Advanced Medical Solutions Group plc

Innovative solutions creating quality outcomes

Annual Report 2017

About us

Advanced Medical Solutions

is a world-leading independent developer and manufacturer of innovative and technologically advanced products for the global surgical, woundcare and wound closure markets, focused on quality outcomes for patients and value for payors.

Contents

Creating quality outcomes through our financial strength

Financial

	2017	2016[6]	Reported growth	Growth at constant currency[1]
Group revenue (£ million)	**96.9**	83.2	16%	12%
Adjusted[2] operating margin (%)	**26.2**	23.7	250bps	–
Adjusted[2] profit before tax (£ million)	**25.4**	19.7	29%	–
Profit before tax (£ million)	**25.3**	19.1	32%	–
Adjusted[2] diluted earnings per share (p)	**9.46**	7.66	23%	–
Diluted earnings per share (p)	**9.39**	7.38	27%	–
Net operating cash flow[3] pre-exceptional items (£ million)	**21.5**	22.3	(4%)	–
Net cash (£ million)[4]	**62.5**	51.1	22%	–

Proposed final dividend of 0.75p per share, making a total dividend for the year of 1.10p (2016: 0.92p), up 20%.

Group revenue
£96.9m
(2016: £83.2m)[6]

Adjusted[2] profit before tax
£25.4m
(2016: £19.7m)

Adjusted[2] diluted earnings per share
9.46p
(2016: 7.66p)

Net cash[4]
£62.5m
(2016: £51.1m)

Business

→ Good revenue growth, up 16% to £96.9 million and by 12% at constant currency
- Branded revenues up 22% to £55.2 million (2016: £45.4 million), and by 16% at constant currency
- OEM revenues up 10% to £41.7 million (2016: £37.8 million) and by 8% at constant currency

→ Continued strong performance from LiquiBand® topical tissue adhesives, sales up 35% to £26.0 million (2016: £19.3 million) and by 30% at constant currency
- US revenues up 47% to £18.2 million (2016: £12.4 million) and by 40% at constant currency
- As at 31 December 2017, US market share by volume[5] increased to 26% (June 2017: 24%)

→ RESORBA® branded products up 15% to £20.8 million (2016: £18.1 million) and by 6% at constant currency

→ Antimicrobial dressings up 11% to £19.4 million (2016: £17.5 million) and by 9% at constant currency

→ Out-licensing deal with Organogenesis signed for a collagen based wound dressing containing Polyhexamethylene Biguanide ("PHMB")
- Royalties of £2.5 million received in 2017 (2016: £nil)

1 Constant currency removes the effect of currency movements by re-translating the current period's performance at the previous period's exchange rates.

2 All items are shown before exceptional items which were £nil (2016: £0.4 million) and amortisation of acquired intangible assets which, in 2017, were £0.1 million (2016: £0.2 million) as defined in the Financial Review.

3 Operating cash flow is arrived at by taking the operating profit for the period before exceptional items of £nil million (2016: £0.4 million), 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.

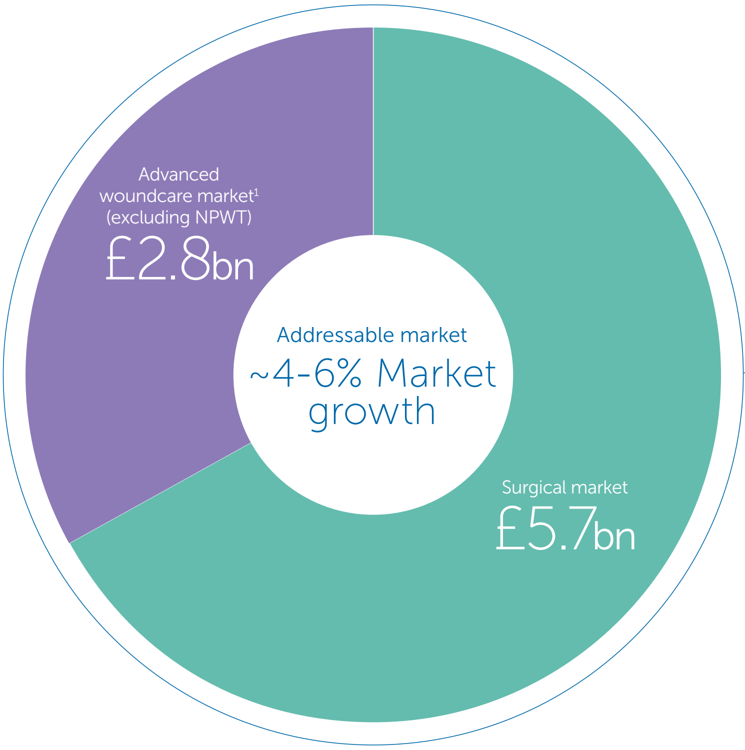
5 Data supplied by Global Healthcare Exchange.

6 2016 Revenue restated as a result of adoption of IFRS 15 (Revenue from Contracts with Customers).

Creating quality outcomes for the global surgical and advanced woundcare markets through quality respected brands

Our addressable market is large and growing.

- Favourable global healthcare trends
- Structurally growing markets
- High degree of recurring revenues
- Low clinical R&D risks



LiquiBand®

Our range of medical adhesives, based on cyanoacrylate. We have a range of formulations and applicators for topical skin closure.

We have approval to use the adhesive internally in Europe for hernia mesh fixation with our LiquiBand® Fix8™ device. Work is ongoing to gain approval for this device in the US.

LIQUIBAND®

£96.9m
Global sales

£25.4m
Adjusted[2] profit before tax

26.2%
Adjusted[2] operating margin

7
Locations

>600
Employees

>100
Distribution partners

75
Countries

[1] Advanced woundcare market includes alginates, gelling fibre dressings, contact layers, hydrocolloids, hydrogels, superabsorbents, silvers/other antimicrobials and foams. It excludes Negative Pressure Wound Therapy (NPWT).

[2] All items are shown before exceptional items which were £nil and amortisation of acquired intangible assets which were £0.1 million.

ActivHeal®

Our brand of advanced woundcare products that are sold to the NHS in the UK, providing significant cost savings to payors without compromising on clinical effectiveness.

This range was extended in 2017 to include Aquafiber AG and our atraumatic and antimicrobial foams.

RESORBA®

Our comprehensive range of sutures sold in Europe and the Rest of the World. Approval to sell our sutures in the US was obtained in September 2015 and a range of sutures for dental use were launched in the US in 2016.

We also have a range of haemostats based on collagen approved for use in Europe.

RESORBA® sutures and haemostats can be used for both surgical and dental applications.

Creating quality outcomes through strong governance

"The Group is well positioned to increase investment in internal innovation and to actively pursue external opportunities in line with our long-term strategy and growth objectives."

Peter Allen
Chairman

Revenue

+16%

+12%*

to £96.9m

(2016: £83.2m)

* at constant currency

Adjusted[1] profit before tax

+29%

to £25.4m

(2016: £19.7m)

AMS continues to progress as a leading international provider of high quality, high value, innovative and technologically advanced products for the surgical and advanced wound care markets. We are pleased to report another year of strong revenue growth, profit performance and cash generation.

Our revenues increased 16% to £96.9 million (2016: £83.2 million), representing growth of 12% on a constant currency basis and our adjusted[7] profit before tax increased by 29% to £25.4 million (2016: £19.7 million) and our profit before tax increased by 32% to £25.3 million (2016: £19.1 million). The continued strong cash generation of the business has resulted in the Group ending the year with net cash of £62.5 million (2016: £51.1 million).

As reported at the half year, at the beginning of 2017 we reviewed our business structure and consolidated our Business Units from four to two. Our Branded Business Unit focuses on the distribution, marketing and innovation of all the Group's branded products. Our OEM business focuses on the distribution, marketing and innovation of all the Group's products that are supplied to our medical device partners and marketed under their brands. This new structure is designed to enhance focus and improve marketing efficiencies for the Group. We have restated our segmental prior year financials in line with this new reporting structure.

Good progress has been made with all of our brands. LiquiBand® continues to do well in the US and we have gained a further 2% market share since we last reported to take our market share by volume to 26%. Revenue from our RESORBA® brands grew steadily across all territories and has grown by 15% and by 6% at constant currency to £20.8 million (2016: £18.1 million), while ActivHeal® grew by 4% to £6.3 million (2016: £6.0 million).

We were pleased to announce in October 2017 that we had agreed a patent out-licensing agreement with Organogenisis for a collagen based wound dressing containing Polyhexamethylene Biguanide ("PHMB"). Under this agreement, we receive royalties from Organogenesis' net sales in the US on the product. The agreement is in place for the life of the patent which expires in October 2026.

The Board is proposing a final dividend of 0.75p per share, making a total dividend for the year of 1.10p per share, an increase of 20% (2016: 0.92p). If approved at the Annual General Meeting, this dividend will be paid on 15 June 2018 to shareholders on the register at the close of business on 25 May 2018.

On behalf of the Board, I would like to thank all of our employees for their contributions during the past year. We would not have been able to achieve our strong performance without their commitment and effort. I would also like to thank our customers, suppliers, business partners and shareholders for their continued support in helping AMS achieve its goals.

We ensure that the Group is managed in accordance with the UK Corporate Governance Code as far as is reasonably practicable, although it is not a requirement for an AIM quoted company. The Board believes that effective corporate governance will assist in the delivery of sustainable shareholder value and safe-guard shareholders' long-term interests.

AMS continues to be in robust financial health and we are continuing to grow our international footprint and scale. The Group is well positioned to increase investment in internal innovation and to actively pursue external opportunities in line with our long-term strategy and growth objectives.

Peter Allen
Chairman

17 April 2018

[1] All items are shown before amortisation of acquired intangible assets which, in 2017, was £0.1 million (2016: £0.2 million) as defined in the financial review and before exceptional costs which were £nil million (2016: £0.4 million).

Creating quality outcomes
for our employees, customers and for patients

"With our increasing portfolio of products, high quality business partners, the opportunities we see from our R&D pipeline and our strong financial position, the Board remains optimistic about our long-term prospects and the potential for further growth."

Chris Meredith
Chief Executive Officer

I am pleased to report another strong set of results across the Group. Our revenue has increased 16% to £96.9 million and we have improved our adjusted[2] profit before tax by 29% to £25.4 million and our reported profit before tax by 32% to £25.3 million (2016: £19.1 million).

Our strategy for growth remains unchanged. We continue to expand into new geographies, increase our distribution of surgical products through our direct sales forces, and enhance our product portfolio by developing high quality products that add value to patients and payors in our advanced woundcare and surgical markets.

As reported at the half year, we have streamlined our reporting structure and now operate under two Business Units: Branded and OEM.

Branded

The Branded Business Unit reports the sales of all our own brands. Branded reported revenue was 22% higher at £55.2 million (2016: £45.4 million) and 16% higher at constant currency.

LiquiBand® topical adhesives

LiquiBand® is our range of medical adhesives based on cyanoacrylate, and is our largest brand with sales of £26.0 million, (2016: £19.3 million) up 35% on the prior year and 30% at constant currency.

Our LiquiBand® range of products utilises different formulations of cyanoacrylate in innovatively designed applicators. They are designed to meet the requirements of the clinician and to treat the full spectrum of wounds that they need to close and protect. They have several key attributes that compare favourably with the existing market leader, including wound closure strength, tensile strength, set time, surface area coverage and adhesive yield.

Sales in the US, which remains our largest market, increased by 47% to £18.2 million (2016: £12.4 million) at reported currency and by 40% at constant currency. We access this market through distributors who target both hospitals and non hospitals, helping us to identify customers and convert opportunities into sales following surgeon evaluation. We support our partners with marketing and clinical data demonstrating the efficacy of our products. We continue to grow our volume market share which is now at 26%, up 2% from June 2017 and 3% over the full year.

LiquiBand®Fix8™ Hernia Mesh Fixation device

[2] All items are shown before amortisation of acquired intangible assets which, in 2017, was £0.1 million (2016: £0.2 million) as defined in the financial review and before exceptional costs which were £nil million (2016: £0.4 million).

In the UK and Germany good progress has been made. Revenues have increased 12% to £5.3 million (2016: £4.7 million) and 10% at constant currency with new hospitals being accessed. In the EU and ROW, sales of LiquiBand® increased by 19% to £2.5 million (2016: £2.1 million) at reported currency and 18% at constant currency.

We are now targeting new geographic markets for LiquiBand®. Following on from establishing distribution agents in Asia, we have also identified opportunities for LiquiBand® in a number of Central American markets and anticipate first sales in this region in 2018.

Our primary focus for R&D is to extend our LiquiBand® product range to compete in the growing market for combined glues and tape used for larger wound closure. We expect to receive approval to market this in the US around the end of 2018.

Hernia Mesh Fixation device – LiquiBand® Fix8™

LiquiBand® Fix 8™ is used to hold hernia meshes in place within the body instead of tacks and staples. This accurate laparoscopic application of adhesive is expected to both reduce surgical complications and reduce the potential pain associated with the use of tacks and staples. It also provides the ability to attach mesh in areas where tacks and staples cannot be applied, helping to improve the patient experience and surgical outcomes.

As reported at the half year, sales growth of LiquiBand® Fix8™ has been restricted due to design enhancements we have made following surgeon feedback. Further feedback has been received on the updated device and modifications have been completed. We have chosen not to actively promote the device while the modifications were ongoing, nevertheless sales increased by 3% to £1.7 million (2016: £1.7 million) and 1% at constant currency. We expect to see a return to sales growth this year.

At present, the device is approved for use within Europe and those markets that accept European approval standards. We have started the process to get LiquiBand® Fix8™ approved in the US market. This necessitates a full Pre Market Approval (PMA) involving clinical trials with patient enrolment expected to start in mid 2018 and enrolment completing by the end of the year. We expect the total cost of completing the approval process will be around £3 million with the majority of the spend being incurred in 2018 and 2019.

In R&D, we are also working on broadening the claims on the use of the device for hernia mesh fixation as well as for a number of other laparoscopic surgical applications and developing a device suitable for hernia mesh fixation in open surgery which we expect to launch in Europe in the first half of 2019.

RESORBA®

Our RESORBA® branded products portfolio is comprised of a comprehensive range of sutures which are used to close wounds and a range of bio-surgical products that include collagens, cellulose and bone substitutes that can be used as haemostats or scaffolds for tissue growth. Sales of RESORBA® products increased by 15% to £20.8 million (2016: £18.1 million) and by 6% at constant currency. Within this, sales of sutures increased by 15% to £13.0 million (2016: £11.3 million) and by 6% at constant currency and sales of bio-surgical products increased by 16% to £7.9 million (2016: £6.8 million) and by 8% at constant currency.

During 2016, we renegotiated the supply agreement with an OEM partner for collagen products in order to go direct. We are pleased that we have started to sell these products into a number of new territories.

Germany remains our largest market with £13.0 million of sales (2016: £12.0 million), up 8% on the prior year and up by 1% at constant currency while sales to markets outside Germany accessed by our distributors increased by 30% to £7.5 million (2016: £5.8 million) and 19% at constant currency. Our initiative to offer a range of dental sutures into the US market is developing and following launch in 2016, sales have increased to £0.3 million. The total US surgical suture market is estimated to be in excess of $1 billion and is dominated by a few major brands and provides a significant opportunity for the Group in the medium term.

We continue to access new markets, in particular Asia Pacific, and have recently hired a new sales manager to target Australasia for both our RESORBA® and LiquiBand® brand ranges.

In R&D we continue to work on preparing a range of different antibiotics that can be incorporated in our bio-surgical products. We expect to file for European approval in the second half of 2018.

ActivHeal®

ActivHeal® is our range of high quality woundcare dressings specifically designed to offer the NHS significant cost savings without compromising on clinical outcomes or patient care. Sales of ActivHeal® increased by 4% to £6.3 million (2015: £6.0 million), reversing the decline that was reported in 2016, however the market remains difficult with increasing price pressure becoming evident. The Group has enhanced its education and marketing materials as well as broadened its product range with our antimicrobial and atraumatic foam dressing ranges.

OEM

Our OEM business supports our partners with a multi-product portfolio of advanced woundcare products and bulk materials. We have been working with many of the world's major wound care companies for a number of years providing manufacturing services to supply their woundcare dressings, new products they can incorporate into their portfolio of brands, as well as regulatory assistance in obtaining product approvals in overseas markets. Revenue increased 10% to £41.7 million (2016: £37.8 million) and increased 8% at constant currency.

A key driver for this Business Unit is in supplying products that incorporate antimicrobials. Sales of our antimicrobial dressings increased by 11% to £19.4 million (2016: £17.5 million), and by 9% at constant currency. Within this, silver alginate products grew by 12% to £18.0 million (2016: £16.2 million) and by 9% at constant currency while the Polyhexamethylene Biguanide (PHMB) foam range, which was launched in 2016 into Europe, increased 2% at reported and constant currency.

PHMB is an antimicrobial which is effective against several bacteria including Methicillin-resistant Staphylococcus aureus (MRSA) and Escherichia coli (E.coli). Although we received approval to market PHMB foam into the US in 2017, we deferred a launch until we could market these products with extended claims. We expect to obtain these approvals in 2018.

Sales of our non-antimicrobial foams were down 16% at reported currency to £7.4 million (2016: £8.8 million) and by 20% at constant currency. Sales were impacted by the pipeline fill of our atraumatic foam launches in 2016, which we estimate to have been around £1 million. We also had some issues caused by a change of raw material from one of our suppliers which interrupted our ability to promote part of our more established range of products. These issues are now resolved. Sales of our other technologies, which include alginates and gels, increased 7% at reported currency to £11.8 million (2016: £11.0 million) and by 5% at constant currency.

In October 2017 we agreed an out-licensing agreement with Organogenesis Inc., a commercial leader in regenerative medicine focused on advanced woundcare and surgical biologics, on a U.S. patent for a collagen-based wound dressing containing PHMB.

Under the terms of the agreement, Organogenesis has been granted an exclusive license in the United States to the patent. In exchange for this, we have recognised £2.5 million from royalties, and will receive a minimum royalty of $1 million for each of the financial years ending 31 December 2018 and 2019. This is part of an ongoing royalty stream that will be payable to AMS on the net sales of the Licensed Product for the life of the patent. The patent is due to expire in October 2026.

The Group's ability to out-license our patented technologies is an endorsement of the quality of our innovation and we are pleased to be working with a partner that is using the AMS patent to access the US market so effectively.

In the latter part of 2017, we noted that a number of our partners have reported a slowdown in the European advanced woundcare market. We continue, however, to believe in our medium and long term prospects in this market.

In R&D, we continue to work on extending our advanced woundcare portfolio with focus on our antimicrobial range, improving the absorbancy of dressings and combining a number of materials to enhance product performance. We are developing a range of surgical dressings for which we are expecting to obtain approval in mid 2018 for the US market. We are also expecting to receive approval to market an antimicrobial high performance dressing in the US before the end of 2018.

Operations and regulatory

With the business continuing to show strong organic growth, we have made investments in our converting capability at our Etten Leur site, as well as improving our packaging capability in Nuremberg which is expected to complete in 2018.

As a result of the continued success of our medical adhesives business, we have also made plans to extend the capacity of the Plymouth facility. This will be a significant project for us and we estimate that the spend will be around £4 million and will take around three years. It will provide us with the capability to increase production of our existing product range as well as allowing us the capacity to manufacture new products such as the open hernia device.

Following the FDA inspection of our Winsford site in June 2016, our Plymouth facility was inspected by the FDA in April 2017. We were very pleased with the outcome of this audit with no non-conformances raised.

The new European Medical Devices Regulation (MDR) entered into force on 25 May 2017, marking the start of the transition period for manufacturers selling medical devices into Europe. The MDR, which replaces the Medical Devices Directive (MDD) has a transition period of three years and manufacturers have this transition period to update their technical documentation and processes to meet the new requirements. The MDR brings more scrutiny on product safety and performance and stricter requirements on clinical evaluation and post-market clinical follow up. Our notified body, BSI, is already adopting the new standard and we are working with our OEM partners to ensure that we meet the new requirements. We anticipate that, although there will be some additional costs associated with meeting the new requirements, overall, the tighter regulatory standards should prove beneficial for the Group in the longer term.

Our implementation of Oracle ERP in Germany was successfully completed at the end of September. This will bring benefits from better availability of information and enhanced controls. This completes our major ERP conversions across the Group, although ongoing improvements to systems will continue.

Acquisitions strategy

The Group is actively looking for businesses that meet its acquisition strategy of:

- licensing or acquiring technology that allows us to leverage our global OEM customer base or branded routes to market;
- licensing or acquiring additional brands within woundcare, wound closure or surgical setting that complement our existing range; and
- geographic expansion through acquiring surgically focused companies with strong direct sales capability and ownership of complementary products.

We have an internal team working with advisors to identify, appraise and progress acquisition opportunities.

The UK and the European Union

To date, there has been no day-to-day operational impact of the referendum vote to leave the European Union, other than changes to currency exchange rates. In preparation, the Group has submitted its application to obtain Authorised Economic Operator status for its UK trading entities and expects to achieve this designation by the end of the year. With its footprint in mainland Europe, the Group is well positioned to deal with the uncertain outcome of the UK negotiations with the EU, moving activities into jurisdictions that are beneficial to the business.

Our culture

As a Group that is highly dependent on the innovation and creativity of our employees for our future growth and success, it is important that we have a culture and set of values that is understood and embraced across the business. We have adopted the business motto of 'The AMS Care, Fair, Dare approach' to summarise our culture, underpin our values, and to deliver results, building a sustainable future for our business. Under this motto, we have defined the principles and expectations of how we will operate together to deliver success. We have run workshops across all our sites and have responded to feedback about how we can improve the Care, Fair, Dare ethos in the workplace. We are now embodying these attitudes into our objectives and appraisal process.

We recognise the importance of our people to the Group and that it is only by their effective engagement that we will continue to be successful. We value their commitment and determination to achieve and deliver good results. Our working environment encourages openness, teamwork, an understanding of others' needs and the ability 'to make a difference'. We continue to develop the talent at AMS by training and by providing a place to work where our employees feel valued, incentivised and fulfilled.

Summary and outlook

2017 has seen another good performance by the Group. Trading in the current financial year has begun well and is in line with the Board's expectations. With our increasing portfolio of products, high quality business partners, the opportunities we see from our R&D pipeline and our strong financial position, the Board remains optimistic about our long-term prospects and the potential for further growth.

Chris Meredith
Chief Executive Officer

17 April 2018

Creating quality outcomes by delivering on our 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 such as obesity, diabetes and old age are on the increase. 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

1. Add value for payors in advanced woundcare, surgical and wound closure markets
2. Increase direct distribution of surgical products through AMS's sales forces in target markets
3. Continued geographic expansion
4. Enhance product portfolio, technologies and pipeline through investment in in-house R&D, acquisitions and licensing

Creating quality outcomes through our two streamlined divisions

Our Value Chain

New product development

Research and development

Design and testing

- Separate R&D teams focusing on different technologies:
  - OEM: foams, fibres and antimicrobials
  - Branded: tissue adhesives, haemostats and sutures
- Collaborations with universities, key opinion leaders, surgeons and tissue viability nurses
- Extensive patent portfolio: over 30 patent families
- Stage gate process

Marketing and regulatory approval

Bringing product to market

Regulatory approval in key markets

- Strong regulatory affairs department with world-wide regulatory experience
- Regulatory registrations in over 70 countries
- Clinical support teams supporting both product development and post market surveillance

Operations

Manufacturing and security of supply

Quality assurance

- Six manufacturing sites
- All manufacturing sites compliant with ISO 13485:2016
- All UK, German and Czech sites are compliant with FDA 21 CFR part 820 Quality Management System (QMS)

Our Routes to Market

Outcomes

Own brand products

Branded

Sales of AMS Group brands.

- LiquiBand® and RESORBA® are sold by our direct sales teams in Germany, UK and the Czech Republic and through our global network of over 100 distributors in other parts of the world
- ActivHeal® is sold by our UK sales team to the NHS in the UK

£55.2m

For more information see page 12

Third-party products

OEM

Sales of finished products and bulk materials to our medical device partners.

- Global advanced woundcare customer base
- Convertors, packers

£41.7m

For more information see page 18

Quality outcomes for patients

Value for payors

Solid Balance Sheet

Long-term value for shareholders

Creating quality outcomes through our innovative products

Branded

We are excited by the opportunities we have to broaden the reach of our brands, as well as the innovations we have coming though the R&D pipeline.”

Jeff Willis
Business Unit Director

The Branded Business Unit is focused on driving sales, innovation and distribution for our brands globally. Our direct sales teams drive our LiquiBand® and RESORBA® brands in the UK, Germany and the Czech Republic. Our UK sales team also support sales of ActivHeal® into the NHS in the UK. In all other markets we work with distributors to support sales.

This Business Unit is responsible for the R&D activities of sutures, collagens, medical adhesives and sealants.

Revenue

+22%*

to £55.2m

(2016: £45.4m)

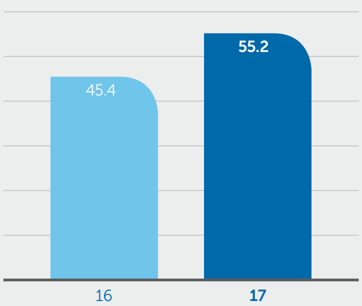
*16% higher at constant currency

Branded at a glance

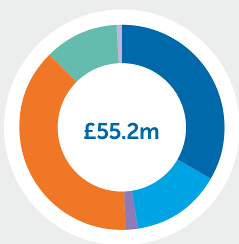
Branded revenue £m

+22%*

*16%
higher at constant currency



2017 sales £m



LiquiBand® US	18.2
LiquiBand® (excluding US)	7.8
LiquiBand® Fix8™	1.7
RESORBA®	20.8
ActivHeal®	6.3
Other	0.4

Strategy

To increase the market share of the Group's brands globally and to develop innovative products that provide value to clinicians and end users.

LiquiBand®

- Increase usage in the Operating Room (OR) in the UK and Germany through our existing sales teams
- Increase the market share of LiquiBand® in the US by:
  - Partnering with key distributors that access the US healthcare market
  - Develop and launch new products
  - Train partner personnel, and provide marketing and account support
  - Targeting 30% market share in the US by volume in the next two years
- Promoting the hernia mesh fixation device LiquiBand® Fix8™ in markets where approval has been achieved
- Obtain approval for the hernia mesh fixation device LiquiBand® Fix8™ in the US
- Develop 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®

RESORBA®

- Ensuring that RESORBA® is included in hospital tender processes
- Targeting Group Purchase Organisations (GPOs) in Germany coupled with targeted speciality products
- Increasing the usage in the OR in the UK by cross-selling RESORBA® sutures and biosurgical products with LiquiBand® products
- Developing new applications of collagens for unmet surgical needs
- Maximising opportunities across Europe, Asia-Pacific, the Middle East, and Latin America
- Leverage the combined existing distributor network for LiquiBand® and RESORBA®

ActivHeal®

- Ensuring ActivHeal® is included in relevant NHS tenders
- Extending the ranges used in hospitals where ActivHeal® is listed
- Converting new hospitals to ActivHeal®
- Broadening the product range offered e.g. atraumatic and antimicrobial variants

Part of the LiquiBand® product range

LiquiBand®

The LiquiBand® range of products has been developed to provide innovative solutions to close wounds and minimise adverse surgical outcomes. Our products have been uniquely designed to meet the needs of clinicians and patients for safe, secure and effective wound closure.

Our LiquiBand® technologies are developed and marketed for use in the emergency room, operating theatres and extended care environments. Through our expertise in cyanoacrylate technology we have developed a range of medical grade adhesive devices that meet specific clinical needs and deliver substantial benefits to patients.

Our adhesive products are based on two main formulations; octyl and butyl. Octyl cyanoacrylate topical skin adhesives provide durable and flexible wound closure, whilst butyl cyanoacrylate adhesives provide high strength with a fast setting time. We are able to supply products based on each formulation as well as blends of both.

Wound closure using LiquiBand® topical skin adhesives provides the patient with an enhanced experience over conventional wound closure methods. Cyanoacrylate skin adhesives allow non traumatic closure of wounds and do not require removal as they will naturally slough off the skin as part of the natural wound healing process. Cyanoacrylate skin adhesives can provide a water resistant and microbial barrier adding an extra level of security to the closed wound and eliminating the need for secondary dressings.

LiquiBand®	LiquiBand® US
+35%	+47%
+30%*	+40%*
to £26.0m	to £18.2m
(2016: £19.3m)	(2016: £12.4m)
* at constant currency	* at constant currency

The LiquiBand® family of topical skin adhesive products are provided in a range of different applicators to meet a variety of surgical needs and preferences. These include various configurations of adhesive volume, applicator design and the addition of wings to assist in device activation. The applicators also incorporate different tip designs such as a foam dome to provide broad application or a thin cannula shaped tip to provide controlled and precise adhesive placement in a more enclosed application.

We also sell LiquiBand® into the OR in the UK and Germany where it is used to make the final topical skin closure following the surgical procedure. LiquiBand® is also promoted and supported by our distributors throughout the rest of the world.

Our octyl formulation product, LiquiBand Exceed® gives us a competitive advantage in the topical skin adhesive market, as is outlined in the case study below.

Case study | Why are we successful with LiquiBand Exceed®

Key Benefits:

PURE OCTYL FORMULATION[1]

- Maximises durability and flexibility
- Provides high viscosity
- Creates intimate skin contact
- Provides optimal flexibility

MICROBIAL BARRIER[1]

- Acts as a barrier against gram-positive, gram-negative and fungal microbes. Proven effectiveness against S. aureus, P.aeruginosa, E.coli, Candida albicans and MRSA

UNIQUE APPLICATOR TIP

- Revolutionary click-and-use applicator
- Elliptical shape allows for narrow or wide application
- Porous felt tip allows drip-free priming and even, consistent application

MARKET LEADING YIELD

- 0.8ml per applicator allows for closure of wounds up to 30cm in length
- No clog technology allows intraoperative reuse for up to 90 minutes on a single patient

MAINTAINS WOUND CLOSURE THROUGHOUT HEALING PROCESS[1]

- The adhesive will stay on the skin for 5-10 days and sloughs off naturally

EASY TO USE APPLICATOR

- Winged applicator allows for safe and easy activation
- Provides controlled delivery of adhesive

Reference 1 – Data on file at Advanced Medical Solutions (Plymouth) Ltd

LiquiBand® Fix8™

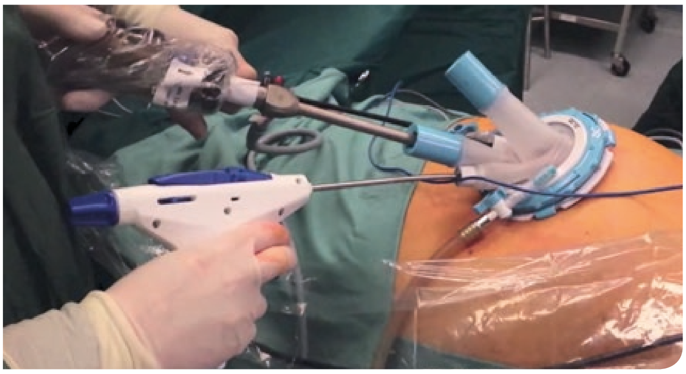
Our LiquiBand® Fix8™ device is a safe and effective device that secures implantable mesh to underlying tissues for laparoscopic hernia repair.

LiquiBand® Fix8™ is easy to use and allows precise and controlled application of fast setting internal use adhesive. The cyanoacrylate adhesive anchors provide non-traumatic fixation of the hernia mesh, avoiding the need for the metal or synthetic tackers used in traditional hernia repair procedures. The risk of post-operative complications caused by standard tackers is greatly reduced, and a higher level of patient comfort is reported.

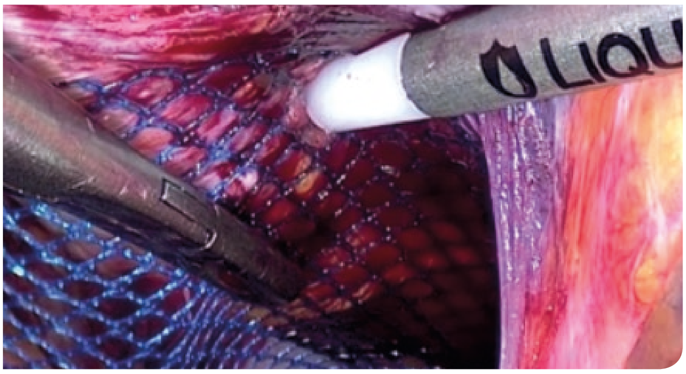
The key features are:

- Strong and secure mesh fixation
- Precise and controlled delivery
- Fast set time (≤10 sec)
- No tissue penetration
- No mechanical trauma
- Non sticking/atraumatic applicator tip
- Easy to use
- Mesh fixation at multiple angles

Development work on an open hernia mesh fixation device is ongoing and we expect to launch in the second half of 2018.



LiquiBand® Fix 8™ being used in surgery (above and below)



Creating quality outcomes through our innovation

"LiquiBand® Fix8™ has revolutionised my practice with regard to Laparoscopic hernia surgery. In transabdominal preperitoneal (TAPP) inguinal repair it has brought a precision and control to fixation and peritoneal closure which would be difficult to better. This has brought significant benefits to patients in reducing postoperative pain, allowing early recovery, and reducing the risk of adverse events.

In Laparoscopic intraperitoneal onlay mesh repair (IPOM) Incisional hernia repair, it has allowed me to extend the range of meshes used – allowing excellent fixation of biologic mesh in complex patients, as well as synthetic mesh fixation. LiquiBand® Fix8™ is a significant advance in Laparoscopic Hernia Surgery."

Paul Wilson

Consultant General Surgeon, MB ChB, FRCSEd, FRCS (Gen)

RESORBA®

Our RESORBA® branded products portfolio comprises of a comprehensive range of sutures which are used to close wounds and a range of bio-surgical products that can be used as haemostats and scaffolds for tissue growth.

Our suture range is extensive and includes both absorbable and non-absorbable sutures, with mono and multifilament threads, and a wide range of needle shapes and sizes. It includes several brands such as CAPROLON®, GLYCOLON®, MOPYLEN® and RESOPREN® that are sold into hospitals, private practices and to oral surgeons.

Our range of RESORBA® biosurgical products includes COLLAGEN-resorb, Resodura® and GENTA-COLL®. The latter is a very pure collagen that includes the antibiotic gentamicin for use in sites 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 surgery.

The RESORBA® suture and collagen ranges are sold throughout Europe, the Middle East and Asia. Approval to market the majority of our suture range in the US was received in November 2015 and the first sales of sutures for dental applications were achieved in 2016. The US is a significant opportunity for the Group in the medium term. The total US surgical suture market is estimated to be in excess of $1 billion in size and is dominated by a few major brands.

During 2016 we renegotiated an OEM supply agreement for collagen products in global territories, including RESODURA® and GENTA-COLL®. This has enabled us to start selling our gentamyacin loade collagens directly in the EU and those markets that accept CE approvals.

RESORBA®

+15%

+6%*

to £20.8m

(2016: £18.1m)

* at constant currency

Bio-Surgical Products

+16%

+8%*

to £7.9m

(2016: £6.8m)

* at constant currency

The GENTA-COLL® range

ActivHeal®

ActivHeal® is the Group's brand of advanced woundcare dressings that it sells into the NHS in the UK. The proposition of this brand is that it provides a range of 'good value', advanced woundcare dressings that deliver cost savings to the NHS without compromising on clinical outcomes or patient care.

Our range includes alginates, foams, aquafibre, hydrocollids and hydrogels, providing a range of dressings to treat a variety of wounds.

The ActivHeal® range was extended in 2017 to include both antimicrobial foam and fibre dressings.

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. We continue to update our training packages which offer clinicians free education on all aspects of woundcare. This training has been developed in a non-biased way and promotes AMS as an educational leader in the woundcare field.

ActivHeal® Range

+4%

to £6.3m

(2016: £6.0m)

ActivHeal® Academy Knowledge Centre (above)

Case study

ActivHeal® team launch new innovative products

2017 was a busy year for the ActivHeal® team with the launch of a number of new products. We've been out and about presenting at a number of conferences, including the NHS Procurement Conference and Wounds UK, one of the biggest wound care events in the calendar. The event offered excellent education sessions led by some of the leading experts in the field. AMS welcomed the opportunity to showcase our products and speak with and understand the challenges clinicians face at the forefront of woundcare.

ActivHeal® exhibit at Wounds UK in November 2017 (above) and the ActivHeal® product range (below)

Creating quality outcomes
working with many of the world's leading woundcare companies

OEM

"We support our partners by developing and supplying new products that can be added to their ranges as well as helping them to obtain product approvals in overseas markets."

Becky Walmsley
Business Unit Director

The OEM Business Unit is responsible for supporting our business-to-business partners and third party convertors with a multi-product portfolio that is globally competitive and comprises our intellectual property, technology and know-how. It is responsible for directing R&D for our advanced woundcare products and focuses on the distribution, marketing and innovation of products supplied to our medical device partners under their brands.

Revenue

+10%*

to £41.7m

(2016: £37.8m)

*8% higher at constant currency

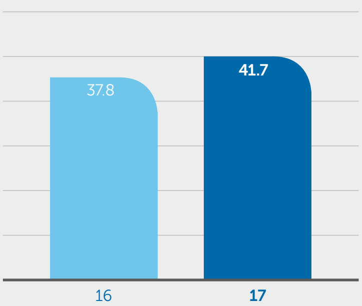
OEM at a glance

OEM revenue £m

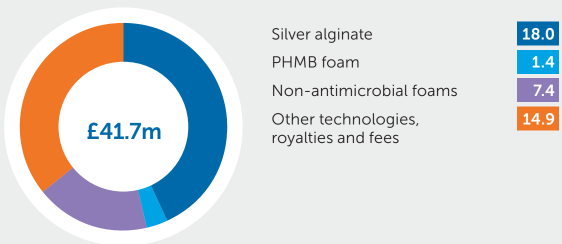
+10%*

*8%

higher at constant currency



2017 sales £m



Strategy

To support our partners to be successful by developing and supplying them with innovative products and obtaining product approvals.

This is done by:

Strong partner relationships:

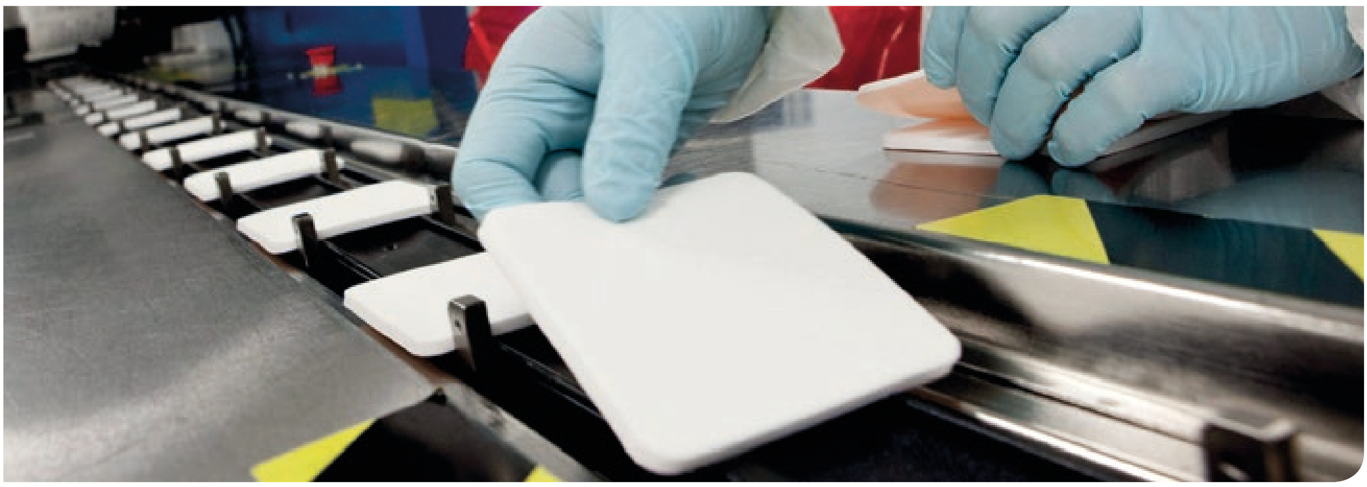
- Key account management
- Reliability of service and quality
- Expansion of product portfolio
- Regulatory support for expansion into new markets
- Clinical support with case studies
- Marketing materials
- Strong pipeline of innovative products to links with global reputable universities for new emerging technologies

Securing new partners through:

- Reputation for quality, customer service and regulatory capability to assist with expansion into new geographies
- Breadth of product portfolio
- Working with partners to navigate the local regulatory landscape with our in-house regulatory team

Developing new products including:

- Expansion of the foam portfolio
- Expansion of the fibre range
- Enhancement of the antimicrobial product platform
- Enhanced product performance
- Operational improvements to enable partners to be more cost competitive



OEM Foam Dressings (above)

Creating quality outcomes by working with many of the world's major woundcare companies

Unlike many of our competitors we offer a full turnkey solution encompassing design, development, manufacture and distribution service supported by regulatory, clinical and marketing professionals.

We partner with many of the world's leading healthcare companies, supplying them with finished packed products which are provided under their own brand. Our technologies include foams, fibres, collagens, hydrogels and hydrocolloids.

We are also able to add antimicrobials such as silver and PHMB to our platform technologies.

We support our partners to access new markets through our in-house regulatory expertise with strong marketing collateral backed by clinical evidence.

Following approval in 2015, we launched our PHMB foam dressing into Europe in 2016. PHMB is an antimicrobial effective against several bacteria including, amongst others, Staphylococcus Aureus including the methicillin resistant type, (MRSA) and Escherichia Coli (E-Coli).

This 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, as well as on pressure ulcers, leg and foot ulcers, diabetic ulcers and surgical wounds.

In 2017 we expanded our product offering by obtaining European approval for our Foam Lite Non-Border dressing and our High Performance Dressing. In 2018 we intend to extend our Foam Lite range further with a Foam Lite Border variant.

We continue to work on extending our advanced woundcare portfolio with focus on extending our antimicrobial range, improving the absorption capacity of our dressings and combining a number of materials to enhance product performance. We are developing a surgical range of dressings for the US market for which we expect to receive approval in 2018.

The Business Unit also manufactures rollstock foam. Our medical grade hydrophilic polyurethane foam is characterised by its ultrasoft, open-pored, medium density structure. It is very conformable and offers a high rate of absorbancy with good lateral control and fluid uptake.

We also supply film membranes with excellent moisture vapour transmission rates, as well as film-foam membranes that have applications in scar reduction.

Anti-microbials

+11%

+9%*

to £19.4m

(2016: £17.5m)

* at constant currency

Silicone Sacral dressing for heavily exuding chronic wounds (above)

Rollstock Foam (above)

Product Case study

Creating Quality Outcomes for chronic and acute wounds

The management of pressure damage upon removal of full leg cast following fracture to the right patella:

"The Silicone Non-Border dressings were applied to the category 3 pressure ulcer to assist in the management of exudate, prevent adherence and trauma at dressing changes along with providing a moist wound environment to aid wound healing. Reducing the potential mechanism for pain at dressing changes helped promote patient comfort and improve clinical outcomes.

The dressing was able to provide effective exudate handling as no signs of maceration were visible to the peri wound area, whilst maintaining a moist wound environment and promoting wound progression as the wound reduced in size and showed areas of new epithelial tissue. The Silicone foam dressing was easy to apply and remove and was atraumatic to the patient and was able to aid in the management of friable, vulnerable traumatic damaged tissue, and the achievement of satisfactory clinical outcomes for both the patient and the clinician."

Carolynne Sinclair,
Tissue Viability Nurse Specialist
Countess of Chester Hospital

for more detail please visit
http://www.admedsol.com/our-divisions/oem-supply/foams/

Performance

Total Fluid Handling Performance[1]

Be confident this foam can handle patient exudate.

AMS Silicone Foam
28.9g
10cm²/24hr

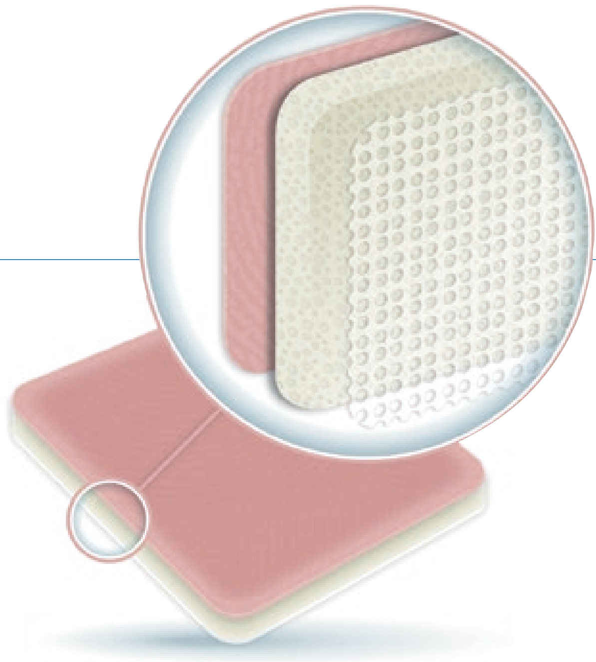
Allevyn Gentle[3]
23.7g
10cm²/24hr

Peel adhesion over 7 days[2]

Secure but pain free removal.

AMS Silicone Foam
2.7 (N/2.5cm)

Allevyn Gentle[3]
1.4 (N/2.5cm)



Silicone foam dressing (above)

[1] LD065-14.
[2] P3139R.
[3] Allevyn Gentle is a registered trademark of Smith & Nephew.

Creating quality outcomes and good financial performance

Mary G Tavener
Chief Financial Officer

Summary

The Group has delivered another year of strong financial performance, with revenue increasing by 16%, or 12% at constant currency, to £96.9 million (2016: £83.2 million) and with improving operating margins.

The Group has elected to adopt IFRS 15 (Revenue from Contracts with Customers) in 2017, which has no impact on profit or cash flow but results in fee income of £0.7 million (2016: £0.6 million) being recorded as Revenue rather than as Other Income.

During the year, the Group streamlined into two Business Units, to enhance commercial focus and improve marketing efficiencies.

All prior year values have been restated to reflect IFRS 15 adoption and the Business Unit restructure.

The Group uses alternative performance measures such as adjusted operating margin, adjusted profit before tax, net operating cash flow pre-exceptional items, and revenue growth at constant currency, to allow the users of the accounts to gain a clearer understanding of performance, allowing the impacts of amortisation, exceptional items and exchange rate volatility to be separately identified. The Group did not incur any exceptional costs in the year (2016: £0.4 million) and amortisation of acquired intangible assets was £0.1 million in the period (2016: £0.2 million).

To aid comparison, the Group's Adjusted Income Statement is summarised in Table 1 below.

Currency movements impacted revenues favourably by approximately £3.4 million during the year.

Table 1: Adjusted Income Statement

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 (restated)[3] £'000	Change
Revenue	**96,908**	83,242	16%
Gross profit	**58,404**	48,048	22%
Distribution costs	**(1,130)**	(1,047)	
Adjusted administration costs[1]	**(32,050)**	(27,293)	
Other income	**150**	–	
Adjusted operating profit	**25,374**	19,708	29%
Net finance income/(costs)	**37**	(3)	
Adjusted profit before tax	**25,411**	19,705	29%
Amortisation of acquired intangibles	**(134)**	(242)	
Exceptional Items	**–**	(361)	
Profit before tax	**25,277**	19,102	32%
Tax	**(5,143)**	(3,410)	
Profit for the period	**20,134**	15,692	28%
Adjusted earnings per share – basic[2]	**9.58p**	7.77p	23%
Earnings per share – basic[2]	**9.52p**	7.65p	24%
Adjusted earnings per share – diluted[2]	**9.46p**	7.66p	23%
Earnings per share – diluted[2]	**9.39p**	7.38p	27%

1 Adjusted administration costs exclude amortisation of acquired intangible assets and exceptional items.
2 See Note 15 Earnings per share for details of calculation.
3 Restated to reflect £0.6 million of fee income as revenue under newly adopted IFRS15.

Table 2: Taxation

	%
Weighted average Group tax rate	**21.91**
Patent box relief	**(1.23)**
Net impact of deferred tax on capitalised development costs and R&D relief	**0.67**
Net impact of expenses not deductible, utilisation of historical losses, prior year adjustments, depreciation and share based payments	**(1.00)**
Effective taxation rate	**20.35**

Adjusted operating profit before exceptional items increased by 29% to £25.4 million (2016: £19.7 million) and adjusted operating margin increased by 250 bps to 26.2% (2016: 23.7%). Administration costs excluding exceptional items increased by 17% to £32.0m (2016: £27.3 million) due to currency movements and further investment in selling and marketing, particularly to support the Branded Business Unit. The Group incurred £3.0 million of gross R&D spend in the year (2016: £2.6 million), representing 3.1% of sales (2016: 3.1%).

Profit before tax for the year was 32% higher at £25.3 million (2016: £19.1 million).

The Group's effective tax rate increased to 20.4% (2016: 17.9%) mainly due to being required to move to the less favourable, large company RDEC scheme in 2017. This effective tax rate reflects the blended tax rates in the countries in which we operate and, for the UK, includes the tax relief associated with the patent box scheme and the utilisation of residual previously unrecognised UK tax losses.

A reconciliation between the weighted average Group tax rate and the Group's effective rate is summarised in Table 2 above.

Earnings (excluding amortisation of acquired intangible assets and before exceptional items) increased by 24% to £20.3 million (2016: £16.3 million), resulting in a 23% increase in adjusted basic earnings per share to 9.58p (2016: 7.77p) and a 23% increase in adjusted diluted earnings per share to 9.46p (2016: 7.66p).

Table 3: Operating Result by Business Segment Year ended 31 December 2017

	Branded £'000	**OEM £'000**
Revenue	**55,244**	**41,664**
Profit from operations	**14,336**	**11,354**
Amortisation of acquired intangibles	**125**	**9**
Adjusted profit from operations	**14,461**	**11,363**
Adjusted operating margin	**26.2%**	**27.3%**
Year ended 31 December 2016 (restated)		
Revenue	45,427	37,815
Profit from operations	11,313	8,677
Amortisation of acquired intangibles	225	17
Adjusted profit from operations	11,538	8,694
Adjusted operating margin	25.4%	23.0%

Profit after tax increased by 28% to £20.1 million (2016: £15.7 million), resulting in a 24% increase in basic earnings per share to 9.52p (2016: 7.65p) and a 27% increase in diluted earnings per share to 9.39p (2016: 7.38p).

The Board is proposing a final dividend of 0.75p per share, to be paid on 15 June 2018 to shareholders on the register at the close of business on 25 May 2018. This follows the interim dividend of 0.35p per share paid on 27 October 2017 and would, if approved, make a total dividend for the year of 1.10p per share (2016: 0.92p), a 20% increase on 2016.

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.

Branded

The adjusted operating margin of the Branded Business Unit increased to 26.2% (2016: 25.4%), supported by sales growth and sales mix. Operating costs increased, especially sales, marketing, R&D and regulatory costs, to continue to support ongoing growth.

OEM

The adjusted operating margin of the OEM Business Unit increased to 27.3% (2016: 23.0%), mainly due to the out-licensing agreement of wound dressings containing Collagen and PHMB, which generated a £2.5 million royalty income in the year.

Geographic breakdown of revenues

The geographic breakdown of Group revenues in 2017 is shown in Table 4 below:

Approximately 90% of our US sales are invoiced in US Dollars and approximately 60% of our sales to mainland Europe are invoiced in Euros. The Group hedges significant currency transaction exposure by using forward contracts and options and aims to have at least 70% of its estimated transactional exposure for the next twelve months hedged. The Group estimates that a 10% movement in the £:US$ or £:Euro exchange rate will impact Sterling revenues by approximately 3.3% and 2.6% respectively and in the absence of any hedging this would have an impact on profit of 2.7% and 0.3%.

Table 4: Geographic Breakdown of Group Revenues

	2017 £'000	**% of total**	2016 £'000	% of total
UK	**17,266**	**17.9%**	17,957	21.5%
Germany	**19,062**	**19.7%**	18,466	22.1%
Europe excluding UK and Germany	**22,937**	**23.6%**	21,360	25.8%
USA	**35,330**	**36.4%**	23,505	28.2%
Rest of World	**2,311**	**2.4%**	1,954	2.4%

Cash flows

Table 5 below summarises the Group's cash flows.

Adjusted EBITDA increased by 24% to £29.5 million (2016: £23.7 million).

Working capital increased during the year, mainly due to the higher value of trade receivables, which was caused by sales phasing and royalties, with debtor days unchanged at 41 days (2016: 41 days). Trade payable days reduced to 27 days (2016: 33 days) and months of supply of inventory held across the Group reduced to 4.2 months (2016: 4.4 months).

The Group generated net cash from operating activities of £21.5 million (2016: £21.9 million).

In the year, we invested £4.5 million in capital equipment, software and capitalised R&D (2016: £2.5 million), including investment in new packaging machines, ERP software and internally developed products.

Cash outflow relating to taxation increased sharply to £4.5 million (2016: £2.1 million) with historical losses and related deferred tax balances now fully used up.

The Group generated a free cash flow of £12.5 million in the year (2016: £17.3 million). The conversion of adjusted operating profit into free cash flow was 49% (2016: 88%). This was mainly due to investment in the Business Units, working capital outflow and increased taxation.

The Group paid its final dividend for the year ended 31 December 2016 of £1.3 million on 16 June 2017 (2016: for the year ending 2015, £1.2 million), and its interim dividend for the six months ended 30 June 2017 of £0.7 million (2016: £0.6 million) on 27 October 2017.

The Group has a £30 million, multi-currency credit facility with a £20 million accordion option, provided jointly by HSBC and The Royal Bank of Scotland in place until December 2019. 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 £62.5 million (2016: £51.1 million). The movement in net cash from the start of the year to net cash at the end of the year is reconciled in Table 6 below:

Table 6: Movement in Net Cash

	£'000
Net cash as at 1 January 2017	**51,125**
Exchange rate impacts	21
Free cash flow	12,548
Dividends paid	(2,049)
Proceeds from share issues	809
Net cash as at 31 December 2017	**62,454**

The Group's going concern position is fully described in the Corporate Governance Report on page 42 and in Note 2 to the Consolidated Financial Statements.

Table 5: Group Cash Flows Year ended 31 December

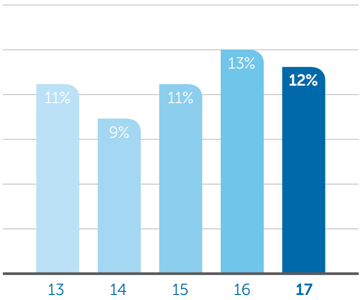
	2017 £'000	2016 £'000
Adjusted operating profit (Table 1)	**25,374**	19,708
Non-cash items	**4,127**	4,023
Adjusted EBITDA[1]	**29,501**	23,731
Working capital movement	**(8,049)**	(1,480)
Operating cash flow before exceptional items	**21,452**	22,251
Exceptional items	**–**	(361)
Operating cash flow after exceptional items	**21,452**	21,890
Capital expenditure and capitalised R&D	**(4,455)**	(2,536)
Net Interest	**37**	(3)
Tax	**(4,486)**	(2,065)
Free cash flow	**12,548**	17,286
Dividends paid	**(2,049)**	(1,783)
Proceeds from share issues	**809**	868
Exchange gains	**21**	553
Net increase in cash and cash equivalents	**11,329**	16,924

[1] Adjusted EBITDA is earnings before interest, tax, depreciation, intangible asset amortisation, share based payments and exceptional items.

Creating quality outcomes by measuring our performance

Revenue growth (%) at constant currency

12%



Why we measure it

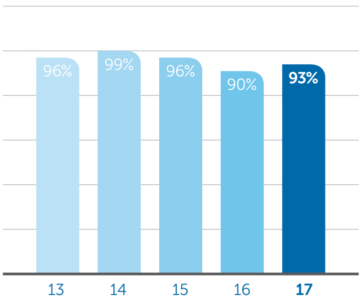
We see revenue growth as a contributing factor to our aim of providing long-term value for our shareholders.

Progress made in the year

Revenue has increased by 16% to £96.9 million (2016: £83.2 million) in 2017 and by 12% on a constant currency basis to £96.9 million (2016: £83.2 million).

Customer service (OTIF)[1]

93%



Why we measure it

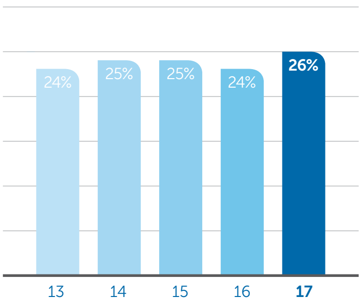
We see OTIF as a measure of providing excellent service to our customers.

Progress made in the year

OTIF increased to 93% (2016: 90%), which is higher than 2016, but below the average Group OTIF over the previous four years. OTIF was impacted by suture availability in the first half of 2017, which was addressed by increased production in the second half of 2017. It was also impacted by a change of a raw material by one of our suppliers which has now been resolved.

Adjusted[2] operating margin (%)

26%



Why we measure it

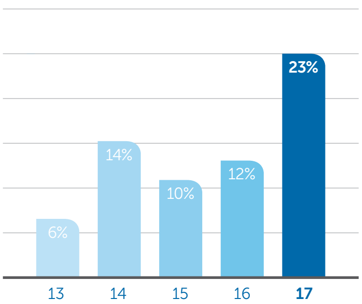
We see operating margin as important to ensure the sustainability of our business and to our aim of providing long-term value for our shareholders.

Progress made in the year

Our operating margin declined in 2016 as a result of launching some new products where manufacturing processes were new and not fully efficient. In 2017, these effects were negated. Operating margin has also benefitted from the fee income from Organogenesis.

Adjusted[2] diluted earnings per share growth (%)

23%



Why we measure it

We see EPS as an important factor to our aim of providing value for our shareholders.

Progress made in the year

Adjusted diluted earnings per share has increased by 23% to 9.46p (2016: 7.66p).

[1] OTIF – 'On time in full'.
[2] Before exceptional items and amortisation of acquired intangible assets.

Creating quality outcomes
by ensuring that our business is conducted in a responsible manner

We continually review our business practices to ensure that our business operates in a responsible manner with respect to Employees, Ethical Standards, Health, Safety, Environment and Community. We remain committed to continuous improvement.

Employees

At AMS we focus on creating an engaging place to work where employees are able to develop and are challenged to achieve both their ambitions and the long-term strategic goals of the business. With over 650 employees globally, AMS is focused on retaining and attracting the right calibre of people and providing an environment where individuals can deliver to the best of their capabilities. We recognise the importance of our people and that it is only by their effective engagement that we will continue to be highly successful. We value their commitment and determination to achieve and deliver good results. Our working environment encourages openness, teamwork, an understanding of others' needs and the ability 'to make a difference'.

We develop the talent at AMS by training with programmes such as the Management Development Programme and principles of Lean Manufacturing, and by providing a place to work where our employees feel valued, incentivised and fulfilled. We continue to support a number of apprenticeship schemes and graduate recruitments across the Group and intend to expand the number of schemes we operate in 2018.

AMS promotes communication with employees who are encouraged to put forward their views to the Company through both our monthly briefing meetings and also through our employee surveys. Employees are encouraged to participate in suggesting and implementing improvements across the Group.

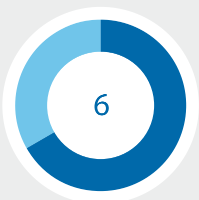
We support a number of apprenticeship schemes and graduate recruitment across the Group and intend to increase the number of opportunities offered under these schemes in 2018.

Employee Diversity

We are committed to actively encouraging a more inclusive and diverse workplace and look for opportunities to reinforce this where appropriate, although we continue to recruit on merit. The Group 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. The female representation on the Board, Senior Management Team and across the Group at the year-end is shown here:

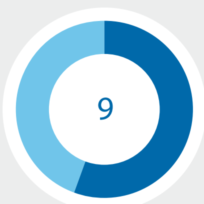
Gender Ratio

Main Board



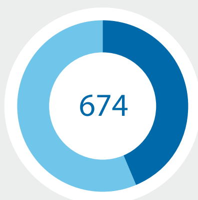
Male	4
Female	2

Senior Management Team



Male	5
Female	4

Total Employees



Male	295
Female	379

The Advanced Medical Solutions' 'Care Fair Dare' Approach

	A culture of:	A focus on:	A behavioural style which is:	A leadership style which:
Care	✓ Listening, support and taking action ✓ Valuing contribution	✓ Quality ✓ The "Bigger Picture"	✓ Open minded ✓ Respectful	✓ Builds engagement ✓ Motivates and retains staff
Fair	✓ Accountability and responsibility ✓ Leading by example	✓ Supporting and coaching ✓ The team not the individual	✓ Transparent ✓ Inclusive	✓ Proactively communicates ✓ Empowers decision making
Dare	✓ Optimism with realism ✓ Determination and persistence	✓ Solutions not problems ✓ Continuous improvement	✓ Responsive ✓ Creative	✓ Challenges the status quo ✓ Removes barriers to innovation

A set of values which:

- ✓ Encourages pride and a sense of belonging
- ✓ Ensures that the health, safety and well-being of all employees is paramount
- ✓ Delivers results
- ✓ Will build a sustainable future

Culture

AMS is highly dependent on the innovation and creativity of our employees for our future growth and success. It is important that we have a culture and set of values that are clearly understood across the business, and that employees embrace. We aim to operate to the highest ethical standards. We have adopted the business motto of 'AMS Care, Fair, Dare' to summarise our culture, underpin our values, and to deliver results, building a sustainable future for our business. Under this motto, we have defined the principles and expectations of how we will operate together to deliver success as the Company continues to grow. Care, Fair, Dare.

Throughout 2017, we ran a series of work shops and communications with our employees to embed our Care, Fair, Dare culture. We have listened to the feedback which has been received and developed our principles and expectations. These will now form part of our appraisal system and recruitment of potential new employees.

Ethical Standards

We recognise the importance of operating a business in an ethical manner.

AMS has set appropriate standards and policies to uphold all laws relevant to prevention of bribery and corruption in all jurisdictions in which we operate. The Group also has in place policies and procedures covering Gifts and Hospitality, Whistleblowing, the Modern Slavery Act, the Market Abuse Regulations, General Data Protection Regulations, the Criminal Finance Act and Equality.

AMS has introduced compulsory Ethics Training which all Group employees must complete to reinforce their understanding of the policies in place.

Supply Chain

Our Sourcing Policy requires suppliers to confirm they engage in ethical treatment of employees and observe prevailing laws in relation to other ethical issues, and ensures that suppliers:

- Do not employ any forced, bonded or involuntary labour;
- Do not use child labour;
- Provide safe and hygienic working conditions;
- Take adequate steps to prevent accidents and injury to health arising out of, associated with, or occurring in the course of employment;
- Pay wages and benefits and apply working hours for a standard working week that are no less than the applicable minimum national legal standard;
- Do not discriminate on grounds of gender, age, religion, political affiliation or sexual orientation;
- Do not permit harsh or inhumane treatment of its employees;
- Do not supply equipment used in the unethical treatment of individuals;
- Do not supply or trade in any banned or proscribed substances or materials in breach of the prevailing laws;
- Do not engage in practices that amount to bribery; and
- Respect and seek to avoid any unlawful infringement of the intellectual property rights of third parties.

Health, Safety and Environment

The Health and Safety of our staff, visitors to our facilities, and those who carry out work on our behalf, is of the utmost importance to us. Identifying and complying with applicable legislation underpins our Health and Safety activities and improvement initiatives. The Board provides Health, Safety and Environmental (HSE) leadership and the Chief Executive Officer has primary responsibility for setting the principles. The Chief Financial Officer, supported by the Group Operations Director, ensures adequate resource is available to support operational health, safety and environmental improvement plans.

We have established HSE Committees at each site which meet monthly. These Committees report monthly to the Senior Management Team and to the Board. We focus on the prevention of accidents and incidents through proactive reporting of potential hazards.

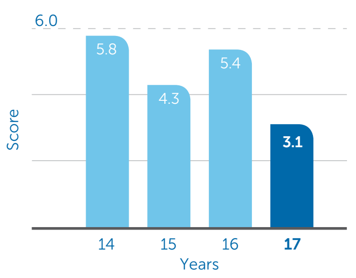
Over the last 12 months we have focused our resources to improve the level of accountability and expectation for continuous improvement in Health and Safety. Initiatives to improve involvement and accountability will continue over the foreseeable future to help us to further reduce our accident potential.

Safety Performance 2017

Our All Injury Rate (AIR) was 3.1 in 2017 and fell from 5.4 in 2016. It has been below the target of 6.0 over the past 4 years. We endeavour to take proactive initiatives to ensure our AIR remains below our target. Our AIR is measured as follows:

$$\text{AIR} = \frac{\text{Total number of injuries x 100,000}}{\text{Total labour hours worked}}$$

AIR (per 100,000)



Environment

It is the Group's policy to abide by all laws, directives and regulations relevant to its field of operations and to act in a manner so as to minimise the effects of our operations on the environment.

As AMS has operations across a number of countries, local management drives environmental performance. Specific, site-level objectives are established to ensure compliance with local legislative and external management system requirements. AMS uses a variety of indicators to monitor environmental performance.

Community

We are committed to supporting and having a positive interaction with our local communities and encouraging our employees, families and friends to participate where possible.

AMS sponsors a number of sports charities and clubs in the area. We have sponsored the annual Pie & Peas 5 mile race for four years, which is organised by Vale Royal A.C., the local athletics club based in Winsford, Cheshire. As well as sponsoring this local race, employees are encouraged to participate in pre-race training programmes to foster employee well being as well as enjoying good-humoured rivalry. AMS aims to promote participation in sports and exercise so as to encourage healthy lifestyles.

In 2018 we will be the main sponsor for the England Athletics 5k Road Championships, a national event that is being held in a local Cheshire village.

We also sponsor a number of local football clubs and school sports teams including our local ladies football club, Witton Albion Ladies FC, who receive no other funding and are coached by one of our employees in their spare time. We sponsor a local junior rugby team (Crewe and Nantwich RUFC Junior Colts) and a local school, Sandbach School, to go on rugby and hockey tours to Canada, as well as an Under 13's girls football team, the 'Runcorn Limets' which is coached by one of our employees.

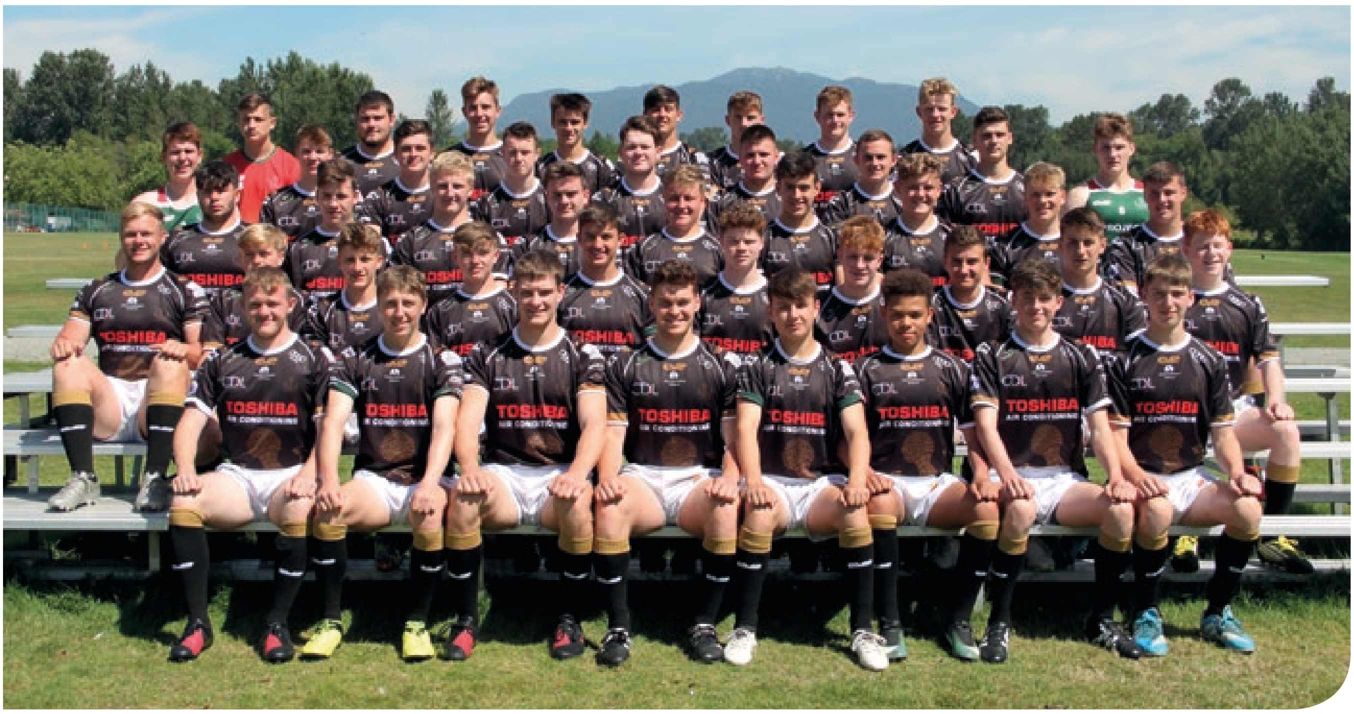
On an individual level, one of our employees was part of a team that participated in the Open Tae Kwon Do European Championships in Poland in June 2017. AMS contributed financially towards her cost of participating in this event with Gold, Silver and Bronze medals being achieved. We will continue to support her in the coming years.

In 2018 AMS will be the main sponsor of the St Luke's Hospice Midnight Walk, which will be held on the streets of Crewe and Nantwich in June. St Luke's Cheshire Hospice has been providing palliative care to local people, supporting them in ways beyond the scope and funding of the NHS. We will be supporting this event through employee participation and marshalling.

We are involved with some international charities. We sponsor a number of children in Africa and Asia through Plan International, a charity that promotes child rights and aims to end child poverty.

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

St Luke's
CHESHIRE HOSPICE



Sandbach School Rugby (above)

Creating quality outcomes by managing risk

Risk and uncertainty are an inherent part of doing business and could have an impact on our business, brands, assets, revenue, profits, liquidity and capital resources. To meet our strategic objectives, build shareholder value and promote our stakeholders' interests, we must manage this risk.

An effective and successful risk management process balances risk and reward and is dependent on the judgement of the likelihood and impact of the risk involved. The Board has overall responsibility for ensuring there is an effective risk management framework, which underpins our business model.

The Business Units, Senior Management Team (SMT), Audit Committee and Board review risks throughout the year. These risks are documented in the Risk Register which is formally reviewed by the SMT, Internal Audit and the Board twice annually. The plans and actions assigned to the Executive Directors and SMT members are reviewed to ensure progress is being made with risk and mitigation plans.

We believe that the policies, procedures and monitoring systems that are in place are sufficient to effectively manage the risks faced by our business.

Key Roles and Responsibilities

Monitoring and reporting responsibility ↑

Implementation and compliance responsibility ↓

Board

- Overall responsibility for corporate strategy, governance, performance, internal controls and Risk Management Framework
- Identification, review and management of identified Group strategic risks
- Defining the Group's appetite for risk
- Assessing the effectiveness of the risk management processes adopted across the Group
- Challenging the content of the Risk Register

Audit Committee

- Assessing the effectiveness of the risk management processes adopted across the Group
- Ensuring compliance with financial and reporting legislation, rules and regulations
- Monitoring compliance with internal control systems and managing Internal Audit arrangements
- Monitoring and oversight of external audit

Senior Management Team

- Management of the business and delivery of strategy
- Identification and monitoring of the key risk indicators and taking timely action where appropriate
- Ensuring implementation of the Group's actions and mitigation plans required to manage risk
- Challenging the appropriateness and adequacy of action plans to mitigate risk
- Analysing the aggregation of risk across the Group
- Provision of cross functional/Business Unit resource to effectively mitigate risk

Business Units

- Execution of the delivery of the actions associated with managing risk
- Timely reporting on the implementation and progress of agreed action plans
- Identification and reporting of strategic risks to the Senior Management Team
- Implementation of a risk management approach which promotes the ongoing identification, evaluation, prioritisation, mitigation and monitoring of operational risk

Identifying Risks

A robust methodology is used to identify key risks across the Group; in Business Units, operations and during projects. This is an ongoing process.

Analysing Risks

Once identified, the process will evaluate identified risks to establish root causes, financial and non-financial impacts and likelihood of occurrence. We use a scoring system to assess the likelihood of a risk materialising and the potential financial impact on the Group. The risks are prioritised in terms of severity based on the scoring and a mitigation plan is prepared to reduce the risk. Once controls and mitigating factors are considered, the risk is reassessed and re-scored (mitigated score) to ascertain the net exposure.

Managing Risk

The SMT, Internal Audit and the Board review the Risk Register formally at least twice a year, assessing whether the risks are still the most significant facing the Group and whether new risks have arisen. Effectiveness, adequacy of controls and mitigating actions are assessed and if additional controls or actions are required, these are identified and actions assigned. The Risk Register documents this.

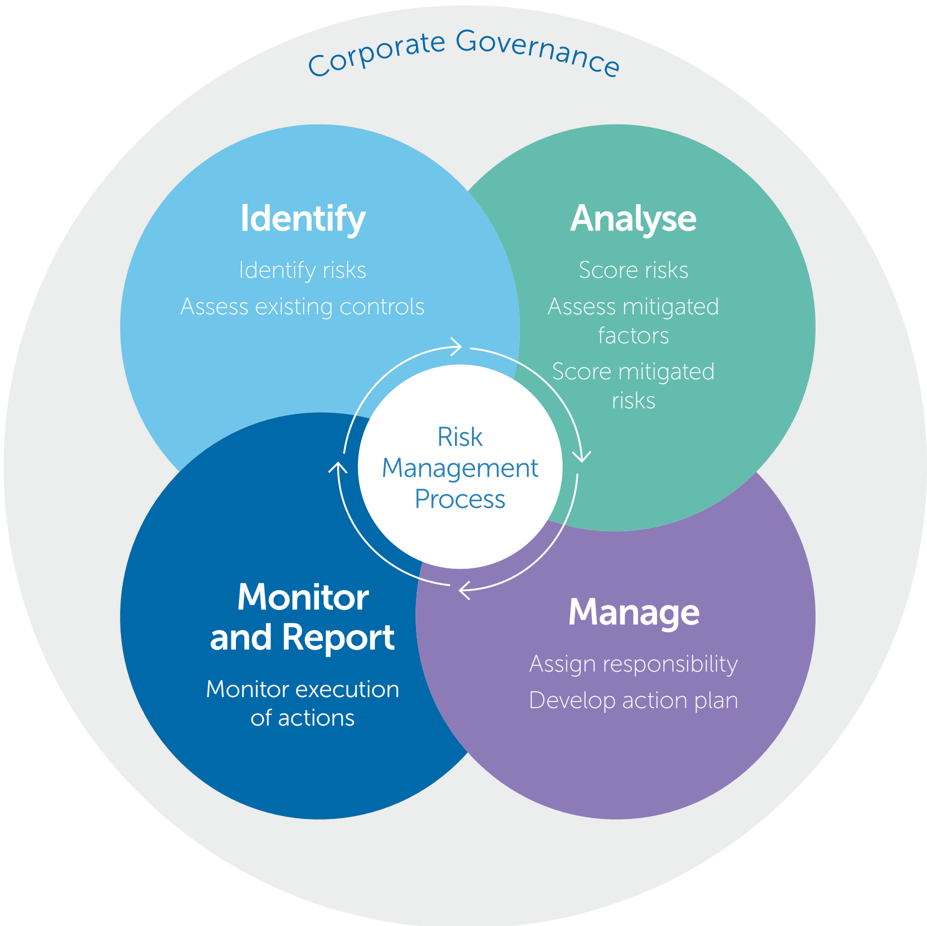
Monitoring and Reporting Risk

The SMT is responsible for monitoring progress to mitigate key risks. The risk management process is continuous; key risks and risk mitigation plans and progress are reported to, and reviewed by the Board, following the SMT's bi-annual review of the Group's Risk Register.

Internal Audit

Additionally, the Board is supported by a programme of Internal Audits. Internal Audit reports to the Audit Committee on progress of control or process improvements following Internal Audit recommendations.

Risk Management Model



Principal Risks:
Impact, key controls and mitigating factors

Risk	Potential Impact	Key Controls and Mitigating Factors
Market share growth declines/developing new markets is slower than expected	→ Income shortfall → Loss of OEM partners → Cost increase → Loss of competitive advantage	→ Effective alignment of strategy to consider the market changes and promote quality and cost savings → New territories for revenue growth identified and developed → Continued development of new products and projects to deliver growth to provide differentiation → Marketing strategy to support partners and products
Lack of innovation/ insufficient focus on protection of intellectual property (IP)	→ Loss of business → Loss of market share → Return on R&D investment is poor → Misidentification of new, competitive technology → Commercial value of products not maximised → Potential patent infringement	→ Pipeline of new products / technologies identified and prioritised → R&D progress is monitored against the stage gate process to ensure projects are progressing to plan and action is taken if necessary → Patented technologies reviewed for inclusion in new developments → Strong links with partners, including Universities, to reduce the risk of missed opportunities → Investment in clinical programmes, Key Opinion Leaders, clinical training and symposia to foster the adoption of new approaches → Consideration of licensing technology → IP portfolio regularly reviewed and strong IP enforcement
Industry consolidation/ loss of business at key account level	→ Income shortfall	→ No over reliance on any one customer. No one customer is more than 15% of the Group's revenue → All customers have contracts with agreed termination clauses → Evaluation of opportunities to broaden reach into new markets → Unique products protected by IP → Evaluation of new claims to support existing product range
Increased global competition reduces profitability	→ Income shortfall	→ Full service offering including strong regulatory and quality assurance together with product development, product differentiation and clinical support to mitigate a pure cost of supply proposition → Contacts have agreed set minimas which allow terms to be renegotiated or agreements terminated → Diversified approach reduces the impact on any one project, partner or product
Regulatory risk	→ Inability to supply product → Product launches delayed → Unable to keep existing claims → Loss of customer, revenue and reputation	→ Stringent regulatory regime in place → Experienced regulatory team → Strong regulatory pathway ensures that the increased regulatory requirements are met to gain approvals → Work with partners and distributors where they have local expertise → Strictly controlled Quality Management System
Making the wrong or no acquisition	→ Impact on Group performance, revenue and market capitalisation → Reputational loss	→ Strategy set and M&A objectives defined → Advisors appointed → Detailed market intelligence and identification of targets → Extensive due diligence process established

Risk	Potential Impact	Key Controls and Mitigating Factors
Brexit implications	→ Higher costs → Customs delays → More complicated/longer product approvals → Longer lead times for customers → Complications hiring non-UK employees	→ Brexit team established with plans outlined → Monitor Brexit discussions and agree course of action once decisions are made → Applied for Authorised Economic Operator status to allow quicker customs clearance. HMRC have completed their audit and we await final approval → Evaluate benefits of establishing a distribution hub in Mainland Europe → Utilise existing European subsidiaries to best advantage
Forex exposure	→ Loss of income → Shortfall in profit → Market expectations missed	→ Treasury policy on forex exposure determined → Robust use of Treasury Management System → At least 70% of estimated transactional exposure for next 12 months hedged
Vulnerability to single source supply	→ Inability to supply specific products and exposed to price increases → Increased cost of supply	→ Dual source key components wherever possible → Strong Vendor Risk Assessment process → Hold levels of inventory to prevent operational issues arising from delays → Business Interruption Insurance to cover significant interruption of supply
Cyber-Risk	→ Systems and data compromised → Loss of sensitive data → Loss of reputation	→ Cyber Security audits carried out → Penetration testing → Compulsory Cyber Security training for all employees → Ongoing user education → Implementation of audit and testing recommendations

This Strategic Report has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Group.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Group Strategic Report, which encompasses pages 4-33, was approved by the Board of Directors and signed on its behalf by:

Mary Tavener
Company Secretary

17 April 2018

Peter V Allen

Non-Executive Chairman

A R N*

Mr Allen was appointed as Non-Executive Chairman of the Group in January 2014. He is currently the Non-Executive Chairman of AIM listed Clinigen plc, and Diurnal plc, together with privately owned Oxford Nanopore Technologies Limited and Istesso Limted. 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, six years as Chairman (2007-2013) of ProStrakan Group plc (Interim CEO 2010-11), and three years as Chairman of Proximagen Neurosciences plc (2009-12).

Chris Meredith

Chief Executive Officer

N

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

Mary G Tavener

Chief Financial Officer

C

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

Key

- * Denotes Chairman
- C Company Secretary
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee

Penny Freer

Senior Independent Non-Executive Director

A R* N

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, Sinophi Healthcare, and Centric Health, based in Ireland.

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.

Steve G Bellamy

Non-Executive Director

A* R N

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 Concirrus Ltd (insurance technology), a Non-Executive Director at Michelmersh Brick Holdings plc, and a founding partner of Accretion Capital LLP (technology fund managment and advice).

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 M Steinmann

Non-Executive Director

A R N

Mr Steinmann was appointed as Non-Executive Director of AMS in July 2013. He is a Swiss national with over 25 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, a Non-Executive Director of DistaMotion SA and is a Board Observer with Orthimo AG, and has held a number of other Non-Executive Directorships prior to joining AMS.

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

Registered Number
2867684

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 fluropolymer coatings, supporting them through a period of rapid growth, managing multiple sites and key IT projects including ERP implementation and adoption of the Euro for the European offices.

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

Rose Guang

Group Quality Assurance / Regulatory Affairs (QA/RA) Director

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

Rose is also a 6 Sigma Master Black Belt.

Pieter van Hoof

Group Operations Director

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 and 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. He was promoted to Group Operations Director in December 2016.

Eddie Johnson

Group Financial Controller

Eddie joined AMS in 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.

In November 2012, Eddie was appointed Group Financial Controller.

Cathy Tomlinson

Group HR Director

Cathy joined AMS in May 2017 as Group HR Director. Cathy graduated with a degree in Business Studies from Liverpool John Moores University and completed a Master in Business Administration at Strathclyde University. She spent five years working for Amazon and was head of HR for their final mile delivery business (which was a start-up business for Amazon).

Prior to this Cathy held senior HR roles for Xerox – supporting the outsourcing of managed services from government and blue chip organisations to Xerox and Emirates Airline, based in Dubai, where she supported the growth of the airline in new geographies and and acquisitions.

Becky Walmsley

Business Unit Director, OEM

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.

Jeff Willis

Business Unit Director, Branded

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 UK. 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 following a recent re-organisation is now Director of the Branded Business Unit. He resides in the US.

Governance Statement

The Company's shares are quoted 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 2016 (the Code) issued by the Financial Reporting Council. The Board is however committed to the principles of good corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations as outlined in the Code, and have applied the Code as far as is practicable and appropriate for a public company of the Group's size.

In anticipation of the new guidelines that will come into force on 28th September 2018, AMS aims to comply with the UK Corporate Governance Code 2016. The area where AMS currently does not comply is the tenure requirements for a Non-Executive Director who has served on the Board for more than nine years from the date of first election to not be considered to be independent (Code Provision B.1.1.). Steve Bellamy has served as a Non-Executive Director for 11 years (February 2018) and is considered to be an independent Director. Details of this judgement are shown on page 40.

Role of the Board

The role of the Board is to establish the vision and strategy for the Group, to deliver shareholder value and it 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 the Chief Executive Officer of the Company. The roles are clearly set out in writing and reviewed by the Board.

Role	Name	Responsibility
Chairman	**Peter Allen** Appointed Chairman on 1 January 2014 (following his appointment as a Non-Executive Director on 4 December 2013)	→ Leadership and management of the Board → Setting the Board's Agenda, style and tone of discussions → Ensuring the Board's effectiveness in all aspects of its role → Working closely with the Chief Executive Officer on developing the Group's strategy, and providing general advice and support → Facilitating active engagement by all members → Participating in shareholder communications → Promoting high standards of corporate governance
Chief Executive Officer	**Chris Meredith**	→ Managing the Group's business → Developing Group strategy for consideration and approval by the Board → Leading the Senior Management Team (SMT) in delivering the Group's strategic and day-to-day operational objectives → Leading and maintaining communications with all stakeholders
Senior Independent Director	**Penny Freer** Appointed Senior Independent Director in 2010	→ Acting as an intermediary for other Directors when necessary → Available to meet with shareholders and aid communication of shareholder concerns when normal channels of communication are inappropriate → Chairing meetings of Non-Executive Directors if, and when, required → All responsibilities of a Non-Executive Director as outlined below
Non-Executive Directors	**Steve Bellamy** **Peter Steinmann**	→ Constructively challenging and contributing to the development of Group strategy → Monitoring the integrity of financial information, financial controls and systems of risk management to ensure they are robust → Reviewing the performance of Executive Management → Formulating Executive Director remuneration

The Non Executive Directors

Each of the Non-Executive Directors are free from any relationship with the Executive Management of the Company and are free from any business or other relationship that could affect or appear to affect the exercise of their independent judgement. The Board considers that all of the Company's Non-Executive Directors are Independent Directors, in both character and judgement, in accordance with the recommendations of the Code. This is explained in more detail on page 40. The Chairman, Peter Allen, was considered independent on his appointment.

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, dividends, 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 2017 included:

- → Directors' responsibilities
- → Finance and operations review
- → Annual budget
- → Risk review
- → Strategic plans
- → Health and Safety
- → Board evaluation
- → Impact of Brexit
- → Gender Pay Gap Reporting
- → Acquisition strategy
- → Potential merger and acquisition targets
- → Market Abuse Regulations (MAR)
- → Modern Slavery Act
- → Markets in Financial Instruments Directive (MiFID II)
- → Consultant appointments across Group
- → Major capital expenditure
- → Reports from the Board Committees
- → General Data Protection Regulation (GDPR)

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, Steve Bellamy, Penny Freer 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 the corporate website 'www.admedsol.com'.

Board and Committee Meetings

The Board meets on a formal basis regularly, and met formally eight times in 2017. 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 2017:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Peter Allen	8	3	3	1
Steve Bellamy	8	3	3	1
Penny Freer	8	3	3	1
Chris Meredith	8	3*	3*	1
Peter Steinmann	8	3	3	1
Mary Tavener	8	3*	2*	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, Deputy 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 34 and 35 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 Officer which sets the tone for Board interaction and discussions.

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 40.

Diversity

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%. Additionally, the Senior Management Team also has a diverse experience. Its members comprise of several nationalities and female representation is 44.4%.

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 page 54 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 2017 was six and the tenure is shown below.

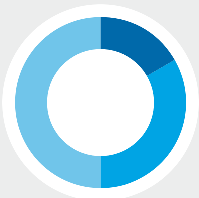
The Company follows the Code as far as is practicable. The Board notes the tenure requirement for a Non-Executive Director who has served on the Board for more than nine years from the date of first election to not be considered to be independent (Code Provision B.1.1.). Steve Bellamy has served as a Non-Executive Director for 11 years (February 2018). Due to his extensive experience with the Company, and that the Board consider him to be independent of character and judgement, he is considered to be an independent Director. Steve Bellamy is, however, subject to annual re-election which started in 2017 (Code Provision B.7.1.).

The Board further notes that under Code Provision B.1.2 a smaller company (below FTSE 350) must have at least two independent Non-Executive Directors. The Board consider Peter Allen, Steve Bellamy, Penny Freer and Peter Steinmann to be independent.

Peter Allen, Steve Bellamy and Penny Freer own shares in the Company as shown on page 58. These holdings have been highlighted to shareholders and are small. They are not considered to impact Non-Executive Director independence under Code Provision B.1.1.

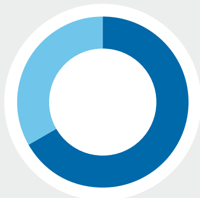
Code Provision B.2.3. states that any term beyond six years for a Non-Executive Director should be subject to rigorous review, taking into account the need for progressive refreshing of the Board. The Board reviewed the appointments of Steve Bellamy and Penny Freer, and consider that their continued appointment does not present any issues.

Board Composition



Non-Executive Chairman	1
Executive Directors	2
Non-Executive Directors	3

Gender Diversity of Board



Male	4
Female	2

Board Tenure

0-3 years	nil
4-6 years	2
7-9 years	1
10+ years	3

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 appraised of developments in legal, regulatory and financial matters affecting the Group by the Deputy Company Secretary and the Group's External Auditors and advisors.

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 2017 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), Peter Allen, Steve Bellamy and Peter Steinmann as laid out below:

Name	
Penny Freer	Chairman (since 25 June 2010, member since 1 March 2010)
Steve Bellamy	Member (since 20 February 2007)
Peter Allen	Member (since 4 December 2013)
Peter Steinmann	Member (since 1 July 2013)

The Committee has Terms of Reference that are reviewed at least annually, were updated at the end of 2017 and are available to view on the Company Website 'www.admedsol.com'. The Deputy Company Secretary acts as Secretary to the Committee.

The Remuneration Committee met three times in 2017. The Committee, in consultation with the Chief Executive Officer, determines the Group's policy on Executive remuneration, employment conditions and the individual remuneration packages of the 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 47 to 56.

Nomination Committee

The Nomination Committee comprises Peter Allen (Chairman), Penny Freer, Steve Bellamy, Chris Meredith and Peter Steinmann as laid out below:

Name	
Peter Allen	Chairman (since 1 January 2014, member since 4 December 2013)
Chris Meredith	Member (since 1 January 2011)
Penny Freer	Member (since 1 March 2010)
Steve Bellamy	Member (since 20 February 2007)
Peter Steinmann	Member (since 1 July 2013)

The Committee meets as and when it is necessary to do so. The Committee has Terms of Reference that are reviewed at least annually, were updated at the end of 2017 and are available to view on the Company Website 'www.admedsol.com'. 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), Peter Allen, Penny Freer, and Peter Steinmann as laid out below:

Name	
Steve Bellamy	Chairman (since 6 June 2007, member since 20 February 2007)
Penny Freer	Member (since 1 March 2010)
Peter Allen	Member (since 4 December 2013)
Peter Steinmann	Member (since 1 July 2013)

Steve Bellamy, a qualified Chartered Accountant, chairs the Committee. The Committee has Terms of Reference that are reviewed at least annually, were updated at the end of 2017 and are available to view on the Company Website 'www.admedsol.com'. 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 Audit Committee Report is included on pages 44 to 46.

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 £62.5 million (2016: £51.1 million) and was debt free (2016: debt free). The Group agreed a 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 facility is provided jointly by the Group's existing bank HSBC, as well as The Royal Bank of Scotland PLC. 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 47 to 56.

Modern Slavery Act

Prior to the introduction of the legislation the Company had implemented an Ethical Sourcing Policy and the requirements of the Modern Slavery Act build on that policy. During 2017 the Company has taken the following key steps to implement the requirements of the Modern Slavery Act 2015:

→ Introduction of an Anti-Slavery/Human Trafficking Policy (the "Policy") and procedures
→ Group-wide communication of the Policy, with all employees confirming their understanding of the Policy
→ Reinforcement of existing policies covering ethical business practices and legal compliance
→ Contractual commitments from supply chain partners to act in accordance with our Ethical Sourcing Policy
→ Routine audits of suppliers include an assessment of compliance
→ Continuing liaison with suppliers, contractors and business partners to establish their commitment to the eradication of slavery and human trafficking

The full compliance statement can be found on the Company website 'www.admedsol.com/modernslaveryact'.

Gender Pay Gap Reporting – Ensuring Opportunities for All

AMS believes in being an inclusive and diverse employer, where individuals are provided opportunities to develop and reach their full potential.

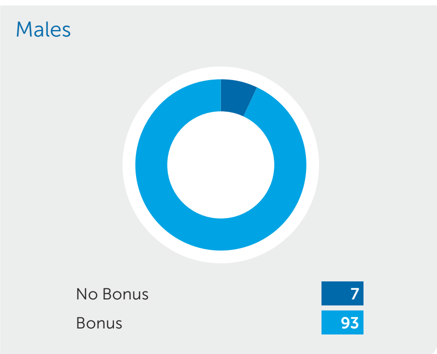
Pay and Bonus Gap	Mean	Median
Gender pay gap	11.2%	6.1%
Gender bonus gap	60.3%	0.0%
Gender bonus gap (excluding share exercises)	8.7%	0.0%

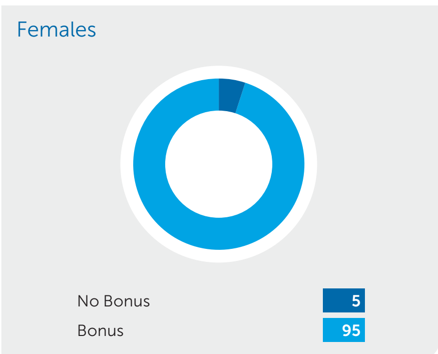
The above table shows our mean and median gender pay gap and bonus gap as at the snap-shot date (i.e. 5 April 2017). This information is for Advanced Medical Solutions Limited only.

Our disclosable pay gap is 11.2%. Our analysis of our gender gap tells us this is largely driven by the fact that women hold fewer senior positions than men. Women made up 41% of our overall workforce on the snapshot date, compared to 32% of women in upper quartile for pay.

Our analysis suggests that when we adjust for this structural issue, our pay gap changes to -2.4% (women paid more than men), which can be explained by time in role or skill-set factors.

Our bonus gap has been driven by a number of high value share exercises in the year to 5 April 2017, a large proportion of which were made by men. The exercise of these shares relates to options granted over a number of previous years and, as such, is not representative of the bonus earned in the year. Individuals have discretion on the timing as to when to exercise their share incentives. Any share incentives that vested but were not exercised are not included in this calculation. When we adjust for this factor, and exclude the impact of share exercises, our bonus gap drops to 8.7%.





This shows a 2% difference in the number of men and women who received a bonus in the reference period. We are confident that men and women have an equal opportunity to earn a bonus.

Pay Quartiles

The below chart illustrates the gender distribution across AMS Ltd in four equally sized quartiles.

Quartile	Male	Female
Upper	68%	32%
Upper Middle	55%	45%
Lower Middle	57%	43%
Lower	49%	51%

As a responsible employer we are committed to addressing diversity and are approaching this in a number of ways to promote and attract more senior candidates. This includes flexible working (including job sharing, part-time working, flexitime, career break, home working), development opportunities (sponsorship of further education, coaching and mentoring, personal development plans) and our recruitment processes (attraction of diverse talent pools). We are confident that men and women are paid equally for doing equivalent jobs across the business.

Our Gender Pay Gap figures have been calculated using the methodology provided in the gender pay gap reporting legislation; The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. These figures have been verified and checked to ensure accuracy. The Compliance Statement can be found on the Company website 'www.admedsol.com/genderpay'.

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 Officer on the current progress of the business and allow the opportunity for questions on this or any of the resolutions. The Company proposes separate resolutions for each issue and specifically relating to the report 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

17 April 2018

Aims and Objectives

The overall aim of the Committee is to monitor the integrity of the Group's Financial Statements and announcements, its accounting processes, and the effectiveness of its internal controls and risk management system. The Committee assists the Board in fulfilling its responsibility to ensure that the Group's financial systems provide accurate and up-to-date information on its financial position, and supports the Board in its consideration as to whether the Group's published Financial Statements are fair, balanced and understandable.

The Audit Committee is required to:

→ Oversee and advise the Board on the current risk exposures of the Company and related future risk strategies
→ Oversee the activities of Internal Audit
→ Review internal control policies and procedures for the identification, assessment and reporting of material financial and non-financial risks
→ Review the Group's procedures for detecting fraud
→ Review the Group's procedures for the prevention of bribery and corruption
→ Review the Group's procedures for ensuring that appropriate arrangements are in place to enable employees to raise matters of possible impropriety in confidence
→ Review the effectiveness of the Group's financial reporting
→ Review the content of the Annual Report and advise the Board whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy
→ Review the engagement, effectiveness and independence of the External Auditor
→ Review audit and non audit services and fees
→ Review the Committee's Terms of Reference

Audit Committee Activities

To discharge its responsibilities, during the year, the Committee has undertaken the following activities:

Financial Statements and Reports

→ Reviewed and approved the External Audit fees for 2017
→ Reviewed the annual and half-yearly financial reports and related statements and discussed:
- Key accounting judgements
- Cost of capital
- Identification of Cash Generating Units (CGUs) and impairment of goodwill
- Brexit effect
- Treatment of R&D Tax Credits as the Group no longer qualifies as a SME
- Enhanced Audit Report
- Working towards releasing the Annual Report earlier following the Preliminary Statement

→ Reviewed and considered the significant issues in relation to the Financial Statements and how these have been addressed, including:
- Going Concern – The 2014 UK Corporate Governance Code provision C.2.2 has set out a requirement for the Directors to explain in the Annual Report how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate. The Committee reviews the analysis undertaken in relation to strategic risk management and risk assessment, risk appetite, internal control, risk and control reporting structure and the principal risks identified on an ongoing basis. This monitoring and review validates the draft statement which was documented for the first time in 2016

External Audit

→ Monitored the independence and ensured the objectivity of the External Auditor
→ Approved all non-audit service work over £10,000
→ Reviewed and approved the Audit Plan for the 2017 audit
→ Reviewed the performance of the External Auditor and considered the reappointment of Deloitte LLP as auditor for 2018 and recommended appointment to the Board
→ Managed a successful transition of engagement partner for the audit in line with partner rotation rules

Internal Audit

→ Considered and agreed the strategic and annual Internal Audit plan
→ Reviewed and followed up on management responses to Internal Audit findings and recommendations
→ Reviewed the performance of RSM UK and considered their reappointment
→ Reviewed the performance and the resulting recommendations of the Internal Audits into Cyber Security and Budgeting and Forecasting
→ Reviewed ongoing advice from previous audits

Risk Management

- Reviewed the key risks to the Group and the plans to mitigate these risks
- Reviewed Cyber Security risks and controls
- Initial discussions (and approval of Policy) relating to the General Data Protection Regulation (GDPR)

Terms of Reference

- The Committee's Terms of Reference are reviewed annually in line with the Institute of Chartered Secretaries and Administrators (ICSA) guidance to reflect the UK Governance Code.

Effectiveness of External Auditor

To assess the effectiveness of our External Auditor, a formal performance review is undertaken on an annual basis to identify the adequacy of their approach to:

- Resource quality: – it is important that the External Auditor has achieved the right balance of audit team resource. With the team providing both continuity and knowledge, as well as a fresh perspective through new team members to allow processes and accounting policies to be challenged.
- Effective communication: – key audit judgements are communicated at the earliest opportunity to promote discussion and challenge between the External Auditors and management, informing AMS of audit issues as they arise, so that these can be dealt with in a timely manner. Communication regarding good practice, changes to reporting requirements and accounting standards is also needed to enable the Company to be prepared prior to year end. Timely provision of audit papers is required to enable adequate management review and feedback. The quality of the reports and publications provided by the External Auditor in terms of content, relevance and presentation is reviewed.
- Scoping and planning: – specifically relating to the year-end audit work: timely provision of the External Audit strategy and timetable to Audit Committee and management.
- Fees: – ensuring they are transparent and communicated prior to the commencement of any work undertaken. Where variations occur, these are challenged at the earliest opportunity to enable dialogue and negotiation to be undertaken.
- Auditor independence: – the Committee continues to monitor the External Auditor's compliance with applicable ethical guidelines and considers the independence and objectivity of the External Auditor as part of the Committee's duties. The Committee received and reviewed written confirmation from the External Auditor on all relationships that, in their judgement, may bear on their independence. The External Auditor has also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

The External Auditor may be appointed to provide non-audit services where it is in the Group's best interests to do so, provided a number of criteria are met. These are that the External Auditor does not:

- Audit their own work
- Make management decisions for the Group
- Create a conflict of interest
- Find themselves in the role of an advocate for the Group

All projects where forecasted expenditure exceeded £10,000 were approved by the Audit Committee. Deloitte LLP has been the Group's External Auditor for nine financial years and the engagement partner completed five years as audit partner on completion of the 2016 Audit. During 2017 there was a successful transition to a new engagement partner to the Group. Following the positive outcome of a performance and effectiveness evaluation undertaken by the management, the Audit Committee concluded that it was appropriate to recommend to the Board the reappointment of Deloitte LLP as the Group's External Auditor for the next financial year.

Internal Audit

Internal Audit at AMS is managed and delivered by an external firm of Auditors, RSM UK, who provide this service under the direction and guidance of the Audit Committee. Against an agreed mandate, this function performs independent Internal Audit across the Group. A two-year Internal Audit strategy and an annual Internal Audit plan are approved by the Audit Committee each year. Internal Audit reviews areas of areas of potentially significant risk and substantial process improvement and provide assurance that key controls are effectively designed and operated consistently. Audit reports are produced to convey the extent of control assurance derived from the formal testing of controls. RSM UK's findings and recommendations are reported directly to the Audit Committee.

The Audit Committee:

- Reviews and approves the charter of the Internal Audit function and ensures the function has the necessary resources and access to information and the Group's employees as necessary to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for Internal Auditors
- Approves the appointment and the termination of the 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 workplan
- Receives a report on the results of the Internal Auditors work at least twice per year
- Reviews and monitors management's responsiveness to the Internal Auditor's findings and recommendations and the corrective actions taken
- Meets with the Internal Auditor at least once a year without the presence of management
- Monitors and reviews the effectiveness of the Company's controls in the context of the Company's overall risk management system

All Internal Audit reports are discussed with the Audit Committee and the External Auditor, and the recommendations considered and acted upon. RSM UK attends Audit Committee meetings twice a year and updates the Audit Committee in writing ahead of each Committee meeting.

In 2017 the Internal Auditor undertook detailed audits of Cyber Security and Budgeting and Forecasting, together with a review of previous audit reports. 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 Institute (BSI) and TÜV Rheinland and LGA Products GmbH, on a regular basis.

The Internal Controls Framework is available for all employees to view on the Intranet. Updates are driven by an underlying process change or by the outcomes of Internal Audit projects. Issues are identified, the policies are updated and then approved by the Group Financial Controller and Chief Financial Officer. The updated policies are then formally approved by the Board.

Risk Management and Internal Controls

The Board takes responsibility for the Group's system of internal control and for reviewing its effectiveness, taking guidance from the Audit Committee. The Board monitors and reviews all material controls including financial, operational and compliance controls. Risks arising from operations can only be managed rather than eliminated. Only reasonable and not absolute assurances can be made against material loss or misstatement. Key features of the internal control system are:

- 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 reserved for its consideration. This schedule includes potential acquisitions, capital projects, treasury policies and management systems, risk management systems and policies, approval of budgets, re-forecasts and Health and Safety;
- The Board or the Audit Committee reviews the Risk Register at least twice a year;
- 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, at least monthly, 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;
- An Enterprise Resource Planning (ERP) system with in-built controls over process and authority, minimising manual intervention and overall strengthening controls is in place in the UK, the Netherlands and Germany;and
- The Group operates a 'whistle-blowing' policy enabling any individual with a concern to approach any of the Non-Executive Directors in confidence.

As part of the External Auditor's annual review process, any weaknesses identified in the Group's internal control system are reported to and discussed with the Audit Committee and corrective actions are agreed.

The Group's corporate objective is to maximise long-term shareholder value, recognising that creating value is the reward for taking and accepting risk. The Directors consider risk management to be crucial to the Group's success and give it a high priority to ensure that adequate systems are in place to evaluate and limit risk exposure.

Management formally reviews the Risk Register at least twice a year. Risks are evaluated for both likelihood and financial impact and scored against both criteria. This is used to identify the most significant risks the business faces. These risks have been identified and are discussed in more detail in the Strategic Report on pages 4 to 33. Actions are agreed to mitigate the risks.

At each review, progress on actions is assessed and further actions may be identified. Risks are re-scored and the effects of mitigating actions taken are used to identify a residual risk score. Management also gives consideration to other risks that have been identified, score these risks to understand significance and assign actions to be taken to mitigate, if required. The process for identifying, evaluating and managing the risks faced by the Group is ongoing throughout the year.

Management report to the Audit Committee at least twice a year on the Risk Register. The Board or the Audit Committee reviews the Group's Risk Register and the effectiveness of Management's actions to mitigate the risks.

As part of the External Auditor's annual review process, any key risks and areas of audit focus are also identified and agreed with the Audit Committee.

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

Mary Tavener
Company Secretary

17 April 2018

The Board presents the Remuneration Report for the year ended 31 December 2017.

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 (Committee) comprises the three Non-Executive Directors of the Group and the Chairman of the Board as laid out below:

Name	
Penny Freer	Chairman (since 2 June 2010, member since 1 March 2010)
Steve Bellamy	Member (since 20 February 2007)
Peter Allen	Member (since 4 December 2013)
Peter Steinmann	Member (since 1 July 2013)

Biographical information on the Committee members is set out on pages 34 to 35. 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 three times during the year. All the meetings were attended by all members. The Board has accepted the Committee's recommendations in full.

The Committee, on behalf of the Board, and in consultation with the Chief Executive Officer, 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 and staff 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 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 6 June 2018 asking them to consider and approve this Report. The activities the Remuneration Committee undertook in 2017 were:

Month	Principal Activities
February	→ Review of 2016 personal objectives and setting of 2017 personal objectives for Executive Directors → Review of proposed 2016 Executive Director and Senior Management Team (SMT) bonus and Deferred Annual Bonus awards → Review of proposed share option and LTIP awards
September	→ Ratification of LTIP and share option awards for SMT → Ratification of bonus and Deferred Annual Bonus awards for Executive Directors and SMT → Review of compliance with Executive Shareholding Policy for Executive Directors and SMT → Review of Executive Director Financial Objectives → Award of additional LTIPs following internal re-organisation → Agreement to amend payment of Employers NI for Unapproved Deferred Share Bonus Plan Matching Shares → Gender Pay Reporting
December	→ Consideration and approval of 2018 basic salary for Executive Directors and SMT → Review of results of Committee Self Assessment questionnaire, Terms of Reference and Directors Expenses Policy → Agreement of 2018 Remuneration Committee Meeting dates → Review of legal and corporate governance developments

Remuneration Policy

The remuneration policy is formulated around the need to provide a remuneration structure that is competitive to attract, retain and motivate Senior Executives of the calibre required to develop and implement the Company's strategy and enhance earnings over the long-term, 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 and that it will continue to apply for 2018 and subsequent years, subject to ongoing review as appropriate. The Committee retains the right for discretion, although no discretion was used in 2017. 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), were engaged in 2014 to advise the Committee with regard to the remuneration of the Executives and SMT. Executive Directors are expected to accumulate and maintain a significant shareholding. The Committee took into account this expectation, together with the recommendations from Kepler, into account when introducing an Executive Shareholding Policy 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. All SMT members met or exceeded the shareholding target except the two members who have been with the Company less than 5 years. 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 Committee takes into account guidance issued by shareholder representative bodies, including the Investment Association, the Pensions and Lifetime Savings Association and Institutional Shareholder Services. 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 are consulted in advance about changes to the remuneration policy.

Consideration of Employment Conditions elsewhere in the Group

The Committee considers the general basic salary increase for the broader employee population when determining the annual salary increases and remuneration for the Executive Directors. For example, as explained on page 51, reflecting the wider cost of living increase for the 2018 financial year, the Committee determined to only increase the basic salary for the Executive Directors by the cost of living (3%).

Statement of Voting at General Meeting

At the 2017 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'
To approve the Directors' Remuneration Report	123,308,123	99.17%	0.83%

Overview of Director's Remuneration Policy

Directors' Policy Table

Element of remuneration	Purpose and how it supports strategy	How the element operated and maximum opportunity	Framework used to assess performance
Base Salary	To provide competitive fixed remuneration. To attract, retain and motivate Executive Directors and the SMT of the right calibre to deliver the Company's strategy and to provide a core level of reward for the role.	In line with the policy outlined on page 48 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). 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 2017. There is no prescribed maximum annual increase. The Committee will take into account the general increase for the broader employee population in the UK but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current salary levels are set out on page 51.	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 Committee retains the discretion to award a higher increase than the UK workforce.
Benefits	To attract, retain and motivate Executive Directors and the SMT of the right calibre to deliver the Company's strategy 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. There is no defined maximum as the cost benefits can vary annually and the Company requires the ability to remain competitive.	N/A
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.	Each of the Executive Directors is entitled under the terms of their service agreements to receive an Annual Bonus to be determined by the Committee based on the Group's financial performance and the achievement of specific personal targets set by the Committee. The maximum Annual Bonus potential is 120% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer, of which 85% of the award is dependent on financial performance targets and 15% on personal objectives. Bonuses are paid in a mixture of cash and shares with an element deferred under the Deferred Annual Bonus scheme.	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. 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 (DAB)	Provides mechanism to exercise malus provisions.	Following advice from Mercer (formally Kepler) regarding corporate governance developments in remuneration, the Committee introduced a Deferred Annual Bonus (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 for three years. The DAB introduced malus provisions which are laid out on page 51. There is no provision for clawback.	N/A

Element of remuneration	Purpose and how it supports strategy	How the element operated and maximum opportunity	Framework used to assess performance
Deferred Share Bonus Plan (DSB)	To align the interests of the Executive Directors, the SMT and the employees with shareholders, incentivise long-term value creation and is a key tool for retention of staff.	The Deferred Share Bonus Plan (DSB) is available to all employees and allows them to choose for the payment of some 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 DSB first operated in 2007. The existing scheme received shareholder approval at the 2015 AGM.	N/A
Long Term Incentive Plan (LTIP)	To align the interests of the Executive Directors and the SMT with shareholders and incentivise long-term value creation.	The Company introduced a new Long Term Incentive Plan (2014 LTIP) at the 2014 AGM, replacing the LTIP introduced in 2006. The LTIP permits an annual grant of shares that vest subject to performance and continued employment. The LTIP awards are granted in accordance with the rules of the plan. 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. Under the rules of the LTIP, the maximum annual award size is 200% of salary. Details of the proposed award level for 2017 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. The 2014 LTIP introduced malus provisions which are laid out on page 51. There is no provision for clawback.	50% of the Award is determined based on the Total Shareholder Return (TSR) performance of the Company compared with the AIM Healthcare Share Index over the vesting period and 50% of the Award is determined by the growth in the average Earnings Per Share (EPS) per year of the Company over a three-year period. Of the 50% of the Award that is determined by reference to the AIM Healthcare Share Index, no shares will be awarded if the Company is ranked below the 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 a three-year period commencing on the 1 January of the year the Award is made. Awards will vest on a sliding scale from 25% to 100% for an average increase of EPS from target EPS of 5% to an average increase of EPS of 20% over the vesting period. No awards will be made for an average increase of EPS below target EPS. In 2014 the EPS target was set at 5%. The 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.
Pensions	To provide a market competitive remuneration package to enable the recruitment and retention of the Executive Directors and SMT.	All UK 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 UK employees contribute a minimum of 3% of their salary which is matched by a 6% contribution of the Group. The Pension Plan is a money purchase scheme. In 2011, the Group made arrangements allowing individuals to sacrifice their salary for pension contributions. Following changes in the taxation of personal UK pension contributions, and limitations on the size of individual personal pension funds, the Group has agreed that an employee may substitute the pension contributions they would have received from the Group for salary. Automatic enrolment has been implemented for all UK employees.	N/A

Malus provisions – 2014 LTIP/DAB

The 2014 LTIP and DAB incorporate malus provisions. For LTIPs and DAB's awarded from 2014 onwards, the Committee may in its absolute discretion resolve to vary an Award in the event that any of the Financial Statements or results for the Company, or for any Group Company, are materially restated (other than restatement due to a change in accounting policy or to rectify a minor error) or if, in the reasonable opinion of the Committee and following consultation with the relevant employing Group Company, a participant has deliberately misled the management of the Company and/or the market and/or the Company's shareholders regarding the financial performance and/or technical information of any Group Company or any Subsidiary, or a participant's actions amount to serious misconduct or conduct which causes significant financial loss for the Company, any Group Company and/or the participant's Business Unit.

If the Committee determines that the malus provision applies then they may resolve that the number of shares comprised in an Award that are not vested shares and/or vested shares in the case of an Option where the Option has not yet been exercised should be reduced (to nil if appropriate) and/or impose further conditions on an Award.

Directors' Emoluments – Single Figure of Remuneration

The various elements of the remuneration for each Director in 2016 and 2017:

	Salary and fees		Annual Bonus		Deferred Annual Bonus		LTIPs vested		Gains on DSBs vested**		Benefits		Pensions		Total remuneration	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Chris Meredith	**270**	265	**201**	173	**67**	58	**466**	254	**8**	7	**1**	1	**27**	26	**1,040**	784
Mary Tavener	**209**	200*	**130**	111	**43**	37	**329**	204	**4**	–	**1**	1	**21**	26	**737**	579
Peter Allen	**71**	69	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**71**	69
Steve Bellamy	**42**	41	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42**	41
Penny Freer	**42**	41	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42**	41
Peter Steinmann	**36**	35	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**36**	35
Total	**670**	651	**331**	284	**110**	95	**795**	458	**12**	7	**2**	2	**48**	52	**1,968**	1,549

* Sacrificed salary of £5,125 in January to March 2016 in lieu of Pension. Annual Salary of £205,000 in 2016.

** Gains on DSBs vested is based on the share price at vesting date. Details of the DSB can be found on page 50.

The table above summarises the payments made and additional amounts earned by the Executive Directors and Non-Executive Directors for the 2016 and 2017 financial years. The Chairman of the Audit Committee and Remuneration Committee (Steve Bellamy and Penny Freer) received a supplementary fee of £3,000 for chairing the Committees. The Deferred Annual Bonus recorded in the table above is in respect of the 2016 and 2017 financial years, to be paid or deferred into shares, which will not be received until 2020 and 2021 respectively. The Executive Directors were granted further LTIPs as detailed on page 52. 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.

Salaries and Fees

Executive Directors

The Remuneration Committee determined there would be an increase of 3% for Executive Director base salary for 2018. The Group's UK employees also received a 3% salary increase for the 2018 financial year.

Director	**2018**	**2017**	**% increase**
Chris Meredith	£278,409	£270,300	3%
Mary Tavener	£215,373	£209,100	3%

Annual Performance Bonus

The Annual Bonus contains two elements – the cash element and the deferred share element. The bonus is determined on both financial targets and personal objectives. Up to 25% of the bonus is deferred into shares in line with the malus provisions. The Annual Bonus payments presented in the table above were based on performance against growth in Group revenue, adjusted Profit before Tax, and EPS, and performance against personal performance objectives measured over the relevant financial year. The maximum bonus potential for the year ending 31 December 2018 will remain as 120% of salary for the Chief Executive Officer and 100% for the Chief Financial Officer.

The personal objectives for the Executive Directors are usually set on an individual basis. The personal objectives of each Executive Director for the year ended 31 December 2017 were linked to the corporate, financial, strategic and other non-financial objectives of the Company.

Up to 18% of salary was payable to the Chief Executive Officer and 15% of salary to the Chief Financial Officer upon achievement of personal objectives. Based on the assessment against objectives set, the Committee determined that the performance of the Chief Executive Officer and Chief Financial Officer warranted a 60% (2016: 50%) payout in relation to the non-financial elements of their respective bonuses, which resulted in payment worth 11% (2016: 9%) of salary to the Chief Executive Officer and 9% (2016: 7.5%) of salary to the Chief Financial Officer. The Committee consider the 2018 objectives to be commercially sensitive as they give our competitors insight into our business plans and therefore are not detailed in this Report.

The bonus for the 2017 financial year is accrued and paid in 2018. Overall the 2017 bonus payments made in respect of the 2016 financial year were as follows:

Name	Bonus paid in 2017 (2016 Financial Year)	Deferred Annual Bonus	Percentage of salary (for total bonus)	Maximum % of salary
Chris Meredith	£172,949	£57,650	72.5%	120%
Mary Tavener	£111,492	£37,164	72.5%	100%

Vesting of LTIPs for the year ended 31 December 2017

The LTIPs granted on 6 June 2014 to the Executive Directors under the 2014 Long-Term Investment Plan were based on performance criteria during the three-year period as detailed below. The LTIPs vested on 6 June 2017. The performance conditions were:

→ 50% of the Award is subject to a performance condition based on the Company's Total Shareholder Return (TSR) performance over the performance period (90 dealing day period to the date of grant measured against the 90 dealing day period prior to the three year anniversary following the date of grant) relative to the constituent companies of the AIM Healthcare Share Index over the performance period; and

→ 50% of each Award is subject to a performance condition based on the growth in the Company's underlying diluted earnings per share (EPS) over the period from 1 January 2014 to 31 December 2016.

The Performance Targets were as follows:

TSR Performance	Vesting %
Below 50% of the comparator group	0%
Between 50% and 75% of comparator group	Pro-rata vesting between 25% and 100% based on the ranking in the comparator group
Above 75% of comparator group	100%

EPS compound annual growth rate	Vesting %
<5% CAGR	0%
5%-20% CAGR	Pro-rata vesting between 25% and 100%

Following a review of the performance conditions of the LTIPs granted in June 2014, 76.9% of the award vested in June 2017. The Company achieved 100% vesting for the TSR element (ranking 7th out of the 50 comparators) and 53.7% for the EPS element (compound annual EPS growth of 10.7%)

In the Directors' emoluments single figure remuneration table on page 51, the figure attributable to the LTIPs granted on 6 June 2014 is calculated by multiplying the number of shares in respect of which the Award vested by the share price on the vesting date.

Directors' Interests in the Long-Term Incentive Plan (LTIP)

On 6 April 2017 the following LTIP awards were granted to each Executive Director:

Director	Type of Award	Basis of grant awarded	Share price at date of grant (£)	Number of shares granted	Face value of grant (£)	Vesting determined by performance over
Chris Meredith	Nil-cost option	100% of salary	2.4669	109,571	270,300	See below
Mary Tavener	Nil-cost option	100% of salary	2.4669	84,762	209,100	See below

EPS – Three financial years to 31 December 2019

TSR – Three years to 6 April 2020

Outstanding Share Awards

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:

Director	As at 31 December 2016	Exercised in the year	Issued in the year	Lapsed in the year	As at 31 December 2017	Market price at date of grant (p)	First vesting date
Chris Meredith	188,628	188,628	–	–	**–**	88.00	15 April 2014 (vested)
	143,631	143,631	–	–	**–**	76.75	6 September 2015 (vested)
	113,555	113,555	–	–	**–**	90.00	19 September 2016 (vested)
	210,753	162,069	–	48,684	**–**	116.25	6 June 2017 (vested)
	168,316	–	–	–	**168,316**	151.50	10 September 2018
	143,553	–	–	–	**143,553**	184.60	18 April 2019
	–	–	109,571	–	**109,571**	246.69	6 April 2020
Mary Tavener	111,314	111,314	–	–	**–**	76.75	6 September 2015 (vested)
	88,005	88,005	–	–	**–**	90.00	19 September 2016 (vested)
	148,817	114,440	–	34,377	**–**	116.25	6 June 2017 (vested)
	132,013	–	–	–	**132,013**	151.50	10 September 2018
	111,050	–	–	–	**111,050**	184.60	18 April 2019
	–	–	84,762	–	**84,762**	246.69	6 April 2020

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to on page 50. The figures shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved. During the year ended 31 December 2017 Chris Meredith exercised 607,883 LTIPs (2016: Nil) and Mary Tavener exercised 313,759 LTIPs (2016: Nil). Awards made have no performance re-testing facility.

Approach to Remuneration of Executive Directors on Recruitment

In the case 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, 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. No Director or Senior Manager shall be involved in any decisions as to their own remuneration.

Non-Executive Directors

Non-Executive Directors are appointed under arrangements that may generally be terminated by either party on six months notice and their appointment is reviewed annually. The fees of the Non-Executive Directors are determined by the Executive Directors, taking into account the time and responsibility of each role. Additional fees relate to the supplementary fee paid to the Chairmen of the Audit and Remuneration Committees.

Non-Executive Directors receive travel expenses but do not participate in any incentive arrangements. All Non-Executive 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. Further details of the Non-Executive Director fees are outlined below.

Element of remuneration	Purpose and how it supports strategy	How the element operated and maximum opportunity	Framework used to assess performance
Non-Executive Director fees and benefits	Reflects time commitments, responsibilities of each role, fees paid and benefits provided by similar sized companies	As per the Executive Directors there is no prescribed maximum annual increase. The Board is guided by the general increase in the Non-Executive Director market and the broader employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current fee levels are set out on page 51	Non-Executive Directors do not participate in variable pay arrangement and do not receive retirement benefits

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 not fixed term and is terminable by either party giving not less than 12 months' notice in writing. The Executive Directors' contracts are available to view throughout the year at the Company's registered office and at the Annual General Meeting. The Remuneration Committee reviews the contractual terms for new Executive Directors to ensure they reflect best practice. 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
Steve Bellamy	1 February 2007	Rolling Contract	6
Penny Freer	1 March 2010	Rolling Contract	6
Peter Steinmann	1 July 2013	Rolling Contract	6

Policy on Payment for Loss of Office – Executive Directors

The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation on a case-by-case basis accordingly, 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.

The table below summarises how the awards under the Annual Bonus and 2014 LTIP are typically treated in different leaver scenarios and on a change of control. Whilst the Remuneration Committee retains overall discretion for determining 'Good Leaver' status, it typically defines a 'Good Leaver' for the Annual Bonus and 2014 LTIP as circumstances which include retirement, ill health or injury, disability, redundancy and the employing company ceasing to be under the control of the Group.

The 2014 DAB defines a 'Good Leaver' as ceasing to be a Director or employee of a Group Company where that individual is not a 'Bad Leaver'. A 'Bad Leaver' is defined as a Director or employee leaving the business due to the Financial Statements requiring restatement. Final treatment is subject to the Committee's discretion.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual Bonus/DAB		
'Good Leaver'	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)	No automatic entitlement to Annual Bonus on a pro-rata basis (at the discretion of the Remuneration Committee)
'Bad Leaver'	Not applicable	Individuals lose the right to their Annual Bonus and unvested Deferred Annual Bonus share awards
Change of control	Annual Bonuses are paid and unvested Deferred Share Bonus share awards vest on the date of notification to the Executive Directors regarding the change of control	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'	On normal vesting date (or earlier at the Remuneration Committee's discretion)	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'	Unvested awards lapse	Unvested awards lapse on cessation of employment
Change of control	Unvested awards vest on the date of notification to the Executive Directors regarding the change of control	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 Deferred Share Bonus (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.

Payments to past Directors

No payments were made to past Directors during the year ended 31 December 2017.

Payments for Loss of Office

No payments for loss of office were made during the year ended 31 December 2017.

Statement of Directors' Shareholdings and Share Interests

Director	Beneficially owned* at 31 December 2016	Beneficially owned* at 31 December 2017	Outstanding LTIP awards at 31 December 2017	Outstanding DAB awards at 31 December 2017	Outstanding share awards under DSB at 31 December 2017	Shareholding as a % of Issued Share Capital at 31 December 2017
Chris Meredith	1,190,322	**1,485,530**	**421,440**	**83,384**	**11,667**	**0.70%**
Mary Tavener	1,828,129	**1,961,119**	**327,825**	**55,728**	**7,837**	**0.92%**

Executive Directors are required to hold shares worth 100% of pre-tax annual salary in Company shares in compliance with the Executive Shareholding Policy. Compliance with this policy as at 31 December 2017 is shown below:

Director	Shares held**	Vested DSB's	LTIPs (50% of vested / unexercised LTIPs)	DAB Awards	Total Shares	Target shareholding target (£)	Actual shareholding value (£)	% vs holding target
Chris Meredith	**1,471,327**	**14,203**	**Nil**	**83,384**	**1,568,914**	**270,300**	**4,977,380**	**1,841%**
Mary Tavener	**1,952,877**	**8,242**	**Nil**	**55,728**	**2,016,847**	**209,100**	**6,398,447**	**3,060%**

* Includes all shares beneficially held by the Executive Director (or their spouses and children) and vested DSB's.

** Beneficially held by the Executive Director (or their spouses and children).

The shareholding as a % shown above is based on the share price as at 31 December 2017.

CEO Total Remuneration

The total remuneration figure for the Chief Executive Officer during each of the last five financial years is shown in the table below. The total remuneration figure includes the salary, Annual Bonus based on that year's performance, gains made on DSBs in that year and LTIP awards based on the three-year performance periods ending in the relevant year. The Annual Bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

Year ended 31 December	2013	2014	2015	2016	**2017**
Total remuneration (£'000)	331	645	741	784	**1,040**
Annual Bonus (% of maximum)	50.1%	59.7%	78.76%	72.5%	**82.6%**
LTIP vesting (% of maximum)	–	61.5%	55.1%	50%	**76.9%**

Relative Importance of Spend on Pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and profits for the year attributable to owners of the parent:

Year ended 31 December	2016 (£m)	**2017 (£m)**	change %
Staff costs	26.2	**29.9**	14.4%
Dividends[1]	1.8	**2.0**	14.9%
Tax	3.4	**5.1**	50.8%
Profits for the year attributable to owners of the parent	15.7	**20.1**	28.3%

[1] The dividend figures relate to amounts payable in respect of the relevant financial year.

£1,365,000 (2016: £1,339,000) of the staff costs figure relate to pay for the Directors, of which £789,000 relates to the highest paid Director (2016: £778,000). Total pension contributions were £1,091,000 (2016: £988,000) and for the highest paid Director £27,000 (2016: £26,000).

During 2017, distributions to shareholders included a dividend of £1,307,000 paid on 16 June 2017 (2016: £1,150,000) and £742,000 paid on 27 October 2017 (2016: £633,000). It is proposed that a dividend of 0.75p per share be paid on 15 June 2018. Further details are provided in Note 14 on page 81.

Gender Pay Gap Reporting – Ensuring Opportunities for All

The full compliance statement can be found on pages 42 to 43 of the Corporate Governance Report and on the Company website 'www.admedsol.com/genderpay'.

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 29 on pages 89 to 93.

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

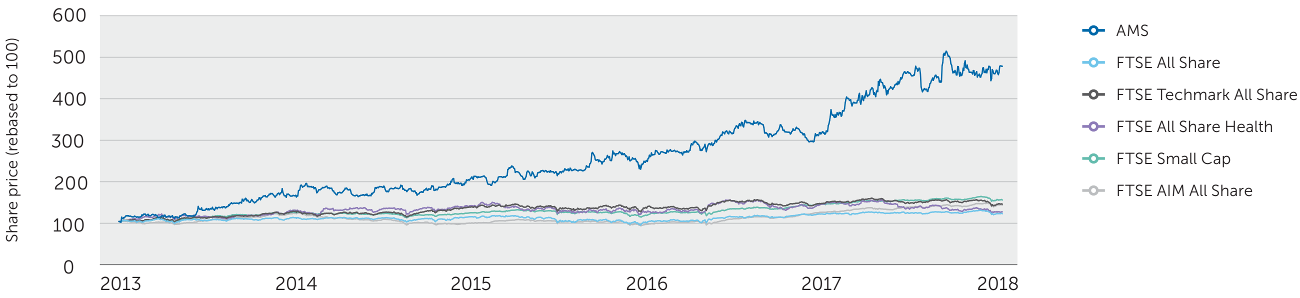
Up until 2010, the Company was able to offer options under an Enterprise Management Incentive (EMI) Scheme. The Company no longer satisfies the requirements for operating this scheme, however, options already granted will be allowed to vest in accordance with the scheme rules.

Share Performance - 2017

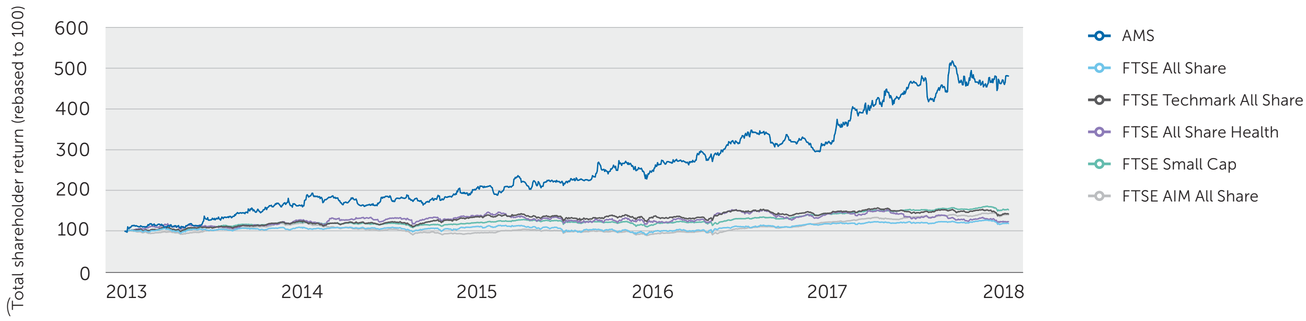
The opening share price for 2017 was 221.75p and the closing price, on the last trading day of the year, was 317.25p. The range during the year was 350p (high) and 209.5p (low) (Source: daily official list of the London Stock Exchange).

Five-year Share Performance

For the five-year period ending 28 February 2018 the Advanced Medical Solutions Group plc share price has outperformed the FTSE All-Share Index by 363%, FTSE Techmark All-Share Index by 339%, FTSE All-Share Health Care Index by 358%, the FTSE Small Cap Index by 329%, and FTSE AIM All-Share Index by 344%.



For the five-year period ending 28 February 2018 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 351%, FTSE Techmark All-Share Index by 329%, FTSE All-Share Health Care Index by 345%, the FTSE Small Cap Index by 319%, and FTSE AIM All-Share Index by 344%.



Mary Tavener
Company Secretary

17 April 2018

Directors' Report
For the year ended 31 December 2017

The Directors present their report, incorporating the Chairman's Statement, the Strategic Report, the Governance reports, and the audited Financial Statements for the year ended 31 December 2017.

Strategic Report

The Strategic Report can be found on pages 4 to 33. This report includes a balanced and comprehensive analysis of the development and performance of the business of the Group and a description of the main trends and factors likely to affect the future development, performance or position of the business at the end of the year, using key performance indicators where appropriate.

Principal Risks and Uncertainties

A description of the Group's principal risks and uncertainties can be found on pages 32 to 33, which forms part of the Strategic Report.

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 2017 £2,052,000 (2016: £2,276,000) on research and development. In accordance with International Accounting Standards a further £860,000 (2016: £259,000) has been capitalised. Following a review of development £nil impairments were made in 2017 (2016: £125,000).

Dividends

The Group made a profit before tax for the year to 31 December 2017 of £25.3 million (2016: £19.1 million). The Directors are recommending payment of a final dividend of 0.75p per share (2016: 0.62p per share). The final dividend will, subject to shareholders' approval, be paid on 15 June 2018 to shareholders on the register at the close of business on 25 May 2018. This will make a total dividend of 1.10p for the full year (2016: 0.92p).

Post-Balance Sheet Events

There have been no adjusting or non-adjusting post-balance sheet events.

Key Performance Indicators

The Directors have monitored the performance of the Group with particular reference to the relevant key performance indicators:

→ Revenue growth (%) at constant currency

→ Adjusted[1] operating margin (%)

→ Customer service (OTIF)[2]

→ Adjusted[1] diluted Earnings per Share growth (%)

The Group monitors progress on a regular basis. Performance against the key performance indicators can be found on page 25. The Group intends to review its key performance indicators in 2018 to ensure that they continue to be the most relevant for the Group.

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 facility is provided jointly by the Group's banks HSBC and The Royal Bank of Scotland PLC. 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 38 to 42, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the accounts.

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 27 to the Financial Statements.

[1] Before exceptional items and amortisation of acquired intangible assets.

[2] OTIF – 'On time in full'.

Share Capital and Issue of Ordinary Shares

At 8 March 2018, the Group's issued share capital comprised:

	Number	£000	% of Issued Share Capital
Ordinary Shares of 5p each	212,647,634	10,632	100%

The issued share capital of the Company is set out in Note 27 to the financial statements on pages 88 and 89 .

Substantial Shareholdings

As at 6 April 2018 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.

	8 March 18	% of Issued Share Capital
Octopus Investments Limited	20,739,259	9.75
AXA SA	16,632,986	7.82
BlackRock Inc	15,892,747	7.47
Cannacord Genuity Group Inc	13,995,238	6.58
Investec Group	11,857,384	5.58
Aviva plc	9,317,308	4.38
Schroders	9,072,050	4.27
Charles Stanley Group	7,763,296	3.65

There has been no significant changes to the substantial shareholdings between 31 December 2017 and 6 April 2018. The top shareholders listed above remain the same as 31 December 2017.

Directors

The names of the current Directors together with brief biographies are shown on pages 34 and 35.

The Directors who were in office during the year ended 31 December 2017, 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 47.

Directors are re-appointed by ordinary resolution at the Annual 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 Annual General Meeting. Directors are subject to re-election at intervals of no more than three years, with the exception of Steve Bellamy who will be put forward for re-election annually. At the forthcoming Annual General Meeting Chris Meredith and Steve Bellamy 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 page 53.

Directors and their Interests

The Directors of the Company at 31 December 2017 and their interests, all of which are beneficially held, in the share capital of the Company were:

	Ordinary Shares of 5p each 31 December 2017				Ordinary Shares of 5p each 31 December 2016			
	Shares	**DSBs**	**LTIPs**	**Deferred Bonus[2]**	Shares	DSBs	LTIPs	Deferred Bonus[1]
Chris Meredith	**1,482,079**	**15,118**	**421,440**	**83,384**	1,190,322	28,995	968,436	82,218
Mary Tavener	**1,959,691**	**9,265**	**327,825**	**55,728**	1,828,129	16,516	591,199	57,870
Steve Bellamy	**100,000**	**–**	**–**	**–**	100,000	–	–	–
Peter Allen	**50,000**	**–**	**–**	**–**	50,000	–	–	–
Penny Freer	**13,888**	**–**	**–**	**–**	13,888	–	–	–

1 Deferred Bonus shares are in respect of the bonus earned relating to the 2013, 2014 and 2015 financial years.

2 Deferred Bonus shares are in respect of the bonus earned relating to the 2013, 2014, 2015 and 2016 financial years.

Further details of the Directors' remuneration and benefits are included in the Remuneration Report on pages 47 to 56.

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 are 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. No cover is provided in respect of any fraudulent or dishonest act.

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 to giving fair and equal treatment to all employees and job applicants in terms of recruitment, pay conditions, promotions, training and all employment matters regardless of age, disability, race, sex, sexual orientation, marriage or civil partnership status, pregnancy, maternity and paternity, 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 UK, 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 Employee Opinion Surveys 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 47 to 56.

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 of the DSB Scheme are provided in the Remuneration Report on page 50. 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.

2,200,000 Ordinary Shares (2016: 1,452,000) were issued during the year to employees exercising their share options and options over other share incentive schemes. Details are given in Note 29 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 and 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

AMS is focused on reducing our impact on the environment. The Group has operations across a number of countries, where local management drive environmental performance. Specific site level objectives are established to ensure compliance with local legislative requirements. The Company aims to adopt responsible environmental practices and to give consideration to minimising the 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. Air compressors were replaced providing both business contingency and energy reduction. Across the manufacturing sites in recent years less energy efficient plant such as steam humidifiers, pump systems, chillers and transformers have been replaced and upgraded.

2017 saw an increased emphasis on energy management and using energy more efficiently. We continue to monitor and optimise the energy resources at our manufacturing facilities across the Group. Examples of activity in this area includes the fitting of light emitting diodes (LEDs) in our warehouse at Winsford. A study of water usage at the Winsford site, which focused on managing our use of water, resulted in a significant reduction in water usage, highlighting our commitment to environmental compliance and management. Work on the warehouse extension at our Plymouth site has commenced and it will incorporate an energy efficient system for heating and lighting, and be insulated to the highest standard.

Evaluations of capital investment opportunities are ongoing to further reduce energy consumption. 2018 will demonstrate significant investment in both infrastructure and expertise. The UK manufacturing sites will apply for the ISO 50001 Energy Management Standard, which is an internationally recognised world class standard.

Corporate Social Responsibility

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

- → Employees
- → Ethical Standards
- → Health, Safety and Environment
- → Customer and Community

The Group has implemented a Corporate Social Responsibility Policy.

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 judgements and accounting estimates that are reasonable and prudent;
- → State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- → Prepare the Financial Statements on the Going Concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and 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 6 June 2018 are contained in the Notice of the Annual General Meeting on pages 100 to 102. 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 11.00 am on 6 June 2018 at 85 Gresham Street, London, EC2V 7NQ. Details of the Notice of the Annual General Meeting are given on pages 100 to 102. The Annual General Meeting provides an opportunity for 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

17 April 2018

Independent Auditor's Report to the Members of Advanced Medical Solutions Group plc
Report on the audit of the Financial Statements

Opinion

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 2017 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (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 including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Advanced Medical Solutions Group plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Parent Company Balance Sheet;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related Consolidated Financial Statement Notes 1 to 31; and
- the related Parent Company Financial Statement Notes 1 to 7.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and The Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Identification of cash generating units and allocation of goodwill; and
- Revenue recognition

Materiality

The materiality that we used for the Group Financial Statements was £1.2 million which was determined on the basis of approximately 5% of statutory profit before tax.

Scoping

We focused our Group audit scope on the UK, Germany and the Netherlands which were subject to a full audit. As a consequence of the audit scope determined, we achieved coverage of approximately 97% of revenue, 96% of profit before tax and 98% of net assets.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the Going Concern basis of accounting in preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Group's or The Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Identification of cash generating units and allocation of goodwill

Key audit matter description	The Group holds £42 million of goodwill which has been allocated against three cash generating units (CGU) as shown in Note 19. Identifying the CGU at the smallest group of assets which can largely generate independent cash inflows requires the exercise of judgement regarding the interdependency of assets across the Group, in particular where geographic spread of sites and product ranges exist within each segment. For specific detail on the Groups accounting policy, please see Note 3.
How the scope of our audit responded to the key audit matter	We have assessed the design and implementation of controls relating to the identification of CGU and allocation of goodwill. We challenged management's assumptions and conclusions regarding the identification of the CGU. As part of our procedures we: → assessed the impact of the internal Business Unit restructure upon the business operations; → reviewed how performance is monitored and decisions are made; → evaluated management's assertions of the extent of interdependency of generation of cash inflows across individual sites, products and customer groups; and → checked the allocation of goodwill is in line with management's basis of aggregating previous CGU.
Key observations	Based on the procedures we have concluded that the CGU identified and allocation of goodwill were appropriate.
Key audit matter description	ISAs (UK) require that, as part of our overall response to the risk of fraud, when identifying and assessing the risks of material misstatement due to fraud, we evaluate which types of revenue or revenue transactions might give rise to potential fraud risks. The Group sells medical devices across a number of Geographical regions. We have specifically focused this key audit matter to whether sales have occurred, particularly for periods where revenue patterns are different to prior year and budget. Pressures to meet stakeholder expectations could provide incentives to record revenues where risk and reward have not passed. The associated disclosure is included within Note 4. For specific detail on the Group's accounting policy, please see Note 3.
How the scope of our audit responded to the key audit matter	We performed walkthroughs of the revenue cycle at significant components to gain an understanding of when the revenue should be recognised, to map out the relevant controls end to end and the processes in place. We have assessed the design and implementation of these controls. We tested a sample of individual sales transactions and traced to sales invoices, final sales contracts or purchase orders. We performed analytic reviews to identify any unusual sales trends, including analysis of sales prices at a customer Group level. We reviewed a sample of new contracts in the period and considered the appropriateness of the revenue recognition policies adopted, including identification of any rebate conditions or minimum order clauses. We identified and considered the impact of any credit notes or inventory returns occurring after year-end, including evaluating the impact of any overdue debts from customers.
Key observations	We were satisfied that the revenue recognition policies have been applied appropriately. We noted no material instances of inappropriate revenue recognition arising from our testing.

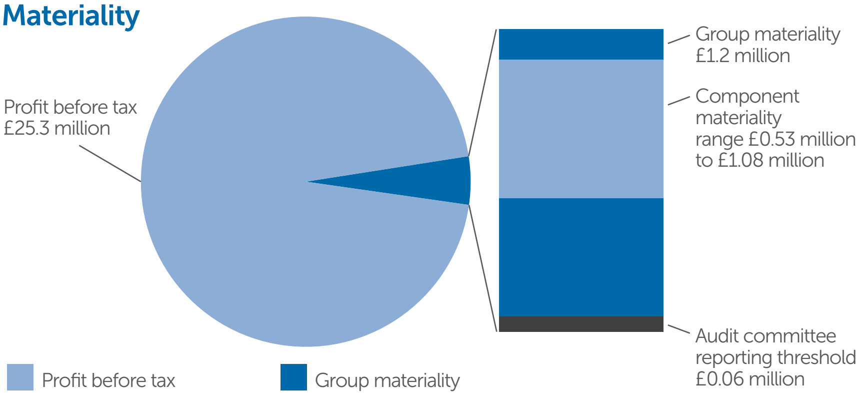
Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent company Financial Statements
Group materiality	£1.2 million	£1.08 million
Basis for determining materiality	Approximately 5% of profit before tax	The Parent Company materiality represents less than 1% of equity which is capped at 90% of Group materiality.
Rationale for the benchmark applied	Profit before tax is determined to be the most relevant performance measure to the users of the Financial Statements.	As a non-trading Parent Company, equity is the key driver of the company.

Materiality



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £60,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on this assessment, we focused our Group audit scope on the UK, Germany and Netherlands, with the UK and Germany subject to a full audit and Netherlands specified procedures. As a consequence of the audit scope determined, we achieved coverage of 97% of the Group's revenue, 96% of the Group's profit before tax and 98% of the Group's net assets. Our audit work at each location was executed at levels of materiality applicable to each individual entity which was lower than Group materiality. Component materiality ranged from £0.53 million to £1.08 million.

The Group audit team are responsible for the audit of all components within the Group except for Germany, Russia and Czech Republic which are the responsibility of the component auditor Deloitte & Touche GmbH. During the year, senior members of the Group audit team have engaged in regular communications with Deloitte & Touche GmbH. We include the component audit team in our team briefing, discuss their risk assessment, attend the close meeting and review documentation of the findings from their work.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components (Russia, Czech Republic, and the US components) not subject to audit.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and The Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or The Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and or The Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Rachel Argyle (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester

17 April 2018

Consolidated Income Statement
For the year ended 31 December 2017

	Note	Year ended 31 December 2017 Total £'000	Year ended 31 December 2016 (restated) Before exceptional items £'000	Exceptional items £'000	Total £'000
Revenue	4	**96,908**	83,242	–	83,242
Cost of sales		**(38,504)**	(35,194)	–	(35,194)
Gross profit		**58,404**	48,048	–	48,048
Distribution costs		**(1,130)**	(1,047)	–	(1,047)
Administration costs		**(32,184)**	(27,535)	(361)	(27,896)
Other income		**150**	–	–	–
Profit from operations	4, 5	**25,240**	19,466	(361)	19,105
Finance income	11	**147**	108	–	108
Finance costs	12	**(110)**	(111)	–	(111)
Profit before taxation		**25,277**	19,463	(361)	19,102
Income tax	13	**(5,143)**	(3,410)	–	(3,410)
Profit for the year attributable to equity holders of the parent		**20,134**	16,053	(361)	15,692
Earnings per share					
Basic	15	**9.52p**	7.65p	(0.17p)	7.48p
Diluted	15	**9.39p**	7.55p	(0.17p)	7.38p
Adjusted diluted	15	**9.46p**	7.66p	(0.17p)	7.49p

The above results relate to continuing operations.

Consolidated Statement Of Comprehensive Income
For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit for the year	**20,134**	15,692
Items that will potentially be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	**2,187**	8,851
Gain / (loss) arising on cash flow hedges	**4,192**	(3,009)
Other comprehensive income for the year	**6,379**	5,842
Total comprehensive income for the year attributable to equity holders of the parent	**26,513**	21,534

Consolidated Statement Of Financial Position
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Acquired intellectual property rights	16	**9,675**	9,468
Software intangibles	16	**3,078**	2,500
Development costs	16	**2,135**	1,645
Goodwill	19	**41,801**	40,337
Property, plant and equipment	17	**17,019**	16,177
Deferred tax assets	18	**199**	–
Trade and other receivables	21	**286**	10
		74,193	70,137
Current assets			
Inventories	20	**11,073**	11,440
Trade and other receivables	21	**20,950**	11,872
Current tax assets		**48**	432
Cash and cash equivalents	22	**62,454**	51,125
		94,525	74,869
Total assets		**168,718**	145,006
Liabilities			
Current liabilities			
Trade and other payables	23	**10,547**	12,901
Current tax liabilities		**2,290**	2,049
Other taxes payable		**15**	85
		12,852	15,035
Non-current liabilities			
Trade and other payables	23	**310**	1,291
Deferred tax liabilities	18	**3,120**	3,152
		3,430	4,443
Total liabilities		**16,282**	19,478
Net assets		**152,436**	125,528
Equity			
Share capital	27	**10,632**	10,524
Share premium		**34,778**	34,005
Share-based payments reserve		**4,676**	3,469
Investment in own shares	28	**(152)**	(152)
Share-based payments deferred tax reserve		**815**	459
Other reserve	28	**1,531**	1,531
Hedging reserve	28	**658**	(3,534)
Translation reserve	28	**2,823**	636
Retained earnings		**96,675**	78,590
Equity attributable to equity holders of the parent		**152,436**	125,528

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 66 to 93 were approved by the Board of Directors and authorised for issue on 17 April 2018 and were signed on its behalf by:

Chris Meredith
Chief Executive Officer

17 April 2018

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 2016	10,451	33,196	2,253	(152)	437	1,531	(525)	(8,215)	64,681	103,657
Consolidated profit for the year to 31 December 2016	–	–	–	–	–	–	–	–	15,692	15,692
Other comprehensive (expense)/ income	–	–	–	–	–	–	(3,009)	8,851	–	5,842
Total comprehensive income	–	–	–	–	–	–	(3,009)	8,851	15,692	21,534
Share-based payments	–	–	1,230	–	22	–	–	–	–	1,252
Share options exercised	73	809	(14)	–	–	–	–	–	–	868
Shares purchased by EBT	–	–	–	(449)	–	–	–	–	–	(449)
Shares sold by EBT	–	–	–	449	–	–	–	–	–	449
Dividends paid	–	–	–	–	–	–	–	–	(1,783)	(1,783)
At 31 December 2016	10,524	34,005	3,469	(152)	459	1,531	(3,534)	636	78,590	125,528
Consolidated profit for the year to 31 December 2017	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,134**	**20,134**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**4,192**	**2,187**	**–**	**6,379**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**4,192**	**2,187**	**20,134**	**26,513**
Share-based payments	**–**	**–**	**1,279**	**–**	**356**	**–**	**–**	**–**	**–**	**1,635**
Share options exercised	**108**	**773**	**(72)**	**–**	**–**	**–**	**–**	**–**	**–**	**809**
Shares purchased by EBT	**–**	**–**	**–**	**(484)**	**–**	**–**	**–**	**–**	**–**	**(484)**
Shares sold by EBT	**–**	**–**	**–**	**484**	**–**	**–**	**–**	**–**	**–**	**484**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,049)**	**(2,049)**
At 31 December 2017	**10,632**	**34,778**	**4,676**	**(152)**	**815**	**1,531**	**658**	**2,823**	**96,675**	**152,436**

Consolidated Statement Of Cash Flows
For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flows from operating activities		
Profit from operations	**25,240**	19,105
Adjustments for:		
Depreciation	**2,053**	1,898
Amortisation		
– intellectual property rights	**134**	242
– software intangibles	**415**	329
– development costs	**380**	441
Impairment of development costs	**–**	125
Decrease/(increase) in inventories	**505**	(2,005)
Increase in trade and other receivables	**(8,627)**	(674)
Increase in trade and other payables	**73**	1,199
Share-based payments expense	**1,279**	1,230
Taxation	**(4,486)**	(2,065)
Net cash inflow from operating activities	**16,966**	19,825
Cash flows from investing activities		
Purchase of software	**(958)**	(795)
Capitalised research and development	**(860)**	(259)
Purchases of property, plant and equipment	**(2,901)**	(1,523)
Disposal of property, plant and equipment	**264**	41
Interest received	**147**	109
Net cash used in investing activities	**(4,308)**	(2,427)
Cash flows from financing activities		
Dividends paid	**(2,049)**	(1,783)
Finance lease	**–**	(1)
Issue of equity shares	**809**	868
Shares purchased by EBT	**(484)**	(449)
Shares sold by EBT	**484**	449
Interest paid	**(110)**	(111)
Net cash used in financing activities	**(1,350)**	(1,027)
Net increase in cash and cash equivalents	**11,308**	16,371
Cash and cash equivalents at the beginning of the year	**51,125**	34,201
Effect of foreign exchange rate changes	**21**	553
Cash and cash equivalents at the end of the year	**62,454**	51,125

1 Reporting entity

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

The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange plc. The Consolidated Financial Statements of the Company for the twelve months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2 Basis of preparation

The 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 forecast economic environment for the next 12 months.

With regards to the Group's financial position, it had cash and cash equivalents at the year end of £62.5 million. The Group also has in place a five-year, unsecured, multi-currency, revolving credit facility for £30 million which was undrawn during 2017.

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 contracts with customers across different geographic regions and also with substantial financial resources, ranging from government agencies through to global healthcare companies.

Having taken the above into consideration, the Directors have reached a conclusion that the Group is well placed to manage its business risks in the current economic environment. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

In the current year the Group has applied a number of amendments to IFRSs issued by the IASB. Their adoption has not had a material impact on the disclosures or on the amounts reported in the Annual Financial Statements. The following amendments were applied:

→ Amendments to IAS 7, Disclosure Initiative

→ Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

→ Annual Improvements to IFRSs: 2014-16 Cycle, specifically amendments to IFRS 12, Disclosure of Interests in Other Entities

IFRS 15 is effective for annual periods beginning 1 January 2018 and will replace IAS 11 Construction Contracts and IAS 18 Revenue. The standard establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards. The Group has decided to adopt the standard early with effect for the year ended 31 December 2017. As a result of the early adoption, Other Income of £709,000 (excluding the £2,504,000 royalty income from Organogenesis) has been re-classified as Revenue (2016: £621,000). The impact on Profit before Taxation is £nil (2016: £nil).

3 Accounting policies

Critical judgements and key sources of estimation uncertainty

In the course of preparing the Financial Statements, no critical judgements have been made in the process of applying the Group's accounting policies, nor are there any key sources of estimation uncertainty that exist which may cause a material impact in the next 12 months.

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 in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition. If after restatement, 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 is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to assets of the unit on a pro-rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue recognition

The Group manufactures and sells a range of innovative and technologically advanced products for the global surgical, woundcare and wound closure markets. Sales are recognised when control of the products has transferred to the customer in accordance with the contractual shipping terms, the customer has discretion over the channel and price to sell the products in accordance with the sales contract, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Transfer occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Occasionally, the products are sold with volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. The Group recognised £92.6 million revenue in the year ended 31 December 2017 (2016: £81.8 million). Accumulated experience and customer-provided forecasts is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of finance is deemed present as the sales are made with a credit term of up to 90 days, which is consistent with market practice. A receivable is recognised when the goods are transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group also recognises revenue from royalty income receivable under licence agreements from external customers at amounts excluding value added tax as the products under licence are sold and the revenue can be reliably measured. For the year ended 31 December 2017, £3.3 million (2016: £0.8 million) revenue from royalty income was recognised.

Other income

Other income relates to tax credits received under the UK Research and Development Expenditure Credit (RDEC) scheme and is recognised in the Income Statement in the same period in which the expense is incurred.

Exceptional items

Exceptional items are those items that are significant for separate disclosure by virtue of their size, nature or incidence, or that the Directors consider should be disclosed separately to enable a full understanding of the Group's financial performance. This includes non-recurring transaction costs (see Note 6). Exceptional items have been presented separately on the face of the Income Statement. The Directors consider that this presentation gives a fairer presentation of the results of the Group.

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.

3 Accounting policies continued

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 period unless exchange rates fluctuate significantly. Exchange differences arising on consolidation are recognised in equity within the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

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 24 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 the Consolidated Statement of Changes in Equity.

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 Taxation 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 where it is probable the temporary difference will not reverse in the foreseeable future. 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. 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 20 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 intangible and intangible assets excluding goodwill

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

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

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

Calculation of recoverable amount

The recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money.

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.

3 Accounting policies continued

Recognition and valuation of financial assets

Cash and cash equivalents

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

Investments

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

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

Trade and other receivables

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

Recognition and valuation of equity instruments

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

Recognition and valuation of financial liabilities

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

Trade payables

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

Other loans

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in Note 24.

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 24 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. At each Balance Sheet date the Group revises its estimate of the number expected to vest as a result of the effect of non-market based vesting conditions. The impact, if any, is recognised in profit or loss with a corresponding adjustment to reserves.

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 2017, 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

New accounting standards not yet applied

At the date of authorisation of the Annual Financial Statements, the following new and revised IFRSs that are potentially relevant to the Group, and which have not been applied in the Annual Financial Statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9, Financial Instruments – effective for accounting periods beginning on or after 1 January 2018.
- IFRIC 22, Foreign Currency Transactions and Advance Consideration – effective for accounting periods beginning on or after 1 January 2018.
- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions – effective for accounting periods beginning on or after 1 January 2018.
- Annual Improvements to IFRSs: 2014-16 Cycle, IFRS 1 and IAS 28 Amendments – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16, Leases – effective for accounting periods beginning on or after 1 January 2019.
- IFRIC 23, Uncertainty over Income Tax Treatments – effective for accounting periods beginning on or after 1 January 2019.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the Financial Statements of the Group in future periods, except as follows:

IFRS 16 is effective for annual periods beginning 1 January 2019 and will replace IAS 17 Leases. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model. As such it requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease. Early adoption is permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied, however the Group does not expect to undertake this option.

As at 31 December 2017, the Group holds a number of operating leases, which currently, under IAS 17, are expensed on a straight line basis over the lease term. The Group has made the following estimates of the approximate impacts of adopting the new standard, which are sensitive to all changes up to the application date. If the standard had been adopted in the current year, a depreciation charge of around £1.0 million in relation to the right-of-use asset and a finance expense charge of around £0.6 million would have been recognised in place of the operating lease charge of £1.3 million. In addition, a right-of-use asset and largely offsetting lease liability of approximately £11.0 million would be recognised in the statement of financial position.

4 Segment information

The Group has reviewed its business structure and has consolidated its Business Units from four to two. The Branded Direct and Branded Distributed Business Units have now been combined into the Branded Business Unit which is responsible for selling, marketing and innovation of all AMS branded products, whether sold directly by our sales teams or through our distributors. The OEM and Bulk Business Units have been consolidated within the OEM Business Unit and is responsible for the distribution, marketing and innovation of the Group's products that are supplied to our medical device partners under their brands. This new structure provides improved marketing efficiencies and supports the strategic initiatives of the Group, and is the level at which the Board reviews and evaluates performance.

The Group's strategic initiatives continue to be:

→ Growing the business by investing in R&D

→ Extending the markets for our existing products

→ Evaluating acquisition opportunities that align with the Group's strategy

Segment information about these businesses is presented below with the comparative information restated to align with the new segmental structure.

Year ended 31 December 2017	Branded £'000	OEM £'000	Consolidated £'000
Revenue			
External sales	**55,244**	**41,664**	**96,908**
Result			
Segment result	**14,336**	**11,354**	**25,690**
Unallocated expenses			**(450)**
Profit from operations			**25,240**
Finance income			**147**
Finance costs			**(110)**
Profit before tax			**25,277**
Tax			**(5,143)**
Profit for the year			**20,134**

At 31 December 2017	Branded £'000	OEM £'000	Consolidated £'000
Other information			
Capital additions:			
Software intangibles	**715**	**243**	**958**
Research & development	**425**	**435**	**860**
Property, plant and equipment	**1,563**	**1,338**	**2,901**
Depreciation and amortisation	**(1,192)**	**(1,790)**	**(2,982)**
Balance sheet			
Assets			
Segment assets	**112,057**	**56,580**	**168,637**
Unallocated assets			**81**
Consolidated total assets			**168,718**
Liabilities			
Segment liabilities	**10,406**	**5,876**	**16,282**
Consolidated total liabilities			**16,282**

Year ended 31 December 2016 (restated)	Branded £'000	OEM £'000	Consolidated £'000
Revenue			
External sales	45,427	37,815	83,242
Result			
Segment result	11,313	8,677	19,990
Unallocated expenses			(885)
Profit from operations			19,105
Finance income			108
Finance costs			(111)
Profit before tax			19,102
Tax			(3,410)
Profit for the year			15,692

At 31 December 2016 (restated)	Branded £'000	OEM £'000	Consolidated £'000
Other Information			
Capital additions:			
Software intangibles	596	199	795
Research & development	157	102	259
Property, plant and equipment	1,105	418	1,523
Depreciation and amortisation	(1,310)	(1,600)	(2,910)
Balance sheet			
Assets			
Segment assets	97,498	47,388	144,886
Unallocated assets			120
Consolidated total assets			145,006
Liabilities			
Segment liabilities	12,020	7,458	19,478
Consolidated total liabilities			19,478

Geographic segments

The Group operates in the UK, Germany, the Netherlands, the Czech Republic, with sales offices in Russia and a sales presence in the US. 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 2017 £'000	Year ended 31 December 2016 £'000
United Kingdom	**17,266**	17,957
Germany	**19,062**	18,466
Europe excluding United Kingdom and Germany	**22,939**	21,360
United States of America	**35,330**	23,505
Rest of World	**2,311**	1,954
	96,908	83,242

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
United Kingdom	**98,305**	80,580
Germany	**65,212**	59,950
Europe excluding United Kingdom and Germany	**4,743**	3,962
United States of America	**458**	514
	168,718	145,006

5 Profit from operations

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit from operations is arrived at after charging:			
Depreciation of property, plant and equipment		**2,053**	1,898
Amortisation of:			
– acquired intellectual property rights		**134**	242
– software intangibles		**415**	329
– development costs		**380**	441
Impairment of development cost		**–**	125
Operating lease rentals	– plant and machinery	**248**	253
	– land and buildings	**1,005**	917
Research and development costs expensed to the Income Statement		**2,052**	2,276
Cost of inventories recognised as expense		**36,516**	33,498
Write down of inventories expensed		**1,448**	634
Staff costs		**29,920**	26,162
Net foreign exchange loss		**2,427**	1,271

6 Exceptional items

During 2017, no exceptional costs were incurred (2016: £0.4 million – relating to an acquisition that was not progressed in the year).

7 Auditor's remuneration

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**18**	13
Fees payable to the Company's auditor and their associates for other audit services to the Group		
– the audit of the Company's subsidiaries	**97**	71
Total audit fees	**115**	84
Audit related assurance services	**13**	13
Other services	**6**	4
Corporate finance services relating to an aborted acquisition	**–**	114
Total non audit fees	**19**	131
	134	215

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 Governance section of the Annual Report which includes explanations of how the audit objectivity and independence is safeguarded when non-audit service are provided by the Auditor.

8 Employees

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

	Year ended 31 December 2017	Year ended 31 December 2016
Production	**343**	303
Research and development	**36**	30
Sales and marketing	**128**	120
Administration	**96**	86
	603	539

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Staff costs for all employees, including Executive Directors, consists of:		
Wages and salaries	**23,697**	20,979
Social Security costs	**3,853**	2,965
Pension costs	**1,091**	988
Share-based payments (see Note 29)	**1,279**	1,230
	29,920	26,162

9 Directors' Emoluments

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Remuneration for management services	**1,046**	967
Pension	**48**	52
Amounts paid to third parties	**66**	65
Share-based payments	**395**	442
	1,555	1,526
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**2**	2

10 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 2017 £'000	Year ended 31 December 2016 £'000
Salaries and short-term employee benefits	**2,286**	2,334
Pension	**100**	108
Share-based payments	**740**	795
	3,126	3,237

11 Finance Income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Bank interest	**147**	108

12 Finance costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Amortisation of facility fees	**110**	111

13 Taxation

a) Analysis of charge for the year

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current tax:		
Tax on ordinary activities – current year	**5,397**	3,180
Tax on ordinary activities – prior year	**(296)**	(358)
	5,101	2,822
Deferred tax:		
Tax on ordinary activities – current year	**42**	599
Effect of reduction in UK corporation tax rates	**–**	(11)
	42	588
Tax charge for the year	**5,143**	3,410

The Group has chosen to use a weighted average country tax rate rather than the UK tax rate for the reconciliation of the charge for the year to the profit per the Income Statement. The Group operates in several jurisdictions, some of which have a tax rate in excess of the UK tax rate. As such, a weighted average country tax rate is believed to provide the most meaningful information to the users of the Financial Statements.

b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: lower) than the weighted average Group tax rate of 21.91% (2016: 22.11%) as explained below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit before taxation	**25,277**	19,102
Weighted average Group tax rate 21.91% (2016:22.11%)	**5,538**	4,224
Effects of:		
Net expenses not deductible for tax purposes and other timing differences	**1**	19
Utilisation and recognition of trading losses	**–**	(203)
Patent box relief	**(310)**	(242)
Net impact of deferred tax on capitalised development costs and R&D relief	**170**	(183)
Share-based payments	**37**	(47)
Adjustments in respect of prior year – current tax	**(293)**	(359)
Adjustments in respect of prior year and rate changes – deferred tax	**–**	201
Taxation	**5,143**	3,410

Legislation to reduce the main rate of UK corporation tax to 17% was passed by Parliament in September 2016 to take effect from 1 April 2020. The reduction in the main rate to 17% had been substantively enacted at the Balance Sheet date and, therefore, the deferred tax assets and liabilities are calculated in these Financial Statements at this rate.

In addition to the amount charged to the Income Statement and other Comprehensive Income, the Group has recognised directly in equity:

- → Excess tax deductions related to share-based payments on exercised options
- → Changes in excess deferred tax deductions related to share-based payments, totalling £356,000 deficit: (2016: £22,000 deficit).

14 Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Final dividend for the year ended 31 December 2016 of 0.62p (2015: 0.55p) per Ordinary Share	**1,307**	1,150
Interim dividend for the year ended 31 December 2017 of 0.35p (2016: 0.30p) per Ordinary Share	**742**	633
	2,049	1,783
Proposed final dividend for the year ended 31 December 2017 of 0.75p (2016: 0.62p) per Ordinary Share	**1,595**	1,307

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

15 Earnings per share

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit for the year attributable to equity holders of the parent		
Pre exceptional items	**20,134**	16,053
Post exceptional items	**20,134**	15,692
Number of shares	**'000**	'000
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**211,563**	209,815
Effect of dilutive potential Ordinary Shares: share options, deferred share bonus, LTIPs	**2,760**	2,778
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**214,323**	212,593

	'000	'000
Profit for the year attributable to equity holders of the parent	**20,134**	16,053
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent		
Amortisation of acquired intangible assets	**134**	242
Adjusted profit for the year attributable to equity holders of the parent	**20,268**	16,295

Earnings per share	**pence**	pence
Basic – pre exceptional	**9.52**	7.65
Basic – post exceptional	**9.52**	7.48
Diluted – pre exceptional	**9.39**	7.55
Diluted – post exceptional	**9.39**	7.38
Adjusted basic (before exceptional items)	**9.58**	7.77
Adjusted diluted (before exceptional items)	**9.46**	7.66

16 Acquired intellectual property rights, software intangibles and development costs

	Acquired intellectual property rights £'000	Software intangibles £'000	Development costs £'000	Total £'000
2017				
Cost				
At beginning of year	**12,897**	**3,724**	**3,735**	**20,356**
Additions	**–**	**958**	**860**	**1,818**
Disposals / impairment	**–**	**(14)**	**–**	**(14)**
Exchange differences	**340**	**43**	**11**	**394**
At end of year	**13,237**	**4,711**	**4,606**	**22,554**
Amortisation				
At beginning of year	**3,429**	**1,224**	**2,090**	**6,743**
Charged in the year	**134**	**415**	**380**	**929**
Disposals / impairment	**–**	**(14)**	**–**	**(14)**
Exchange differences	**(1)**	**8**	**1**	**8**
At end of year	**3,562**	**1,633**	**2,471**	**7,666**
Net book value				
At 31 December 2017	**9,675**	**3,078**	**2,135**	**14,888**
At 31 December 2016	9,468	2,500	1,645	13,613

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 ten years with four 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 £9.2 million. 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
2016				
Cost				
At beginning of year	11,541	2,859	3,340	17,740
Additions	–	795	364	1,159
Exchange differences	1,356	70	31	1,457
At end of year	12,897	3,724	3,735	20,356
Amortisation				
At beginning of year	3,182	850	1,537	5,569
Charged in the year	242	329	441	1,012
Disposals / Impairment	–	–	125	125
Exchange differences	5	45	(13)	37
At end of year	3,429	1,224	2,090	6,743
Net book value				
At 31 December 2016	9,468	2,500	1,645	13,613
At 31 December 2015	8,359	2,009	1,803	12,171

17 Property, plant and equipment

	Freehold land, property and improvements £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
2017							
Cost							
At beginning of year	**5,034**	**12**	**23,876**	**688**	**719**	**–**	**30,329**
Additions	**142**	**–**	**2,308**	**60**	**391**	**–**	**2,901**
Disposals	**–**	**–**	**(558)**	**–**	**–**	**–**	**(558)**
Exchange adjustment	**145**	**–**	**181**	**4**	**29**	**–**	**359**
At end of year	**5,321**	**12**	**25,807**	**752**	**1,139**	**–**	**33,031**
Depreciation							
At beginning of year	**657**	**10**	**12,983**	**386**	**116**	**–**	**14,152**
Provided for the year	**140**	**–**	**1,659**	**54**	**200**	**–**	**2,053**
Disposals	**–**	**–**	**(294)**	**–**	**–**	**–**	**(294)**
Exchange adjustment	**4**	**–**	**88**	**1**	**8**	**–**	**101**
At end of year	**801**	**10**	**14,436**	**441**	**324**	**–**	**16,012**
Net book value							
At 31 December 2017	**4,520**	**2**	**11,371**	**311**	**815**	**–**	**17,019**
At 31 December 2016	4,377	2	10,893	302	603	–	16,177

At 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.4 million (2016: £0.4 million).

The net book value of plant and equipment includes £146,000 of plant and machinery (2016: £167,000) 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
2016							
Cost							
At beginning of year	4,443	12	22,430	679	641	72	28,277
Additions	29	–	1,247	12	235	–	1,523
Transfer of assets into use	–	–	72	–	–	(72)	–
Disposals	(2)	–	(493)	(18)	(239)	–	(752)
Exchange adjustment	564	–	620	15	82	–	1,281
At end of year	5,034	12	23,876	688	719	–	30,329
Depreciation							
At beginning of year	451	10	11,566	340	115	–	12,482
Provided for the year	124	–	1,572	58	144	–	1,898
Disposals	–	–	(457)	(17)	(157)	–	(631)
Exchange adjustment	82	–	302	5	14	–	403
At end of year	657	10	12,983	386	116	–	14,152
Net book value							
At 31 December 2016	4,377	2	10,893	302	603	–	16,177
At 31 December 2015	3,992	2	10,864	339	526	72	15,795

18 Deferred tax

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

	Share-based payment £'000	Tax losses £'000	Advanced capital allowances £'000	Intangible assets £'000	Research and development assets £'000	Total £'000
At 31 December 2015	562	590	(664)	(2,311)	(353)	(2,176)
Charge to income	100	(590)	51	(199)	50	(588)
Charge to equity	22	–	–	–	–	22
Exchange adjustment	–	–	–	(410)	–	(410)
At 31 December 2016	684	–	(613)	(2,920)	(303)	(3,152)
Charge to income	34		26	25	(127)	(42)
Charge to equity	356	–	–	–	–	356
Exchange adjustment	–	–	–	(83)	–	(83)
At 31 December 2017	**1,074**	–	**(587)**	**(2,978)**	**(430)**	**(2,921)**

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:

	2017 £'000	2016 £'000
Deferred tax liabilities	**(3,995)**	(3,836)
Deferred tax assets	**1,074**	684
	(2,921)	(3,152)

At the balance sheet date, the Group has £nil unused tax losses (2016: £0.6 million) available for offset against future profits.

19 Goodwill

	2017 £'000	2016 £'000
Cost		
At 1 January	**40,337**	34,579
Exchange differences	**1,464**	5,758
At 31 December	**41,801**	40,337

Two cash-generating units (CGU) exist within the Branded segment whereby goodwill has been allocated. CGU1 has £1.8 million (2016: £1.5 million) of goodwill allocated, and CGU2 has goodwill and indefinite useful life intangible assets of £38.8 million and £9.2 million (2016: £37.5 million and £8.9 million) respectively. Only one CGU has been identified within the OEM segment to which goodwill has been allocated.

Goodwill arose on the acquisition of Advanced Medical Solutions B.V. on 30 September 2009 and the acquisition of RESORBA® on 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 both segments, as follows:

At 31 December 2017		**Goodwill £'000**	**Intangible assets with indefinite useful life £'000**	**Total £'000**
Branded:	CGU1	**1,779**	**–**	**1,779**
	CGU2	**38,821**	**9,208**	**48,029**
OEM:	CGU1	**1,201**	**–**	**1,201**
Consolidated		**41,801**	**9,208**	**51,009**

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 month projection is extrapolated using reasonable growth rates specific to each cash generating unit up to year five of between 2% and 14% with growth not exceeding the long-term average growth rate for the industry for years six to twenty. A discount rate of between 6.5% and 7.25% per annum (2016: between 6.5% and 7.5%), 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.

20 Inventories

	2017 £'000	2016 £'000
Raw materials	**4,773**	4,971
Work in progress	**2,723**	2,819
Finished goods	**3,577**	3,650
	11,073	11,440

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

Included above are finished goods of £nil (2016: £nil) carried at net realisable value.

	2017 £'000	2016 £'000
Total gross inventories	**13,256**	12,995
Inventory impairment	**(2,183)**	(1,555)
Net inventory	**11,073**	11,440

21 Trade and other receivables

	2017 £'000	2016 £'000
Current assets		
Due within one year:		
Trade receivables	**19,041**	10,456
Other receivables	**186**	255
Derivative financial instruments	**381**	–
Prepayments and accrued income	**1,342**	1,161
	20,950	11,872

	2017 £'000	2016 £'000
Amount receivable for the sale of goods	**19,233**	10,692
Provision for impairment	**(192)**	(236)
	19,041	10,456

	2017 £'000	2016 £'000
Non-current assets		
Other receivables	**9**	10
Derivative financial instruments	**277**	–
	286	10

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

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

	2017 £'000	2016 £'000
31 to 60 days overdue	**832**	128
61 to 90 days overdue	**107**	20
Total	**939**	148

21 Trade and other receivables continued

Movement in provision for impairment

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Balance at the beginning of the year	**236**	268
Impairment losses recognised	**9**	100
Amounts written off as uncollectible	**(15)**	(1)
Amounts recovered during the year	**(38)**	(131)
Balance at the end of the year	**192**	236

Analysis of customers

In the year ended 31 December 2017, one customer accounted for more than 10% of the Group's revenue (2016: none). This customer accounted for 14% (£13.2 million across the Branded and OEM segments) of the Group's revenue in 2017.

22 Investments, cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	**62,454**	51,125

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

23 Trade and other payables

	2017 £'000	2016 £'000
Current liabilities		
Trade payables	**2,578**	3,278
Other payables	**2,051**	1,599
Derivative financial instruments	**–**	2,605
Accruals and deferred income	**5,918**	5,419
	10,547	12,901
Non-current liabilities		
Other payables	**310**	362
Derivative financial instruments	**–**	929
	310	1,291

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

No interest is charged on trade payables that are within pre-agreed credit terms. Thereafter, interest may be charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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

24 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'.

	2017 £'000	2016 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**81,690**	61,846
Derivative instruments in designated hedge accounting relationships	**658**	–
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**–**	3,534
Amortised cost	**10,857**	10,658

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

- → The committed value of the facility is £30 million
- → There is an uncommitted accordion of an additional £20 million
- → It is unsecured
- → 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

The Risk Management section on pages 30 to 33 provides an explanation of the financial risks faced by the Group and the objectives and policies for managing those risks including hedging practices adopted. 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:

Trade and other payables at 31 December 2017

	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
2017					
	10,547	**53**	**158**	**99**	**10,857**

	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
2016					
Trade and other payables at 31 December 2016	10,296	53	158	151	10,658

(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

2017	**Floating £'000**	Non-interest bearing £'000	Total £'000
Currency			
Sterling	**43,173**	**16,043**	**59,216**
US Dollar	**191**	**947**	**1,138**
Euro	**1,785**	**315**	**2,100**
At 31 December 2017	**45,149**	**17,305**	**62,454**

2016	Floating £'000	Non-interest bearing £'000	Total £'000
Currency			
Sterling	16,195	30,621	46,816
US Dollar	136	973	1,109
Euro	2,625	575	3,200
At 31 December 2016	18,956	32,169	51,125

Trade and other receivables

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

	2017 £'000	2016 £'000
Sterling	**8,545**	6,389
US Dollar	**4,177**	2,399
Euro	**8,228**	3,084
	20,950	11,872

The financial assets all mature within one year.

(c) Currency exposures

At 31 December 2017, the Group had unhedged U.S. Dollar currency exposures of £nil (2016: £nil) and unhedged Euro currency exposures of £nil (2016: £nil).

24 Financial instruments continued

Risk sensitivity

The Group estimates that a 10% movement in the £:US$ or £:Euro exchange rate would have impacted 2017 Sterling revenues by approximately 3.2% and 2.6% respectively and in the absence of any hedging this would have had an impact on profit of 2.7% and 0.3%.

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:

Outstanding contracts

	Average contract rate		Notional principle		Fair value	
	2017 USD:£1	2016 USD:£1	**2017 USD '000**	2016 USD '000	**2017 £'000**	2016 £'000
Cash flow hedges						
Sell U.S. dollars						
Less than 3 months	**1.382**	1.467	**8,500**	5,250	**(132)**	(673)
3 to 6 months	**1.369**	1.421	**6,500**	5,250	**(39)**	(548)
7 to 12 months	**1.283**	1.423	**14,800**	10,500	**693**	(1,079)
Over 12 months	**1.289**	1.319	**5,900**	22,200	**277**	(857)
			35,700	43,200	**799**	(3,157)

	Average exchange rate		Foreign currency		Fair value	
	2017 EUR:£1	2016 EUR:£1	**2017 EUR '000**	2016 EUR '000	**2017 £'000**	2016 £'000
Sell Euros						
Less than 3 months	**1.215**	1.290	**1,000**	1,050	**(66)**	(85)
3 to 6 months	**1.177**	1.263	**1,100**	1,250	**(46)**	(73)
7 to 12 months	**1.138**	1.245	**1,800**	2,500	**(29)**	(146)
Over 12 months	**–**	1.192	**–**	2,400	**–**	(72)
			3,900	7,200	**(141)**	(376)

The fair value amounts (classified under level two of the fair value hierarchy) 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 (2016: £nil) in respect of FVTPL contracts. The profit of £4.2 million (2016: £3.0 million loss) in respect of these cash flow hedges has been taken to reserves.

25 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.

26 Foreign exchange rates

	Average rate		Closing rate		Percentage change	
	2017	2016	**2017**	2016	**Average %**	Closing %
Currency						
US Dollar	**1.2880**	1.3661	**1.3517**	1.2312	**(6)**	10
Euro	**1.1459**	1.2352	**1.1271**	1.168	**(7)**	(4)

27 Share capital

Number of Ordinary Shares of 5p each	Allotted, called up and fully paid '000
At 1 January 2016	209,022
Share options exercised	1,452
At 31 December 2016	210,474
Share options exercised	2,168
At 31 December 2017	**212,642**

During the year, employees exercised share options and options over LTIPs for 1,981,490 shares (2016: 965,958) at a range of option prices from 42p to 122p.

During the year, 236,640 (2016: 354,582) shares were issued under the Deferred Share Bonus (DSB) Scheme and the Deferred Annual Bonus (DAB) Scheme at the nominal value of 5p per share. At the Balance Sheet date, 412,583 (2016: 501,324) shares are retained by the Trust to meet the matching requirements of the scheme.

Ordinary Shares of 5p each	Allotted, called up and fully paid £'000
At 1 January 2016	10,451
Share options exercised	73
At 31 December 2016	10,524
Share options exercised	108
At 31 December 2017	**10,632**

28 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.

Translation 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.

Hedging reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Sterling, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the translation reserve. A £2,187,000 gain has been recorded in the translation reserve during the period, which would otherwise have been recognised in Administration costs (2016: £8,851,000 gain), if hedge accounting had not been adopted.

29 Share-based payments

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

	2017 £'000	2016 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**37**	102
Long-Term Incentive Plan	**908**	744
Deferred Share Bonus Scheme and Deferred Annual Bonus Scheme	**334**	384
	1,279	1,230

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

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

Grant Date	12/04/2007	20/04/2009	15/04/2011	08/09/2011	10/05/2012	20/06/2012	06/09/2012
Share price at grant date	16.75p	33.75p	88.0p	86.25p	69.08p	67.5p	76.75p
Exercise price	16.75p	33.75p	88.0p	86.25p	69.08p	67.5p	76.75p
Expected life	3.5 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	5.00%	2.40%	1.92%	1.92%	0.39%	0.39%	0.17%
Expected volatility	27%	34%	18%	18%	34%	34%	34%
Expected dividend yield	0%	0%	0.7%	0.7%	0.7%	0.7%	0.7%
Fair value of options	2p	6p	9p	9p	13p	12p	17p

Grant Date	26/04/2013	21/05/2013	15/04/2014	19/09/2014	02/04/2015	18/04/2016	06/04/2017
Share price at grant date	77.5p	74.0p	115.75p	121.75p	132.0p	184.6p	246.7p
Exercise price	77.5p	74.0p	115.75p	121.75p	132.0p	184.6p	246.7p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free rate	0.36%	0.49%	0.80%	0.80%	0.80%	0.67%	0.18%
Expected volatility	36%	36%	36%	36%	31%	25%	23%
Expected dividend yield	0.7%	0.7%	0.7%	0.7%	0.7%	0.4%	0.4%
Fair value of options	15p	14p	23p	24p	22p	25p	29p

29 Share-based payments continued

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 2017:

Date of grant	Option price (p)	Weighted average price at exercise (p)	No of options as at 1 January 2017	Remaining life 1 January 2017	Issued	Lapsed	Exercised	No of options as at 31 December 2017	Remaining life 31 December 2017
Unapproved Executive Share Option Scheme									
10.05.12	69.08	–	5,500	5.4	–	–	–	5,500	4.4
20.06.12	67.50	283.45	75,334	5.5	–	–	(75,334)	–	4.5
21.05.13	74.00	266.91	60,000	6.4	–	–	(60,000)	–	5.4
15.04.14	115.75	271.40	484,679	7.3	–	–	(344,679)	140,000	6.3
19.09.14	121.75	313.53	127,680	7.7	–	–	(73,960)	53,720	6.7
02.04.15	132.00	–	365,296	8.2	–	(80,000)	–	285,296	7.2
18.04.16	184.60	–	755,572	9.3	–	(88,359)	–	667,213	8.3
06.04.17	246.70	–	–	–	527,903	(18,193)	–	509,710	9.3
Enterprise Management Incentive Scheme									
20.04.09	33.75	–	3,000	2.3	–	–	–	3,000	1.3
16.04.10	42.00	252.93	58,000	3.3	–	–	(10,000)	48,000	2.3
Company Share Option Plan									
15.04.11	88.00	–	6,000	4.3	–	–	–	6,000	3.3
08.09.11	86.25	–	1,000	4.7	–	–	–	1,000	3.7
10.05.12	69.08	278.90	23,500	5.4	–	–	(22,500)	1,000	4.4
26.04.13	77.50	–	1,000	6.3	–	–	–	1,000	5.3
21.05.13	74.00	274.59	45,149	6.4	–	–	(42,049)	3,100	5.4
15.04.14	115.75	278.41	135,321	7.3	–	–	(82,321)	53,000	6.3
19.09.14	121.75	301.22	116,320	7.7	–	–	(91,680)	24,640	6.7
02.04.15	132.00	–	99,704	8.2	–	–	–	99,704	7.2
18.04.16	184.60	–	148,053	9.3	–	–	–	148,053	8.3
06.04.17	246.70	–	–	–	234,522	(11,359)	–	223,163	9.3
			2,511,108		762,425	(197,911)	(802,523)	2,273,099	

The weighted average remaining contractual life of the options outstanding at 31 December 2017 is 8.0 years (2016: 8.0 years).

	2017 Number of Options	2017 Weighted average exercise price (p)	2016 Number of Options	2016 Weighted average exercise price (p)
Outstanding at beginning of the year	2,511,108	138.49	2,473,300	97.52
Issued	762,425	246.70	903,625	184.60
Exercised	(802,523)	280.35	(839,817)	194.23
Lapsed	(197,911)	172.61	(26,000)	81.94
Outstanding at end of the year	2,273,099	183.50	2,511,108	138.49
Exercisable at end of year	339,960	102.92	278,483	64.99

Long Term Incentive Plan (LTIP)

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

Grant date	15/04/2011	06/09/2012	19/09/2013	06/06/2014	02/04/2015	10/09/2015	18/04/2016	06/04/2017	02/11/2017
Share price at grant date	88.00p	76.8p	90.0p	117.0p	132.0p	151.5p	184.6p	**246.7p**	**344.7p**
Exercise price	0p	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**	**3 yrs**
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	**10 yrs**	**10 yrs**
Risk free rate	1.92%	0.39%	0.86%	0.80%	0.80%	0.80%	0.67%	**0.18%**	**0.18%**
Expected volatility	33%	34%	36%	36%	29%	27%	25%	**23%**	**23%**
Expected dividend yield	0%	0.7%	0.7%	0.7%	0.7%	0.7%	0.4%	**0.4%**	**0.4%**
Probability of performance conditions	52%	49%	70%	75%	80%	80%	64%	**64%**	**64%**
Fair value of option	76.5p	36.4p	60.9p	85.9p	64.4p	75.5p	159.0p	**220.0p**	**220.0p**

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 50. The numbers shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved.

	Date of grant	Market price at date of Grant (p)	Number of LTIPs at 1 January 2017	Remaining life 1 January 2017	Issued	Lapsed	Exercised	Number of LTIPs at 31 December 2017	Remaining life 31 December 2017
Long-Term Incentive Plan									
	15.04.11	88.00	**188,628**	**5.3**	–	–	(188,628)	**–**	**4.3**
	06.09.12	76.75	**254,945**	**5.7**	–	–	(254,945)	**–**	**4.7**
	19.09.13	90.00	**201,560**	**6.8**	–	–	(201,560)	**–**	**5.8**
	06.06.14	117.00	**807,957**	**7.5**	–	(186,640)	(533,834)	**87,483**	**6.5**
	02.04.15	132.00	**468,213**	**8.3**	–	(40,000)	–	**428,213**	**7.3**
	10.09.15	151.50	**300,329**	**8.7**	–	–	–	**300,329**	**7.7**
	18.04.16	184.60	**632,016**	**9.3**	–	(21,993)	–	**610,023**	**8.3**
	06.04.17	246.70	**–**	**–**	459,855	(7,386)	–	**452,469**	**9.3**
	02.11.17	344.70	**–**	**–**	9,308	–	–	**9,308**	**9.8**
			2,853,648		**469,163**	**(256,019)**	**(1,178,967)**	**1,887,825**	

The weighted average remaining contractual life of the LTIPs outstanding at 31 December 2017 is 8.1 years (2016: 7.9 years).

	2017 Number of Options	2016 Number of Options
Outstanding at beginning of the period	**2,853,648**	2,654,456
Issued	**469,163**	700,991
Exercised	**(1,178,967)**	(126,141)
Lapsed	**(256,019)**	(375,658)
Outstanding at end of the period	**1,887,825**	2,853,648
Exercisable at end of period	**87,483**	1,453,090

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	02/05/2008	23/04/2009	05/05/2010	05/05/2010	11/05/2011	11/05/2011	10/05/2012
Share price at grant date	18.25p	35.50p	34.00p	40.32p	40.32p	83.00p	83.00p	70.625p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p
Expected life	3.5 yrs	3.5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 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%	2.40%	2.40%	2.40%	1.92%	1.92%	0.39%
Expected volatility	27%	38%	30%	34%	34%	18%	18%	34%
Expected dividend yield	0%	0%	0%	0%	0%	0.7%	0.7%	0.7%
Probability of performance conditions	100%	100%	100%	100%	100%	100%	100%	100%
Fair value of option	14p	30p	29p	34p	34p	72p	72p	61p

29 Share-based payments continued

Grant date	10/05/2012	02/07/2013	02/07/2013	30/04/2014	30/04/2014	29/04/2015	29/04/2015	03/05/2016
Share price at grant date	70.625p	74.125p	74.125p	126.0p	126.0p	141.5p	141.5p	183.0p
Exercise price	0p	0p	0p	0p	0p	0p	0p	0p
Expected life	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	0.39%	0.69%	0.69%	0.80%	0.80%	0.80%	0.80%	0.67%
Expected volatility	34%	36%	36%	36%	36%	31%	31%	25%
Expected dividend yield	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.4%
Probability of performance conditions	100%	100%	100%	100%	100%	100%	100%	100%
Fair value of option	62p	63p	64p	110p	110p	124p	124p	160p

Grant date	03/05/2016	02/05/2017	02/05/2017
Share price at grant date	183.0p	264.1p	264.1p
Exercise price	0p	0p	0p
Expected life	3 yrs	5 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs
Risk-free rate	0.67%	0.18%	0.18%
Expected volatility	25%	23%	23%
Expected dividend yield	0.4%	0.4%	0.4%
Probability of performance conditions	100%	100%	100%
Fair value of option	161p	233p	233p

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

The entitlement to shares under the DSB is subject to a three year holding period. Additionally, for certain levels of share matching, additional performance conditions also need to be achieved. The actual number of shares that will be matched will depend on these performance conditions. Details of the DSB are given on page 50.

	Date of grant	Market price at date of grant (p)	Number of DSB matching shares at 1 January 2017	Remaining life 1 January 2017	Issued	Lapsed	Exercised	Number of DSB matching shares at 31 December 2017	Remaining life 31 December 2017
Deferred Share Bonus Plan									
	12.04.07	18.25	**15,779**	**0.3**	–	–	**(4,428)**	**11,351**	–
	02.05.08	35.50	**13,640**	**1.3**	–	–	–	**13,640**	**0.3**
	23.04.09	34.00	**35,212**	**2.3**	–	–	**(10,664)**	**24,548**	**1.3**
	05.05.10	40.32	**29,140**	**3.3**	–	–	**(5,580)**	**23,560**	**2.3**
	11.05.11	83.00	**34,021**	**4.4**	–	–	**(19,828)**	**14,193**	**3.4**
	10.05.12	70.625	**36,928**	**5.4**	–	–	**(19,998)**	**16,930**	**4.4**
	02.07.13	74.125	**188,416**	**6.5**	–	–	**(60,390)**	**128,026**	**5.5**
	30.04.14	126.000	**152,587**	**7.3**	–	**(198)**	**(59,473)**	**92,916**	**6.3**
	29.04.15	141.500	**242,422**	**8.3**	–	**(13,324)**	–	**229,098**	**7.3**
	03.05.16	183.000	**346,151**	**9.3**	–	**(17,201)**	**(5,135)**	**323,815**	**8.3**
	02.05.17	264.100	–	–	**279,362**	**(1,740)**	–	**277,622**	**9.3**
			1,094,296		**279,362**	**(32,463)**	**(185,496)**	**1,155,699**	

The weighted average remaining contractual life of the DSB's outstanding at 31 December 2017 is 7.4 years (2016: 7.6 years).

	2017 Number of Options	2016 Number of Options
Outstanding at beginning of the period	**1,094,296**	1,101,704
Issued	**279,362**	367,204
Exercised	**(185,496)**	(345,867)
Lapsed	**(32,463)**	(28,745)
Outstanding at end of the period	**1,155,699**	1,094,296
Exercisable at end of period	**325,164**	353,136

The exercise price of the matching shares is £nil.

Deferred Annual Bonus Scheme (DAB)

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	18/04/2016	06/04/2017
Share price at grant date	115.4p	129.0p	184.6p	246.7p
Exercise price	0p	0p	0p	0p
Expected life	3 yrs	3 yrs	3 yrs	3 yrs
Contractual life	10 yrs	10 yrs	10 yrs	10 yrs
Risk-free rate	0.80%	0.80%	0.67%	0.18%
Expected volatility	31%	31%	25%	23%
Expected dividend yield	0.7%	0.7%	0.4%	0.4%
Probability of performance conditions	100%	100%	100%	100%
Fair value of option	115p	129p	183p	250p

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

The DAB scheme 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 2017	Remaining life 1 January 2017	Issued	Lapsed	Exercised	Number of DAB matching shares at 31 December 2017	Remaining life 31 December 2017
Deferred Annual Bonus Plan									
	21.05.2014	115.40	**50,813**	**7.3**	**–**	**–**	**(50,293)**	**520**	**6.3**
	15.04.2015	129.00	**78,293**	**8.3**	**–**	**–**	**–**	**78,293**	**7.3**
	18.04.2016	184.60	**90,739**	**9.3**	**–**	**–**	**(851)**	**89,888**	**8.3**
	06.04.2017	246.70	**–**	**–**	**64,886**	**–**	**–**	**64,886**	**9.3**
			219,845		**64,886**	**–**	**(51,144)**	**233,587**	

The weighted average remaining contractual life of the DAB outstanding at 31 December 2017 is 8.2 years (2016: 8.8).

	2017 Number of Options	2016 Number of Options
Outstanding at beginning of the period	**219,845**	134,359
Issued	**64,886**	94,201
Exercised	**(51,144)**	(8,715)
Outstanding at end of the period	**233,587**	219,845
Exercisable at end of period	**520**	–

30 Commitments under operating leases

As at 31 December 2017, the Group had outstanding commitments under operating leases, which fall due as follows:

Grant date	**2017 Land and buildings £'000**	**2017 Other £'000**	2016 Land and buildings £'000	2016 Other £'000
Amounts payable under operating leases:				
Within one year	**1,034**	**206**	908	83
In one to five years	**4,245**	**131**	3,633	143
After five years	**10,147**	**4**	2,207	7
	15,426	**347**	6,748	233

31 Related party transaction

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and there are no other related party transactions to disclose.

Company Balance Sheet
At 31 December 2017

	Note	2017 £'000	2016 £'000
Non current assets			
Investment in subsidiaries	3	**52,147**	52,147
Current assets			
Investments			
Trade and other receivables	4	**2,722**	3,479
Cash and cash equivalents		**58,175**	42,530
		60,897	46,009
Current liabilities			
Trade and other payables	5	**(9,024)**	(3,698)
Net current assets		**51,873**	42,311
Net assets		**104,020**	94,458
Equity shareholders' funds			
Share capital	6	**10,632**	10,524
Share-based payments reserve		**4,676**	3,469
Investment in own shares		**(152)**	(152)
Share premium		**34,778**	34,005
Retained earnings		**54,086**	46,612
Equity attributable to equity holders of the parent		**104,020**	94,458

Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £'000	Share-based payments £'000	Investment in own shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2016	10,451	2,253	(152)	33,196	30,119	75,867
Share-based payments	–	1,230	–	–	–	1,230
Share options exercised	73	(14)	–	809	–	868
Shares purchased by EBT	–	–	(449)	–	–	(449)
Shares sold by EBT	–	–	449	–	–	449
Profit for the year	–	–	–	–	18,276	18,276
Dividends paid	–	–	–	–	(1,783)	(1,783)
At 31 December 2016	10,524	3,469	(152)	34,005	46,612	94,458
Share-based payments	–	1,279	–	–	–	1,279
Share options exercised	108	(72)	–	773	–	809
Shares purchased by EBT	–	–	(484)	–	–	(484)
Shares sold by EBT	–	–	484	–	–	484
Profit for the year	–	–	–	–	9,523	9,523
Dividends paid	–	–	–	–	(2,049)	(2,049)
At 31 December 2017	**10,632**	**4,676**	**(152)**	**34,778**	**54,086**	**104,020**

The Financial Statements of Advanced Medical Solutions Group plc (registration number 2867684) on pages 94 to 98 were approved by the Board of Directors and authorised for issue on 17 April 2018 and were signed on its behalf by:

C Meredith
Chief Executive Officer

17 April 2018

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.

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 an income statement, 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.

Critical judgements and key sources of estimation uncertainty

In the course of preparing the Financial Statements, no critical judgements have been made in the process of applying the Group's accounting policies, nor are there any key sources of estimation uncertainty that exist which may cause a material impact in the next 12 months.

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 the 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.

Trade and other payables

Trade and other payables 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.

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.

1 Significant accounting policies continued

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 reserves.

2 Income Statement

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. Advanced Medical Solutions Group plc reported a profit for the financial year ended 31 December 2017 of £9,523,000 (2016: profit of £18,276,000).

The Auditor's remuneration for audit and other services is disclosed in Note 7 to the Consolidated Financial Statements.

The average number of employees in the year was 14 (2016: 11). The Directors' remuneration is detailed in Note 9 to the Consolidated Financial Statements.

3 Investments in subsidiaries

	Investments in subsidiaries £'000
Cost	
At 1 January 2017	**80,817**
At 31 December 2017	**80,817**
Provisions for impairment	
At 1 January 2017	**28,670**
At 31 December 2017	**28,670**
Net Book value	
At 31 December 2017	**52,147**
At 31 December 2016	**52,147**

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

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

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

Name	Country of operation	Proportion of voting rights and ordinary share capital held	Nature of business	Registered address
Advanced Medical Solutions Limited	England	100%	Development and manufacture of medical products	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions (UK) Limited	England	100%	Holding Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
AMS Trustee Company Limited	England	100%	Trustee Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions (Plymouth) Limited	England	100%	Development and manufacture of medical products	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Healthcare Systems Limited	England	100%*	Dormant	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
MedLogic Global Holdings Limited	England	100%¶	Holding Company	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Innovative Technologies Limited	England	100%‡	Dormant	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom
Advanced Medical Solutions B.V.	Netherlands	100%	Development and manufacture of medical products	Munnikenheiweg 35, 4879 NE Etten-Leur, Netherlands
Advanced Medical Solutions (Germany) GmbH	Germany	100%^	Holding Company	Am Flachmoor 16, 90475 Nuremberg, Germany
Resorba Medical GmbH	Germany	100%#	Development and manufacture of medical products	Am Flachmoor 16, 90475 Nuremberg, Germany
Resorba s.r.o.	Czech Republic	100%#	Manufacture and sales office of medical products	Haltravska No. 9/578, 34401 Domazlice, Czech Republic
Resorba ooo	Russia	100%#	Sales office of medical products	Fadeeva Str. 5, 125047 Moscow, Russia
MPN Medizin Produkte Neustadt GmbH	Germany	100%#	Manufacturer of medical products	Sierksdorfer Str. 15, 23730, Neustadt in Holstein, Germany
Advanced Medical Solutions (USA) Inc.	USA	100%¶	Marketing support of medical products	2711 Caterville Road, Suite 400, Wilmington, Newcastle, 19808, Delaware, USA
Advanced Medical Solutions (Europe) Limited	England	100%	Providing financial support to other Group entities	Premier Park, 33 Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3RT, United Kingdom

* Held indirectly through Advanced Medical Solutions Limited.

‡ Held indirectly through MedLogic Global Holdings Limited.

^ s.291 of German Commercial Code invoked: No Consolidated Financial Statements prepared for the German companies.

¶ 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

	2017 £'000	2016 £'000
Due within one year		
Prepayments and accrued income	**137**	180
Amounts due from Group undertakings	**2,585**	3,299
	2,722	3,479

	2017 £'000	2016 £'000
Amounts owed by Group undertakings		
At 1 January	**5,639**	2,340
Movement	**(714)**	3,299
At 31 December	**4,925**	5,639
Provisions for impairment		
At 1 January	**2,340**	2,340
At 31 December	**2,340**	2,340
Net book value		
At 31 December	**2,585**	3,299

5 Trade and other payables: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	**–**	55
Amounts owed to Group undertakings	**5,635**	287
Accruals and deferred income	**3,248**	2,980
Derivative financial instruments	**141**	376
	9,024	3,698

6 Share capital

Details on the share capital of the Company are provided in Note 27 on page 88 to the Group's accounts.

7 Share-based payments

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

	2017 £'000	2016 £'000
Unapproved Executive Share Option Scheme, Enterprise Management Incentive Scheme and Company Share Option Scheme	**37**	102
Long-Term Incentive Plan	**908**	744
Deferred Share Bonus Scheme	**334**	384
	1,279	1,230

Details on the share-based payments of the Company are provided in Note 29 on pages 89 to 93 in the Notes to the Group's accounts.

Five Year Summary

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Consolidated Income Statement (Pre-exceptional)					
Revenue (restated)	**96.9**	83.2	69.2	63.3	59.8
Profit from operations	**25.2**	19.1	17.0	15.2	13.7
Profit attributable to equity holders of the parent	**20.1**	15.7	14.1	12.9	11.4
Basic earnings per share	**9.5p**	7.5p	6.8p	6.2p	5.5p
Consolidated Statement of Financial Position					
Net assets employed					
Non-current assets	**74.2**	70.1	62.7	66.8	71.3
Current assets	**94.5**	74.9	53.9	37.8	25.8
Total liabilities	**(16.3)**	(19.5)	(12.9)	(11.5)	(11.0)
Net assets	**152.4**	125.5	103.7	93.1	86.1
Shareholders' equity					
Share capital and investment in own shares	**10.5**	10.4	10.3	10.2	10.2
Share-based payments reserve	**4.7**	3.5	2.3	1.6	1.3
Share-based payments deferred tax reserve	**0.8**	0.5	0.4	0.3	0.2
Share premium account	**34.8**	34.0	33.2	32.8	32.4
Other reserve	**1.5**	1.5	1.5	1.5	1.5
Hedging reserve	**0.6**	(3.6)	(0.5)	(0.5)	0.7
Translation reserve	**2.8**	0.6	(8.2)	(4.9)	(0.7)
Retained equity	**96.7**	78.6	64.7	52.1	40.5
Equity attributable to equity holders of the parent	**152.4**	125.5	103.7	93.1	86.1

Notice of Meeting

Notice is hereby given that the twenty-fourth Annual General Meeting of the Company will be held at 11.00 am on 6 June 2018 at 85 Gresham Street, London, EC2V 7NQ 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 2017 (together with the Report of the Auditor thereon).

2 To approve the Directors' Remuneration Report for the year ended 31 December 2017.

3 To reappoint Deloitte LLP as Auditor and to authorise the Directors to fix their remuneration.

4 To re-elect Chris Meredith (who retires by rotation in accordance with the Articles of Association) as a Director of the Company.

5 To re-elect Steve Bellamy (who retires by rotation in accordance with the Articles of Association) as a Director of the Company.

6 To declare a final dividend of 0.75p per Ordinary Share, payable on 15 June 2018 to shareholders on the register at close of business on 25 May 2018.

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 £3,544,127 provided that this authority is for a period expiring upon the earlier of the date of the Company's next Annual General Meeting and 15 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 £1,063,238; and

(c) which shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 15 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 10,632,381;

(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 15 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

17 April 2018

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

Notes

1 A member entitled to attend and vote at the meeting convened by the Notice set out on page 100 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 Link 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 am 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 close of business on 4 June 2018 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 close of business on 4 June 2018 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 £3,544,127 (representing 70,882,544 Ordinary Shares of 5p each). This amount represents approximately one-third of the issued Ordinary Share capital of the Company as at 29 March 2018, 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 2019 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 £1,063,238 (being 10% of the Company's issued Ordinary Share capital at 29 March 2018, 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 2019 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 £531,619 (representing 5% of the issued Ordinary Share capital of the Company as at 29 March 2018, the latest practicable date prior to publication of this Notice; representing 10,632,381 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 2019 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 29 March 2018, the latest practicable date prior to publication of this Notice, there were share options outstanding over Ordinary Shares, representing 2.6% 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 2.7% of the Company's ordinary issued share capital.

Nominated Advisor and Broker

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Auditor

Deloitte LLP
Statutory Auditor
PO Box 500
2 Hardman Street
Manchester M60 2AT

Tax Adviser

PwC
No. 1 Spinningfields
1 Hardman Square
Manchester M3 3EB

Solicitors

Brown Rudnick LLP
8 Clifford Street
London W1S 2LQ

Registrars and Transfer Office

Link Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers

HSBC
99–101 Lord Street
Liverpool L2 6PG

Royal Bank of Scotland
2nd Floor
1 Spinningfields Square
Manchester M3 3AP

Patent Attorneys

Marks & Clerk
Manchester Office
1 New York Street
Manchester M1 4HD

Foley & Lardner LLC
975 Page Mill Square
Palo Alto CA 94304-1013

Public Relations

Consilium Strategic Communications
41 Lothbury
London EC2R 7HG

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Advanced Medical Solutions Group plc

Registered Office:

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

Company Number: 2867684
Tel: +44 (0)1606 863500
Fax: +44 (0)1606 863600
e-mail: info@admedsol.com

Web: www.admedsol.com