	1,676
Deferred tax:		
Tax on ordinary activities – current year	1,055	678
Effect of reduction in future U.K. corporation tax rates	21	–
	1,076	678
Tax charge for the year	2,877	2,354

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
--	--	--

b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the U.K. (20.25%) (2014: 21.49%) as explained below:

Profit before taxation	16,996	15,218
Profit multiplied by the standard rate of corporation tax in the U.K. of 20.25% (2014: 21.49%)	3,442	3,272
Effects of:		
Overseas tax rate versus U.K. corporate tax rate	356	259
Net expenses/(income) not deductible/(taxable) for tax purposes and other timing differences	43	(26)
Depreciation for period less than capital allowances	(1)	(9)
Patent Box Relief	(438)	(545)
Utilisation and recognition of trading losses	(269)	(550)
Research and development relief	(324)	(287)
Share-based payments	10	46
Adjustments in respect of prior year – current tax	58	194
Taxation	2,877	2,354

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12 TAXATION continued

Legislation to reduce the main rate of U.K. corporation tax to 19% and 18% was passed by parliament in October 2015 to take effect from 1 April 2017 and 1 April 2020. The reduction in the main rate to 18% had been substantively enacted at the balance sheet date and, therefore, the deferred tax assets and liabilities are calculated in these financial statements at this rate.

In addition to the amount charged to the income statement, 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 £159,000 deficit (2014: £121,000 deficit).

13 DIVIDENDS

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 0.48p (2013: 0.41p) per Ordinary Share	935	851
Interim dividend for the year ended 31 December 2015 of 0.25p (2014: 0.22p) per Ordinary Share	586	456
	1,521	1,307
Proposed final dividend for the year ended 31 December 2015 of 0.55p (2014: 0.48p) per ordinary share	1,150	935

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 2015 £'000	Year ended 31 December 2014 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	14,119	12,864
Number of shares	'000	'000
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	208,376	207,529
Effect of dilutive potential Ordinary Shares: share options, deferred share bonus, LTIPs	2,902	3,991
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	211,278	211,520
	£'000	£'000
Profit for the year attributable to equity holders of the parent	14,119	12,864
Amortisation of acquired intangible assets	367	389
Adjusted profit for the year attributable to equity holders of the parent	14,486	13,253
Earnings per share	pence	pence
Basic	6.78	6.20
Diluted	6.68	6.08
Adjusted basic	6.95	6.39
Adjusted diluted	6.86	6.26

15 ACQUIRED INTELLECTUAL PROPERTY RIGHTS, SOFTWARE INTANGIBLES AND DEVELOPMENT COSTS

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000	Total £'000
2015				
Cost				
At beginning of year	12,089	2,402	2,994	17,485
Additions	–	468	357	825
Exchange differences	(548)	(11)	(11)	(570)
At end of year	11,541	2,859	3,340	17,740
Amortisation				
At beginning of year	2,851	567	1,144	4,562
Charged in the year	367	289	410	1,066
Exchange differences	(36)	(6)	(17)	(59)
At end of year	3,182	850	1,537	5,569
Net book value				
At 31 December 2015	8,359	2,009	1,803	12,171
At 31 December 2014	9,238	1,835	1,850	12,923

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 RESORBA® 'know-how' which is being amortised over 10 years with 6 years remaining, with the exception of the RESORBA® brand name, which the Directors believe has an unlimited useful economic life and has a carrying value of £7,617,000. 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	Total £'000
2014				
Cost				
At beginning of year	12,762	2,006	2,515	17,283
Additions	–	409	581	990
Impairment	–	–	(92)	(92)
Exchange differences	(673)	(13)	(10)	(696)
At end of year	12,089	2,402	2,994	17,485
Amortisation				
At beginning of year	2,506	344	813	3,663
Charged in the year	389	228	331	948
Exchange differences	(44)	(5)	–	(49)
At end of year	2,851	567	1,144	4,562
Net book value				
At 31 December 2014	9,238	1,835	1,850	12,923
At 31 December 2013	10,256	1,662	1,702	13,620

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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
2015							
Cost							
At beginning of year	4,657	12	20,578	647	619	591	27,104
Additions	26	–	1,604	35	170	72	1,907
Transfer of assets into use	–	–	591	–	–	(591)	–
Disposals	(33)	–	(186)	–	(118)	–	(337)
Exchange adjustment	(207)	–	(157)	(3)	(30)	–	(397)
At end of year	4,443	12	22,430	679	641	72	28,277
Depreciation							
At beginning of year	360	10	10,379	281	71	–	11,101
Provided for the year	111	–	1,465	60	118	–	1,754
Disposals	–	–	(179)	–	(76)	–	(255)
Exchange adjustment	(20)	–	(99)	(1)	2	–	(118)
At end of Year	451	10	11,566	340	115	–	12,482
Net book value							
At 31 December 2015	3,992	2	10,864	339	526	72	15,795
At 31 December 2014	4,297	2	10,199	366	548	591	16,003

At 31 December 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £783,000 (2014: £900,000).

The net book value of plant and equipment includes £nil of plant and machinery (2014: £2,000) held under finance leases. The related depreciation charge for the year was £2,000 for plant and machinery (2014: £4,000).

The net book value of plant and equipment includes £188,000 of plant and machinery (2014: £282,000) 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
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

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 payment £'000	Tax losses £'000	Advanced capital allowances £'000	Intangible assets £'000	Research and development assets £'000	Total £'000
At 31 December 2013	422	2,123	(468)	(2,754)	(349)	(1,026)
Charge to income	(135)	(454)	(118)	62	(33)	(678)
Charge to equity	120	–	–	–	–	120
Exchange adjustment	–	–	–	179	–	179
At 31 December 2014	407	1,669	(586)	(2,513)	(382)	(1,405)
Charge to income	(4)	(1,079)	(78)	56	29	(1,076)
Charge to equity	159	–	–	–	–	159
Exchange adjustment	–	–	–	146	–	146
At 31 December 2015	562	590	(664)	(2,311)	(353)	(2,176)

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:

	2015 £'000	2014 £'000
Deferred tax liabilities	(1,017)	(968)
Deferred tax assets	1,152	2,076
	135	1,108

At the balance sheet date, the Group has unused tax losses of £8.0 million (2014: £9.8 million) available for offset against future profits. A deferred tax asset of £0.6 million (2014: £1.7 million) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining £4.7 million (2014: £1.4 million) of such losses due to the unpredictability of future profit streams.

18 GOODWILL

	2015 £'000	2014 £'000
Cost		
At 1 January	36,696	39,278
Exchange differences	(2,117)	(2,582)
At 31 December	34,579	36,696

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

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

	Branded Direct £'000	Branded Distributed £'000	OEM £'000	Bulk Materials £'000	Total £'000
At 31 December 2015					
Goodwill	26,480	6,671	314	1,114	34,579
Intangible assets with indefinite useful life	6,379	1,704	–	–	8,083
	32,859	8,375	314	1,114	42,662

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18 GOODWILL *continued*

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 12 month period. These budgets have been adjusted for specific risk factors that take into account sensitivities of the projection. The base 12 months projection is extrapolated using reasonable growth rates specific to each cash generating unit up to year five of between 0% and 10%, and has not been inflated for years 6 to 20 which management believes does not exceed the long-term average growth rate for the industry or the forecast company growth; the growth rate would have to fall significantly in order for an impairment to be required. A discount rate of between 6 and 7.5% per annum (2014: 8%), being the Group's current pre-tax weighted average cost of capital adjusted for risk, 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

	2015 £'000	2014 £'000
Raw materials	4,376	3,721
Work in progress	1,699	1,164
Finished goods	2,768	2,647
	8,843	7,532

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

	2015 £'000	2014 £'000
Total gross inventories	9,764	8,217
Inventory impairment	(921)	(685)
Net inventory	8,843	7,532

	2015 £'000	2014 £'000
Inventory impairment		
At beginning of year	(685)	(540)
Income statement charge	(694)	(495)
Provision released	36	64
Provision utilised	422	286
At end of year	(921)	(685)

20 TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Due within one year		
Trade receivables	9,376	10,846
Other receivables	41	22
Prepayments and accrued income	1,400	2,101
	10,817	12,969

	2015 £'000	2014 £'000
Amount receivable for the sale of goods	9,644	11,089
Provision for impairment	(268)	(243)
	9,376	10,846

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

The average credit period taken on sales of goods is 41 days (2014: 42 days). No interest is charged on the receivables within the contracted credit period. Thereafter, interest may be charged at 2% per month on the outstanding balance. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the Group's large and unrelated customer base. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for impairments.

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

Included in the Group's trade receivable balance are debtors which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable – 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

	2015 £'000	2014 £'000
31-60 days overdue	187	739
61 to 90 days overdue	56	126
>90 days overdue	–	135
Total	243	1,000

Movement in Provision for Impairment

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Balance at the beginning of the year	243	215
Impairment losses recognised	147	83
Amounts written-off as uncollectible	(9)	(28)
Amounts recovered during the year	(113)	(27)
Balance at the end of the year	268	243

Ageing of Impaired Trade Receivables

	2015 £'000	2014 £'000
Not yet due	82	2
0 to 30 days overdue	–	51
31 to 60 days overdue	3	36
61 to 90 days overdue	–	7
Over 90 days overdue	183	147
Total	268	243

Analysis of Customers

In the year ended 31 December 2015, there were no customers accounting for more than 10% of revenue (2014: same).

21 INVESTMENTS, CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash and cash equivalents	34,201	17,280

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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Current liabilities		
Trade payables	3,339	2,256
Other payables	1,367	1,267
Derivative financial instruments	525	522
Accruals and deferred income	3,908	3,604
	9,139	7,649
Non-current liabilities		
Other payables	415	472

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 34 days (2014: 36 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

	2015 £'000	2014 £'000
Obligations under finance leases (see Note 26)	1	2

24 NON-CURRENT FINANCIAL LIABILITIES

	2015 £'000	2014 £'000
Obligations under finance leases (see Note 26)	–	1

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	
	2015 £'000	2014 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	43,631	28,170
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	525	522
Amortised cost	9,555	8,124

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

- the committed value of the facility is £30m
- there is an uncommitted accordion of an additional £20m
- it is unsecured
- facility will expire 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 covenants – 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 11 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 %
2015						
Trade and other payables	9,139	53	158	204	9,554	–
Finance lease creditors	1	–	–	–	1	24%
At 31 December 2015	9,140	53	158	204	9,555	
	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	

	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	
	2015 years	2014 years	2015 years	2014 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	5,543	24,048	29,591
U.S. dollar	51	528	579
Euro	2,192	1,839	4,031
At 31 December 2015	7,786	26,415	34,201

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 FINANCIAL INSTRUMENTS continued

	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

Trade and other receivables

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

	2015 £'000	2014 £'000
Sterling	5,963	7,849
U.S. dollar	1,874	2,190
Euro	2,980	2,930
	10,817	12,969

The financial assets all mature within one year.

(c) Currency Exposures

At 31 December 2015, the Group had unhedged U.S. dollar currency exposures of £nil (2014: £nil) and unhedged Euro currency exposures of £nil (2014: £nil).

Risk Sensitivity

See Strategic Report (page 11) 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 difference	
	2015 USD:GBP	2014 USD:GBP	2015 USD '000	2014 USD '000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Outstanding contracts								
Cash flow hedges								
Sell U.S. dollars								
Less than 3 months	1.606	1.606	5,100	4,100	3,176	2,553	(257)	(78)
3 to 6 months	1.527	1.633	4,000	3,400	2,619	2,082	(80)	(102)
7 to 12 months	1.526	1.667	8,600	6,400	5,634	3,838	(167)	(275)
Over 12 months	1.524	1.596	3,000	8,100	1,969	5,075	(56)	(126)
			20,700	22,000	13,398	13,548	(560)	(581)
Sell Euros								
Less than 3 months	1.309	1.255	600	600	459	478	21	11
3 to 6 months	1.358	1.253	650	480	479	383	2	9
7 to 12 months	1.358	1.250	1,900	1,960	1,399	1,568	9	32
Over 12 months	1.356	1.247	350	300	258	241	1	7
			3,500	3,340	2,595	2,670	33	59

The fair value difference 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 (2014: £nil) in respect of FVTPL contracts. The loss of £526,000 (2014: £522,000 loss) in respect of cash flow hedges has been taken to reserves.

26 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of lease payments	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts payable under finance leases:				
Within one year	1	2	1	2
In the second to fifth years inclusive	-	1	-	1
Present value of lease obligations	1	3	1	3
Less: Amount due for settlement within 12 months (shown under current financial liabilities)	(1)	(2)	(1)	(2)
Amount due for settlement after 12 months	-	1	-	1

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years (2014: 5 years). For the year ended 31 December 2015, the average effective borrowing rate was 24% (2014: 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	
	2015	2014	2015	2014	Average %	Closing %
Currency						
U.S. dollar	1.5315	1.6525	1.4833	1.5587	(7)	(5)
Euro	1.3740	1.2385	1.3625	1.2839	11	6

29 SHARE CAPITAL

	Allotted, called up and fully paid '000
Number of ordinary shares of 5p each	
At 1 January 2014	206,869
Share options exercised	983
At 31 December 2014	207,852
Share options exercised	1,170
At 31 December 2015	209,022

During the year, employees exercised share options and options over LTIPs for 1,002,578 shares (2014: 689,941) at a range of option prices from 11p to 88p.

During the year, 167,422 (2014: 194,912) shares were issued under the Deferred Share Bonus Scheme at the nominal value of 5p per share. At the balance sheet date, 450,000 (2014: 478,000) shares are retained by the Trust to meet the matching requirements of the scheme.

	Allotted, called up and fully paid £'000
Ordinary Shares of 5p each	
At 1 January 2014	10,343
Share options exercised	50
At 31 December 2014	10,393
New issues in the year	58
At 31 December 2015	10,451

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 £3,348,000 loss has been recorded in the translation reserve during the period, which would otherwise have been recognised in Administration costs (2014: £4,200,000 loss), if hedge accounting had not been adopted.

31 SHARE-BASED PAYMENTS

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

	2015 £'000	2014 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	98	114
Long Term Incentive Plan	360	309
Deferred Share Bonus Scheme and Deferred Annual Bonus Scheme	251	169
	709	592

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

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

Grant Date	21/09/2006	12/04/2007	16/04/2008	20/04/2009	16/04/2010	15/04/2011	08/09/2011	10/05/2012
Share price at grant date	11.25p	16.75p	32.25p	33.75p	42.0p	88.0p	86.25p	69.08p
Exercise price	11.25p	16.75p	32.25p	33.75p	42.0p	88.0p	86.25p	69.08p
Expected life	3.5 yrs	3.5 yrs	3.5 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	10 yrs
Risk free rate	4.50%	5.00%	5.00%	2.40%	2.40%	1.92%	1.92%	0.39%
Expected volatility	30%	27%	38%	34%	34%	18%	18%	34%
Expected dividend yield	0%	0%	0%	0%	0%	0.7%	0.7%	0.7%
Fair value of options	1p	2p	8p	6p	9p	9p	9p	13p

Grant Date	20/06/2012	06/09/2012	26/04/2013	21/05/2013	19/09/2013	15/04/2014	19/09/2014	02/04/2015
Share price at grant date	67.5p	76.75p	77.5p	74.0p	90.0p	115.75p	121.75p	132.0p
Exercise price	67.5p	76.75p	77.5p	74.0p	90.0p	115.75p	121.75p	132.0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	0.39%	0.17%	0.36%	0.49%	0.86%	0.80%	0.80%	0.80%
Expected volatility	34%	34%	36%	36%	36%	36%	36%	31%
Expected dividend yield	0.7%	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	22p

Under the terms of the Company's Share Option Schemes, approved by Shareholders in 2010, 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 2015.

Date of grant	Option price (p)	Weighted average price at exercise (p)	No of options as at 1 January 2015	Remaining life as at 1 January 2015 (years)	Issued	Lapsed	Exercised	No of options as at 31 December 2015	Remaining life as at 31 December 2015 (years)
Unapproved Executive Share Option Scheme									
16.04.10	42.00	–	5,000	5.3	–	–	–	5,000	4.3
20.06.12	67.50	149.40	515,144	7.5	–	–	(396,754)	118,390	6.5
06.09.12	76.75	157.50	15,000	7.7	–	–	(15,000)	–	6.7
26.04.13	77.50	–	15,000	8.3	–	–	–	15,000	7.3
21.05.13	74.00	–	451,454	8.4	–	–	–	451,454	7.4
19.09.13	90.00	–	3,000	8.7	–	–	–	3,000	7.7
15.04.14	115.75	–	563,719	9.3	–	(79,040)	–	484,679	8.3
19.09.14	121.75	–	127,680	9.7	–	–	–	127,680	8.7
02.04.15	132.00	–	–	–	395,296	(30,000)	–	365,296	9.3
Enterprise Management Incentive Scheme									
21.09.06	11.25	152.85	1,000	1.7	–	–	(1,000)	–	0.7
12.04.07	16.75	152.85	19,000	2.3	–	–	(4,000)	15,000	1.3
16.04.08	32.25	139.00	15,000	3.3	–	–	(15,000)	–	2.3
20.04.09	33.75	176.50	24,000	4.3	–	–	(15,000)	9,000	3.3
16.04.10	42.00	164.70	142,868	5.3	–	–	(24,368)	118,500	4.3
Company Share Option Plan									
20.10.10	64.00	176.50	15,000	5.8	–	–	(15,000)	–	4.8
15.04.11	88.00	–	19,000	6.3	–	–	–	19,000	5.3
08.09.11	86.25	144.67	19,000	6.7	–	–	(16,000)	3,000	5.7
10.05.12	69.08	153.96	88,000	7.4	–	–	(37,000)	51,000	6.4
20.06.12	67.50	155.36	333,923	7.5	–	–	(205,332)	128,591	6.5
06.09.12	76.75	154.92	35,000	7.7	–	(10,000)	(22,500)	2,500	6.7
26.04.13	77.50	–	110,000	8.3	–	(25,000)	–	85,000	7.3
21.05.13	74.00	–	149,865	8.4	–	(30,000)	–	119,865	7.4
15.04.14	115.75	–	181,281	9.3	–	(45,960)	–	135,321	8.3
19.09.14	121.75	–	116,320	9.7	–	–	–	116,320	8.7
02.04.15	132.00	–	–	–	99,704	–	–	99,704	9.3
			2,965,254		495,000	(220,000)	(766,954)	2,473,300	

The weighted average remaining contractual life of the options outstanding at 31 December 2015 is 7.8 years (2014 8.1 years).

	2015		2014	
	Number of Options	Weighted average exercise price (p)	Number of Options	Weighted average exercise price (p)
Outstanding at beginning of the year	2,965,254	84.32	2,377,380	65.84
Granted	495,000	132.00	989,000	117.23
Exercised	(766,954)	149.70	(175,163)	37.04
Lapsed	(220,000)	106.20	(225,963)	72.08
Outstanding at end of the year	2,473,300	97.52	2,965,254	84.32
Exercisable at end of year	469,981	59.70	259,868	46.58

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 binominal tree model assuming the inputs below:

Grant date	15/04/2011	20/06/2012	06/09/2012	21/05/2013	19/09/2013	06/06/2014	02/04/2015	10/09/2015
Share price of grant date	88.00p	67.5p	76.75p	74.0p	90.0p	117.0p	132.0p	151.5p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	1.92%	0.39%	0.39%	0.49%	0.86%	0.80%	0.80%	0.86%
Expected volatility	33%	34%	34%	35%	36%	36%	29%	27%
Expected dividend yield	0%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Probability of performance conditions	52%	44%	49%	64%	70%	75%	75%	75%
Fair value of option	76.5p	28.8p	36.4p	46.3p	60.9p	85.9p	64.4p	75.5p

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 41. 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 2015	Remaining life as at 1 January 2015 (years)	Issued	Lapsed	Exercised	Number of LTIPs 31 Dec 2015	Remaining life as at 31 Dec 2015 (years)
Long-Term Incentive Plan								
15.04.11	88.00	286,457	7.3	–	–	(97,829)	188,628	6.3
20.06.12	67.50	350,000	7.5	–	(157,087)	(137,795)	55,118	6.5
06.09.12	76.75	462,540	7.7	–	(207,595)	–	254,945	6.7
21.05.13	74.00	100,000	8.4	–	–	–	100,000	7.4
19.09.13	90.00	403,122	8.8	–	–	–	403,122	7.8
06.06.14	117.00	857,957	9.5	–	–	–	857,957	8.5
02.04.15	132.00	–	–	494,357	–	–	494,357	9.3
10.09.15	151.50	–	–	300,329	–	–	300,329	9.7
		2,460,076		794,686	(364,682)	(235,624)	2,654,456	

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2015 is 8.3 years (2014: 8.5 years).

	2015 Number of Options	2014 Number of Options
Outstanding at beginning of the period	2,460,076	2,396,384
Granted	794,686	907,957
Exercised	(235,624)	(514,778)
Lapsed	(364,682)	(329,487)
Outstanding at end of the period	2,654,456	2,460,076
Exercisable at end of period	498,691	286,457

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

Deferred Share Bonus Scheme (DSB)

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

Grant date	12/04/2007	12/04/2007	02/05/2008	23/04/2009	05/05/2010	05/05/2010	11/05/2011	11/05/2011
Share price at grant date	18.25p	18.25p	35.50p	34.00p	40.32p	40.32p	83.00p	83.00p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3.5 yrs	3.0 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	5.00%	5.00%	5.00%	2.40%	2.40%	2.40%	1.92%	1.92%
Expected volatility	27%	27%	38%	30%	34%	34%	18%	18%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0.7%	0.7%
Probability of performance conditions	100%	66.70%	100%	100%	100%	100%	100%	100%
Fair value of option	14p	9p	30p	29p	34p	34p	72p	72p
Grant date	10/05/2012	10/05/2012	02/07/2013	02/07/2013	30/04/2014	30/04/2014	29/04/2015	29/04/2015
Share price at grant date	70.625p	70.625p	74.125p	74.125p	126.0p	126.0p	141.5p	141.5p
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	0.39%	0.39%	0.69%	0.69%	0.80%	0.80%	0.80%	0.80%
Expected volatility	34%	34%	36%	36%	36%	36%	31%	31%
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	61p	62p	63p	64p	110p	110p	124p	124p

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

The entitlement to shares under the DSB is subject to a 3 year holding period. Additionally, for certain levels of share matching, additional performance conditions also need to be achieved. The actual number of shares that will be matched will depend on these performance conditions. Details on the DSB are given on page 40.

Date of grant	Market price at date of grant (p)	Number of DSB matching shares at		Issued	Lapsed	Exercised	Number of DSB matching shares at	
		1 January 2015	Remaining life as at 1 January 2015 (years)				31 December 2015	Remaining life as at 31 December 2015 (years)
Deferred Share Bonus Plan								
12.04.07	18.25	57,352	2.3		–	(39,382)	17,970	1.3
02.05.08	35.50	20,462	3.3		–	(5,414)	15,048	2.3
23.04.09	34.00	90,389	4.3		–	(37,114)	53,275	3.3
05.05.10	40.32	150,017	5.3		–	(50,567)	99,450	4.3
11.05.11	83.00	69,656	6.4		–	(9,148)	60,508	5.4
10.05.12	70.625	64,229	7.4		–	(12,758)	51,471	6.4
02.07.13	74.125	387,380	8.5		(2,420)	(5,055)	379,905	7.5
30.04.14	126.000	181,919	9.6		(4,623)	(5,782)	171,514	8.6
29.04.15	141.500	–	–	264,812	(10,047)	(2,202)	252,563	9.6
		1,021,404		264,812	(17,090)	(167,422)	1,101,704	

The weighted average remaining contractual life of the DSBs outstanding at 31 December 2015 is 7.3 years (2014: 7.2 years).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 SHARE-BASED PAYMENTS *continued*

Deferred Share Bonus Scheme (DSB)

	2015 Number of Options	2014 Number of Options
Outstanding at beginning of the period	1,021,404	1,203,523
Granted	264,812	194,912
Exercised	(167,422)	(310,325)
Forfeited	(17,090)	(66,706)
Outstanding at end of the period	1,101,704	1,021,404
Exercisable at end of period	297,722	387,876

The exercise price of the matching shares is £nil.

Deferred Annual Bonus Scheme (DABs)

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

Grant date	21/05/2014	15/04/2015
Share price at grant date	115.4p	129.0p
Exercise price	0p	0p
Expected life	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs
Risk-free rate	0.80%	0.80%
Expected volatility	31%	31%
Expected dividend yield	0.7%	0.7%
Probability of performance conditions	100%	100%
Fair value of option	115p	129p

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

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

Date of grant	Market price at date of grant (p)	Number of DAB matching shares at 1 January 2015	Remaining life as at 1 January 2015 (years)	Issued	Lapsed	Exercised	Number of DAB matching shares at 31 December 2015	Remaining life as at 31 December 2015 (years)
Deferred Annual Bonus Plan								
21.05.2014	115.40	52,398	9.6	–	–	–	52,398	8.6
15.04.2015	129.00	–	–	81,961	–	–	81,961	9.6
		52,398	9.6	81,961	–	–	134,359	

The weighted average remaining contractual life of the DABs outstanding at 31 December 2015 is 9.2 years (2014: 9.6).

Deferred Annual Bonus Scheme (DAB)

	2015 Number of Options	2014 Number of Options
Outstanding at beginning of the period	52,398	–
Granted	81,961	52,398
Outstanding at end of the period	134,359	52,398
Exercisable at end of period	–	–

32 COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2015, the Group had outstanding commitments under operating leases, which fall due as follows:

	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Amounts payable under operating leases:				
Within one year	885	73	893	71
In two to five years	3,561	87	3,594	162
After five years	3,087	–	4,026	–
	7,533	160	8,513	233

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 2015

	Note	2015 £'000	2014 Restated £'000
Non current assets			
Investments in subsidiaries	3	52,082	52,078
Trade and other receivables	4	–	59
		52,082	52,137
Current assets			
Trade and other receivables	4	212	328
Cash and cash equivalents		28,693	14,444
		28,905	14,772
Current liabilities			
Trade and other payables	5	(5,120)	(8,719)
Net current assets		23,785	6,053
Net assets		75,867	58,190
Equity shareholders' funds			
Share capital	6	10,451	10,393
Share-based payments reserve		2,253	1,563
Investment in own shares		(152)	(148)
Share premium		33,196	32,742
Retained earnings		30,119	13,640
Equity attributable to equity holders of the parent		75,867	58,190

STATEMENT IN CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £'000	Share- based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2015	10,393	1,563	(148)	32,742	13,640	47,797
Share-based payments	–	709	–	–	–	709
Share options exercised	58	(19)	–	454	–	435
Shares purchased by EBT	–	–	(262)	–	–	(262)
Shares sold by EBT	–	–	258	–	–	258
Profit for the year	–	–	–	–	18,000	18,000
Dividends paid	–	–	–	–	(1,521)	(1,521)
At 31 December 2015	10,451	2,253	(152)	33,196	30,119	65,416

The financial statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 84 to 89 were approved by the Board of Directors and authorised for issue on 25 April 2016 and were signed on its behalf by:

C MEREDITH

Chief Executive Officer
25 April 2016

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

IFRS 2 Share-based payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This treatment is consistent with the transitional provisions taken when the Company adopted FRS 20, the U.K. equivalent standard.

In the transition to FRS 101 from UK GAAP, the Company has made measurement and recognition adjustments which are detailed below.

The Company's prior financial statements were prepared in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015 are the first the Company has prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of IFRSs. As such this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the period ended 31 December 2014.

On transition to FRS 101 the Company has applied the transitional arrangements set out in IFRS 1 First Time Adoption of International Reporting Standards as adopted by the EU. There are no transition adjustments on the date of transition, however there are IFRS adjustments affecting the results for the period to 31 December 2014 and the Balance Sheet as at 31 December 2014 which is shown in the reconciliation of equity detailed below.

	At 31 December 2015 £'000	At 31 December 2014 £'000
Reconciliation of equity		
Equity reported under previous UK GAAP	30,085	13,582
Recognition of financial assets ¹	34	58
Reclassification of long-term receivables ²	-	-
Equity reported under FRS 101	30,119	13,640

1 This adjustment relates to recognition of derivative financial instruments in accordance with IAS 39. On transition to FRS 101, the fair value of derivative financial instruments held have been brought onto the balance sheet in accordance with IAS 39. As such, the Company has recognised an asset of £34,000 (2014: £58,000) and a corresponding charge to the income statement.

2 On transition to FRS 101, long term receivables of £nil (2014: £59,000), recognised as equivalent to fixed asset investments under previous UK GAAP, have been reclassified to long-term receivables due after more than one year as a result of FRS 101 not permitting long-term receivables as equivalent to investments.

The accounting policies set out below have, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis. These financial statements are presented in pounds sterling.

Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2015

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

(i) Impairment of Investments and Intragroup Receivables

Investment and receivable carrying values are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or cash generating unit is not recoverable. Recoverable amount is the higher of fair value, as supported by management valuation, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Investments in Subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment.

Foreign Currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising on retranslation are included in net profit or loss for the period.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax.

Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in respect of the initial recognition of assets and liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Trade and Other Creditors

Trade and other creditors are non-interest bearing and recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Finance Charges

Finance charges comprise interest payable on interest-bearing loans and borrowings and fair value losses on interest rate swap derivative financial instruments. Finance charges are recognised in the Income Statement on an effective interest method.

Finance Income

Finance income comprise interest receivable on funds invested and fair value gains on interest rate swap derivative financial instruments. Finance income is recognised in the Income Statement on an effective interest method.

Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value and re-measured at each period end. The gain or loss on re-measurement to fair value is recognised immediately in the Income Statement. The Company has elected not to apply hedge accounting. Forward currency contracts are recognised at fair value in the Balance Sheet with movements in fair value recognised in the Income Statement for the period. The fair value of the instruments is the estimated amount that the Company would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the respective risk profiles of the swap counterparties.

Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Share-based Payments

The Company has applied the requirements of IFRS 2 Share-based Payments.

The Company 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 determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates with a corresponding adjustment to the equity-settled employee benefits reserve.

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 2015 of £18,000,000 (2014: Profit of £5,691,000).

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 (2014: 11). The Directors' remuneration is detailed in Note 8 to the consolidated financial statements.

3. INVESTMENTS IN SUBSIDIARIES

	Investments in subsidiaries £'000
Cost	
At 1 January 2015 (restated)	80,748
Additions	4
At 31 December 2015	80,752
Provisions for impairment	
At 1 January 2015 (restated)	28,670
At 31 December 2015	28,670
Net Book value	
At 31 December 2015	52,082
At 31 December 2014 (restated)	52,078

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 have been written down to recognise losses in subsidiary companies.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2015

3. INVESTMENTS IN SUBSIDIARIES *continued*

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

Name	Country of Operation	Proportion of voting rights and ordinary share capital Held	Nature of business
Advanced Medical Solutions Limited	England	100%	Development and manufacture of medical products
Advanced Medical Solutions (UK) Limited	England	100%	Holding Company
Advanced Medical Solutions Trustee Company Limited	England	100%	Trustee Company
Advanced Medical Solutions (Plymouth) Limited	England	100%	Development and manufacture of medical products
Advanced Healthcare Systems Limited	England	100%*	Dormant
Advanced Medical Solutions Group Inc.	USA	100%†	Holding Company
Advanced Medical Solutions (US) Inc.	USA	100%§	Marketing support of medical products
MedLogic Global Holdings Limited	England	100%¶	Holding Company
Innovative Technologies Limited	England	100%‡	Dormant
Advanced Medical Solutions 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.	USA	100%	Marketing support of medical products
Advanced Medical Solutions (Europe) Limited	England	100%	Providing financial support to other Group entities

* Held indirectly through Advanced Medical Solutions Limited.

‡ Held indirectly through MedLogic Global Holdings Limited.

† Held indirectly through Advanced Medical Solutions (UK) Limited.

^ 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.

4. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
<i>Due within one year</i>		
Prepayments and accrued income	178	270
Derivative financial instruments	34	58
	212	328
<i>Due after more than one year</i>		
Amounts owed by Group undertakings	–	59
	2015 £'000	2014 £'000
Amounts owed by Group undertakings		
Cost		
At 1 January	2,399	2,399
Movement	(59)	–
At 31 December	2,340	2,399
Provisions for impairment		
At 1 January	2,340	2,340
At 31 December	2,340	2,340
Net book value		
At 31 December	–	59

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade creditors	31	34
Other creditors	7	10
Amounts owed to Group undertakings	2,862	6,817
Accruals and deferred income	2,220	1,858
	5,120	8,719

6. SHARE CAPITAL

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

7. SHARE-BASED PAYMENTS

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

	2015 £'000	2014 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	98	114
Long-Term Incentive Plan	360	309
Deferred Share Bonus Scheme and Deferred Annual Bonus Scheme	251	169
	709	592

Details on the share-based payments of the Company are provided in Note 31 on pages 78 to 82 in the notes to the Group's accounts.

FIVE YEAR SUMMARY

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Consolidated income statement (pre-exceptional items)					
Revenue	68.6	63.0	59.5	52.6	34.4
Profit from operations	17.0	15.2	13.7	12.3	6.4
Profit attributable to equity holders of the parent	14.1	12.9	11.4	10.5	6.7
Basic earnings per share	6.8p	6.2p	5.5p	5.2p	4.3p
Consolidated statement of financial position					
<i>Net assets employed</i>					
Non-current assets	62.7	66.8	71.3	71.9	74.2
Current assets	53.9	37.8	25.8	25.7	25.3
Total liabilities	(12.9)	(11.5)	(11.0)	(23.9)	(33.3)
Net assets	103.7	93.1	86.1	73.7	66.2
<i>Shareholders' equity</i>					
Share capital & investment in own shares	10.3	10.2	10.2	10.2	10.2
Share-based payments reserve	2.3	1.6	1.3	1.1	0.8
Share-based payments deferred tax reserve	0.4	0.3	0.2	0.2	0.6
Share premium account	33.2	32.8	32.4	31.9	31.7
Other reserve	1.5	1.5	1.5	1.5	1.5
Hedging reserve	(0.5)	(0.5)	0.7	(0.1)	–
Translation reserve	(8.2)	(4.9)	(0.7)	(1.4)	(0.1)
Retained equity	64.7	52.1	40.5	30.3	21.5
Equity attributable to equity holders of the parent	103.7	93.1	86.1	73.7	66.2

NOTICE OF MEETING

Notice is hereby given that the twenty-second Annual General Meeting of the Company will be held at 11.00 a.m. on 2 June 2016 at the offices of Investec Bank plc, 2 Gresham Street, London, EC2V 7QP, 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 2015 (together with the report of the auditor thereon).
2. To approve the Directors' Remuneration Report for the year ended 31 December 2015.
3. To reappoint Deloitte LLP as auditor and to authorise the Directors to fix their remuneration.
4. To re-elect Mary Tavener (who retires by rotation in accordance with the Articles of Association) as a Director of the Company.
5. To re-elect Penny Freer (who retires by rotation in accordance with the Articles of Association) as a Director of the Company.
6. To declare a final dividend of 0.55p per Ordinary Share, payable on 10 June 2016 to shareholders on the register at close of business on 20 May 2016.

AS SPECIAL BUSINESS:

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

7. 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 £3,484,586 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.
8. Subject to the passing of Resolution 7 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 7 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 £1,045,375; 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.
9. 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 10,453,759;
 - (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
25 April 2016

Registered office:

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

NOTICE OF MEETING CONTINUED

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 31 May 2016 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 31 May 2016 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

NOTES ON SPECIAL BUSINESS

Resolution 7: 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 £3,484,586 (representing 69,691,726 Ordinary Shares of 5p each). This amount represents approximately one-third of the issued Ordinary Share capital of the Company as at 31 March 2016, 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 2017 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 8: 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 8 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 £1,045,375 (being 10% of the Company's issued Ordinary Share capital at 31 March 2016, 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 8 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 2017 or, if earlier, 15 months after the passing of the Resolution.

Resolution 9: 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 9, 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 £522,687 (representing 5% of the issued Ordinary Share capital of the Company as at 31 March 2016 the latest practicable date prior to publication of this Notice; representing 10,453,759 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 2017 or, if earlier, 15 months after the passing of the Resolution.

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

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

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

As at 31 March 2016, the latest practicable date prior to publication of this Notice, there were share options outstanding over Ordinary Shares, representing 3% 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% of the Company's ordinary issued share capital.

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NOMINATED ADVISOR AND BROKER

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